



# The Impact of the 2024 Indonesian Presidential Election Quick Count on Stock Returns of Companies Affiliated to the Presidential Candidates

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## ABSTRACT

Political events can have an impact on the business. This study analyses the reaction of the Indonesian capital market to the announcement of the quick count results of the presidential election on February 15, 2024. The analysis focuses on the stock of companies affiliated with the presidential candidates. This research uses an event study procedure to determine whether there is a market reaction around the announcement of the election quick count results. The test results show abnormal returns before and after the announcement of the quick count results. There is a significant difference in cumulative abnormal returns before and after the announcement of the election quick count results.

**Keywords:** Elections, political economics, event study, market efficiency, abnormal returns

## 1. INTRODUCTION

General elections are one of the political events that significantly impact various aspects of a country's social and economic life. General elections are not only the focus of public attention but also receive special attention from capital market players, especially in the context of their relationship with stock market movements. Previous research documents that elections have different impacts on sectors in the capital market in various countries, such as Kenya [1], the United States [2], [3], and Greece [4]. The absence of patterns in industry returns around election events prompted us to observe groups of companies not by industry, but companies owned or controlled by business people affiliated with the presidential candidate who won the quick count.

Political connections are found to have an impact on firm performance. In developing countries, political connections are found to have a negative effect on firm performance [5], [6]. The negative effect of political connections on performance is also found in European countries, as the costs of political connections are higher than the benefits [7]. Companies with political connections are less productive than companies that do not have political connections [8]. Another study using an event study approach also found a negative market reaction to companies with political connections [9]. This negative market reaction is because investors in the capital market associate political connections with low performance.

The relationship between business and politics in Indonesia may be different from that in other countries. Research on firm performance in Indonesia shows that politically connected boards are positively associated with market performance [10], [11]. In the Indonesian context, political connections are considered important in business, with politically connected companies accounting for a massive percentage of economic activity in Indonesia [12]. In Indonesia, there are no provisions regulating the involvement of politicians in business or creating political connections in public companies. The intense political connections of manufacturing companies in Indonesia can be seen from the number of directors/commissioners/shareholders with a minimum ownership level of 10% who have held or are holding positions in parliament, cabinet, politicians, central/regional government, or the military, and can influence the formulation of company policies [13]. In terms of corporate finance, it was found that companies in Indonesia with politically connected boards of commissioners experience lower costs of debt and equity capital [14]. These findings suggest that investors and creditors perceive firms with politically connected boards as less risky than those without the strategic role of a politically connected board of commissioners to mitigate the interdependence and external uncertainty

of the company [11]. Political connections are also found to have a positive effect on tax avoidance. Companies in countries that adhere to a self-assessment tax system and have political connections tend to take advantage of these opportunities to make it easier for them to avoid taxes [13].

This research uses the event study method, frequently used in various studies, to measure the impact of an event on a company's market value. However, the innovations and differences between this research and previous studies are significant. First, the event observed is the announcement of the quick count results by the Indonesian General Election Commission, rather than the official election results which have been the focus of most prior studies. Quick count data is justified because it often closely reflects the official election outcomes, makes them highly relevant for investors, and triggers immediate market reactions, particularly for companies with political affiliations. This focus on quick count results distinguishes this study from prior research and provides timely insights into how early election outcomes influence investor behavior and market dynamics. Second, the study focuses on companies associated with politicians close to the presidential candidates. In the event of the presidential election of the Republic of Indonesia in 2024, the announcement of quick count results has the potential to trigger significant changes in the stock market. This is especially true for stocks of companies affiliated with presidential candidates participating in the political contest. The election results become the basis for companies to direct future business in anticipation of the winning government's policies. Companies that do not have close ties with the new government have difficulty rebuilding relationships with the new government [15]. In this context, the study aims to investigate the impact of the announcement of the 2024 presidential election quick count on the stock returns of issuers affiliated with presidential candidates. This study uses an event study approach to investigate the impact of the 2024 presidential election quick count announcement on stock returns of issuers affiliated with presidential candidates

This research provides a deeper understanding of how the stock market reacts to the announcement of quick count results of the presidential election. This research will help identify patterns of investor behavior and market reactions in the face of important political events such as presidential elections. The research is expected to provide valuable insights for investors, financial analysts, and decision-makers in the capital market. In addition, the results of this study can also be an important contribution to the economic and financial literature related to the relationship between political events and stock market behavior.

## 2. LITERATURE REVIEW

Elections are significant political events that have an economic impact. The findings in the United States show that changes in financial uncertainty in the late stages of an election campaign season are explained by changes in the incumbent party's probability of re-election [16]. Elections accompanied by conflict have a negative impact, while peaceful elections have a positive impact in Kenya [1]. A two-round election in Turkey in 2023 was found to have mixed results across different industry sectors [17]. In the United States, it was found that although shares of pharmaceutical companies significantly underperformed the market before the election, prices increased substantially starting three days before the election results [2]. During the 2016 US presidential election, it was found that companies with access to the Obama administration experienced significantly lower stock returns after the release of the election results compared to similar companies [18]. Another study in the United States found no consistent pattern in industry returns when comparing the impact of Democratic and Republican Party victories. However, the degree of reaction varies across industries [3]. The parliamentary elections in Greece in 2000, 2004, and 2007 found that the average cumulative abnormal return changed before and after the event period but not significantly [4].

Previous research found that political connections have an impact on firm performance; therefore, the capital market responds to political events, which is reflected in changes in stock prices. Political connections are found to have a negative effect on firm performance in developing countries [5], [6]. These results align with political economy theory, which states that an unstable political system and a weak judicial system will significantly affect investors and their rights. Research in European countries also found a negative effect of political connections on performance due to the higher costs of political connections than the benefits [7]. Companies with connections are less productive than companies that do not have political connections [8]. Another study with an event study approach found that companies with political connections experienced negative returns on the announcement of regulations governing the employment of government officials in the business world in China [9]. Meanwhile, event studies in Thailand imply that relationships with prime ministerial candidates are more important for business operations than relationships with members of parliament [19].

Event studies allow the measurement of the impact of a particular event on the market value of a particular company or companies in a particular segment [20]. Event studies examine how quickly stock prices adjust to certain significant economic events. These studies test whether it is possible to invest in security after a public announcement of an important event and experience significant abnormal returns. Efficient market theory expects security prices to adjust quickly, so investors are unlikely to earn superior risk-adjusted returns by investing after a public announcement and paying regular transaction costs [21].

### 3. METHODS

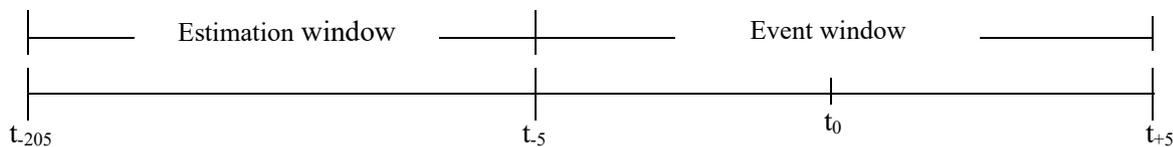
The population of this study is companies affiliated with presidential or vice-presidential candidates running in the 2024 Indonesian presidential election. There are companies affiliated with presidential candidates but excluded from the sample because their shares are not actively traded, so the final research sample amounted to 14 companies. The companies and their form of closeness to the presidential and vice-presidential candidates are described in Table 1.

**Table 1. Company relationships with presidential and/or vice-presidential candidates in the 2024 Indonesian presidential election**

Company name	code	company's relationship with the presidential candidate
PT VKTR Teknologi Mobilitas Tbk	VKTR	Owned by Aburizal Bakrie, the board of trustees of the
PT Bakrie & Brothers Tbk	BNBR	Golkar party, one of the parties supporting the Prabowo
PT Bumi Resources Tbk	BUMI	Subianto-Gibran Rakabuming candidate in the 2024
PT Bumi Resources Minerals Tbk	BRMS	election.
PT Energi Mega Persada Tbk	ENRG	Gibran Rakabuming is the son of incumbent president Joko
PT Darma Henwa Tbk	DEWA	Widodo
PT Bakrie Sumatera Plantations Tbk	UNSP	
PT Panca Mitra Multiperdana Tbk	PMMP	Affiliated with Kaesang Pangarep, the younger brother of the vice-presidential candidate, who is also the Chairman of the Partai Solidaritas Indonesia (PSI). Kaesang owns shares in PMMP through PT Harapan Bangsa Kita.
PT WIR ASIA Tbk.	WIRG	Aryo P.S. Djojohadikusumo, who is the son of businessman Hashim Djojohadikusumo, also owns shares in WIRG through his company PT Karunia Tidar Abadi. Hashim is the younger brother of Prabowo Subianto.
PT Mentohi Karyatama Raya Tbk	MKTR	Owned by Golongan Karya (Golkar) party politician Fuad Hasan Masyhur
PT TBS Energi Utama Tbk.	TOBA	Owned by Pandu Sjahrir, Deputy Treasurer of the Prabowo-Gibran National Campaign Team
PT GoTo Gojek Tokopedia Tbk.	GOTO	TOBA is expanding its Electrum electric motor business, headed by Pandu Sjahrir
PT Adaro Energy Indonesia Tbk.	ADRO	The company's President Director, Garibaldi Thohir or Boy Thohir has openly expressed his support for Prabowo-Gibran. Garibaldi Thohir is the brother of President Joko Widodo's state-owned enterprises minister Erick Thohir.
PT Adaro Minerals Indonesia Tbk.	ADMR	A subsidiary of ADRO

This research uses an event study approach to answer the research problem. Event studies measure the impact of certain events on firm value. Based on market rationality, the impact of an event will be immediately reflected in securities and will be immediately reflected in security prices. Therefore, a measure of the economic impact of the event can be constructed using security prices observed in a relatively short period of time [20].

The event of interest in this event study is the official announcement of the quick count results of the Indonesian presidential election conducted by the General Election Commission on February 15, 2024, the date hereafter denoted as  $t_0$ . The time unit analyzed is daily, denoted by  $t$ . Event windows in this study are from  $t_{-5}$  to  $t_{+5}$ . The estimation windows are from  $t_{-205}$  to  $t_{-6}$  as shown in Figure 1.



**Figure 1 Timeline event study**

This study aims to test whether there is a significant abnormal return during the event window and if there is an abnormal return, is there a difference between before and after  $t_0$ . Abnormal return (AR) is defined as the difference between actual return (R) and expected return (ER), as stated in equation 1.

$$AR_{it} = R_{it} - ER_{it} \quad (1)$$

AR<sub>it</sub> : Abnormal Return of company i's stock in period t  
 R<sub>it</sub> : Company stock return i in period t  
 ER<sub>it</sub> : expected stock return of company i in period t

Meanwhile, R<sub>it</sub> is calculated by equation 2 and ER<sub>it</sub> is calculated by equation 3.

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}} \quad (2)$$

P<sub>it</sub> : Stock price of company i on day t  
 P<sub>it-1</sub> : Stock price of company i on day t-1

In this study, the expected return is estimated using the market model. The market model uses a regression model of market return (RM) on the actual stock return (R) during the estimation window. The intercept and slope estimated from the regression model are used to estimate ER<sub>it</sub>.

$$ER_{it} = \alpha_i + \beta_i RM_t \quad (3)$$

$\alpha_i$  : intercept regression of market return on stock return of company i  
 $\beta_i$  : regression coefficient of market return on stock return of company i  
 RM<sub>t</sub> : market return on day t

Market Return is represented by the return of the Indonesian Composite Index (IHSG) on the Indonesia Stock Exchange. Therefore, RM is calculated as follows:

$$RM_t = \frac{PIHSG_t - PIHSG_{t-1}}{PIHSG_{t-1}} \quad (4)$$

PIHSG<sub>t</sub> : The IHSG price on day t  
 PIHSG<sub>t-1</sub> : The IHSG price on day t-1

The abnormal return observations must be aggregated to draw an overall conclusion about the event of interest. The concept of cumulative abnormal return (CAR) is required to accommodate event windows that have multiple periods [20].

$$CAR_{i(0,t)} = \sum_{t=0}^t AR_{it} \text{ or } CAR_{i(-t,0)} = \sum_{t=-t}^0 AR_{it} \quad (5)$$

CAR<sub>i(0,t)</sub> is the cumulative abnormal return of company i from the date of the event to t days afterwards.

CAR<sub>i(-t,0)</sub> is the cumulative abnormal return of company i from t days before the event date until that date.

To answer whether there are abnormal returns around the announcement of the quick count results of the 2024 presidential election, a one-sample hypothesis test using t statistics on the Average Abnormal Returns (AAR) and average Cumulative Abnormal Returns (CAAR) between companies on one particular day was conducted.

H<sub>0</sub>: AAR<sub>t</sub>=0

H<sub>1</sub>: AAR<sub>t</sub>≠0

And for CAAR

H<sub>0</sub>: CAAR<sub>t</sub>=0

H<sub>1</sub>: CAAR<sub>t</sub>≠0

To answer whether there is a difference in abnormal returns before and after the announcement of the quick count results of the 2024 presidential election, a paired sample t-test was conducted.

H<sub>0</sub>: CAR<sub>(-t,0)</sub> = CAR<sub>(0,t)</sub>

H<sub>1</sub>: CAR<sub>(-t,0)</sub> ≠ CAR<sub>(0,t)</sub>

## 4. RESULTS AND DISCUSSION

The descriptive statistics for AR are shown in Table 2. There were changes in the average abnormal returns during the event window. There are some days when there are positive and negative abnormal returns, but they are not prolonged. When the abnormal returns are viewed cumulatively, there is a more evident pattern, as shown in Table 3. Where there is a positive abnormal return before the event date, then it reverses to negative after the event. In the meantime, the descriptive statistics of the CAR are in line with the expectation that investors in the stocks of companies related to the presidential election reacted negatively to the announcement of the quick count results. Indonesia's General Election Commission announced the quick count results of the election, which was won by the Prabowo-Gibran pair. The candidate has a very close relationship with the incumbent president. Negative market reaction is found in politically connected companies [9].

**Table 2. Descriptive statistics of Abnormal Return**

day	average	median	min	max	stdev
-5	-0,002	0,000	-0,052	0,068	0,028
-4	-0,006	-0,005	-0,038	0,031	0,020
-3	0,004	0,005	-0,017	0,021	0,011
-2	0,009	-0,004	-0,015	0,149	0,041
-1	0,022	0,024	-0,042	0,069	0,025
0	-0,014	-0,008	-0,089	0,040	0,031
+1	-0,028	-0,016	-0,130	0,015	0,040
+2	0,006	0,003	-0,028	0,053	0,022
+3	-0,009	-0,008	-0,042	0,020	0,016
+4	0,003	-0,003	-0,035	0,172	0,050
+5	0,036	0,006	-0,053	0,192	0,069

**Table 3. Descriptive statistics of Cumulative Abnormal Return**

period	average	median	min	max	stdev
(-5,0)	0,013	0,011	-0,074	0,069	0,037
(-4,0)	0,015	0,018	-0,030	0,067	0,029
(-3,0)	0,021	0,013	-0,005	0,068	0,021
(-2,0)	0,016	0,015	-0,011	0,063	0,021
(-1,0)	0,008	0,010	-0,132	0,067	0,046
(0,1)	-0,042	-0,030	-0,219	0,015	0,058
(0,2)	-0,036	-0,027	-0,188	0,019	0,053
(0,3)	-0,045	-0,036	-0,230	0,025	0,065
(0,4)	-0,042	-0,050	-0,265	0,196	0,099
(0,5)	-0,006	-0,024	-0,318	0,370	0,154

The test results for abnormal returns in the event window are shown in Tables 4 and 5. There are several days where the AAR is significant both before and after the event date, precisely on days -1, +1, and +3. Cumulatively, CAR also shows significant abnormal returns several times before and after the event date. The mixed results for CAR are similar to those found in [17]. Changes in AAR indicate that prices may be affected by political uncertainty that occurs at times like these [19].

**Table 4. One sample t test result of AAR**

day	AAR	t	P value	Conclusions
-5	-0,002	-0,229	0,822	No abnormal return
-4	-0,006	-1,102	0,291	No abnormal return
-3	0,004	1,551	0,145	No abnormal return
-2	0,009	0,774	0,453	No abnormal return
-1	0,022	3,296	0,006	significant abnormal return
0	-0,014	-1,701	0,113	No abnormal return
+1	-0,028	-2,623	0,021	significant abnormal return
+2	0,006	0,988	0,341	No abnormal return
+3	-0,009	-2,166	0,049	significant abnormal return
+4	0,003	0,251	0,806	No abnormal return
+5	0,036	1,922	0,077	No abnormal return

**Table 5. One sample t test result of CAAR**

period	CAAR	t	P value	Conclusions
(-5,0)	0,013	1,306	0,214	No abnormal return
(-4,0)	0,015	1,893	0,081	No abnormal return
(-3,0)	0,021	3,703	0,003	significant abnormal return
(-2,0)	0,016	2,906	0,012	significant abnormal return
(-1,0)	0,008	0,627	0,541	No abnormal return
(0,1)	-0,042	-2,701	0,018	significant abnormal return
(0,2)	-0,036	-2,557	0,024	significant abnormal return
(0,3)	-0,045	-2,634	0,021	significant abnormal return
(0,4)	-0,042	-1,593	0,135	No abnormal return
(0,5)	-0,006	-0,156	0,879	No abnormal return

The hypothesis of informational market efficiency suggests that in a half-strong efficient market, stock prices already reflect information, so there should be no abnormal return. The findings of significant abnormal return and cumulative abnormal return mean that it is not in accordance with the hypothesis of a half-strong efficient market.

Table 6 shows the results of the CAR difference test between before and after the announcement of the presidential election quick count results. The test is not only on the difference 5 days before and 5 days after the event, but also in a shorter time span. The difference in CAR is significant only in the time span of 4 days before and 4 days after the event or less than that period. When abnormal returns are accumulated for 5 days before and after the event, the difference becomes insignificant.

**Table 6. T-test results of CAR before and after the event.**

CAR	Paired Differences Mean	t	Sig. (2-tailed)	Conclusions
(-1,0) - (0,1)	0,04982	5,116	0,000	significant difference
(-2,0) - (0,2)	0,05262	3,333	0,005	significant difference
(-3,0) - (0,3)	0,06600	3,616	0,003	significant difference
(-4,0) - (0,4)	0,05682	2,261	0,042	significant difference
(-5,0) - (0,5)	0,01945	0,513	0,617	no difference

The test result that CAR is positive before the event date then turns negative after the event date, contradicts previous research on the 2019 Thai election, which found that CAR was negative before the event date, but turned positive after the event date [19]. The finding of negative CAR after the event, also contradicts previous findings on the 2016 US election, where CAR was positive and continued to increase during the event windows [2]. The results of this study indicate a significant abnormal return on several days around the announcement of the 2024 presidential election quick count results in Indonesia. This finding is inconsistent with the theory of a semi-strong form of efficiency market, which states that stock prices in an efficient market should have reflected all relevant public information. In a semi-strong form of efficient market conditions, abnormal returns should not occur because stock prices immediately adjust to new information. The fact that abnormal returns occur indicates inefficiencies in the information mechanism of the capital market in Indonesia, especially in the context of reaction to general political events such as the presidential election.

The research findings also show a significant Cumulative Abnormal Return (CAR), with different patterns before and after the announcement of the quick count. Before the announcement, CAR tends to be positive but turns negative after the announcement. This pattern contradicts previous findings on the 2016 US election, where CAR was positive and continued to increase during the event windows [2]. Their research shows that investors in the US market see the election result as something that can increase market confidence in the prospects of the economy and related companies.

Similarly, the results of this study also contradict the findings of [19], which have an opposite pattern of CAR in before and after election events. This difference may reflect the different political and economic contexts in each country.

#### 4. CONCLUSION

This paper uses event study methodology to investigate the effect of the 2023 Indonesian presidential election on the stock returns of companies associated with presidential and vice-presidential candidate pairs. The event of interest is the announcement of the quick count results released by the Indonesian Election Commission on February 15, 2024. The data used in this study covers the period from day -205 to +5. We use the market model to estimate normalized returns. Tests on AAR and CAAR show the occurrence of significant abnormal returns in the event window both before and after the event. The result of the t-test on CAR shows that there is a significant difference in CAR before and after the event until day  $\pm 4$ .

This finding focuses on the unique characteristics of the Indonesian capital market, which is influenced by the close relationship between politics and business. The dependence of companies on political ties in Indonesia, as identified by [11], may trigger negative sentiment among investors when the election result raises potential changes in political dynamics and government policies. These changes may create additional uncertainties that are reflected in negative CAR after the announcement of the quick count results. This study highlights the importance of improving capital market efficiency in Indonesia, including information transparency and reducing dependence on political ties in business. By strengthening the information transparency mechanism, the capital market can be more responsive to relevant information, reduce the possibility of abnormal returns, and increase investor confidence in market stability.

#### AUTHORS' CONTRIBUTIONS

All authors have accepted responsibility for the entire content of this manuscript and consented to its submission for review. G. Oka Warmana contributed to the research design and the manuscript's writing. Refiana Dwi Maghfiroh contributed to the analysis of the results. I Wayan Suarjana contributed to collect the data.

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