

MARKET REACTION TO BUDGET EFFICIENCY POLICY : AN EVENT STUDY ON HOTEL, RESORT AND CRUISE LINE STOCKS IN INDONESIA

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ABSTRACT

This study aims to analyze the stock market reaction to the announcement of government budget efficiency using abnormal returns and trading volume as proxies for investor response. The research employs an event study method with the Wilcoxon Signed Rank Test to examine differences in averages before and after the announcement. The sample consists of 17 listed stocks in the hotel, resort, and cruise lines sectors in Indonesia. The results indicate that there are no significant differences in average abnormal returns or trading volume around the announcement. This finding suggests that the announcement of government budget efficiency did not trigger a strong market reaction, which may be due to the information being anticipated by investors, its medium- to long-term impact, or a neutral investor response. The results support the semi-strong form of the efficient market hypothesis, where stock prices reflect all relevant public information. This study provides implications for investors and policymakers in understanding market reactions to fiscal policy announcements and can serve as a basis for further research on public policy and capital markets.

Keywords : Abnormal Return; Event Study; Semi-Strong Market; Trading Volume Activity; Government Policy

ABSTRAK

Penelitian ini bertujuan untuk menganalisis reaksi pasar saham terhadap pengumuman kebijakan efisiensi anggaran pemerintah dengan menggunakan abnormal return dan volume perdagangan sebagai proksi respons investor. Penelitian ini menggunakan metode event study dengan uji Wilcoxon Signed Rank Test untuk menguji perbedaan rata-rata sebelum dan sesudah pengumuman. Sampel penelitian terdiri atas 17 saham yang terdaftar pada sektor hotel, resort, dan cruise lines di Indonesia. Hasil penelitian menunjukkan bahwa tidak terdapat perbedaan yang signifikan pada rata-rata abnormal return maupun volume perdagangan saham di sekitar periode pengumuman. Temuan ini mengindikasikan bahwa pengumuman kebijakan efisiensi anggaran pemerintah tidak menimbulkan reaksi pasar yang kuat, yang kemungkinan disebabkan oleh informasi tersebut telah diantisipasi oleh investor, dampaknya bersifat jangka menengah hingga panjang, atau adanya respons investor yang netral. Hasil penelitian ini mendukung hipotesis pasar efisien bentuk setengah kuat (semi-strong form), di mana harga saham mencerminkan seluruh informasi publik yang relevan. Penelitian ini memberikan implikasi bagi investor dan pembuat kebijakan dalam memahami reaksi pasar terhadap pengumuman kebijakan fiskal serta dapat menjadi dasar bagi penelitian selanjutnya mengenai kebijakan publik dan pasar modal.

Kata Kunci : Abnormal Return; Event Study; Pasar Efisien Bentuk Setengah Kuat; Aktivitas Volume Perdagangan; Kebijakan Pemerintah

INTRODUCTION

The capital market contributes to the country's financial system, particularly in supporting industrial growth through the efficient allocation of funds between those in need of

financing and those with surplus funds (Ratnaningsih & Widanaputra, 2019). The capital market is a mechanism that is highly sensitive to various information that has the potential to influence the movement of the Jakarta Composite Index (JCI), both originating from economic and non-economic events (Sopyana & Yasa, 2016). Non-economic factors influencing capital market performance include environmental circumstances, human rights concerns, terrorist activities, public demonstrations, and political developments that are highly sensitive to changes in market conditions (Ratnaningsih & Widanaputra, 2019). Non-economic information does not directly affect the market, but it can influence the behavior and decision-making of market participants (Sopyana & Yasa, 2016). Political stability generally contributes to improved economic performance, while political events that have the potential to disrupt national stability tend to trigger negative responses from investors, which are reflected in changes in security prices on the stock exchange (Ratnaningsih & Widanaputra, 2019).

Political events are one of the non-economic factors that influence investors' investment decisions. In early 2025, President Prabowo's administration was marked by political issues related to state financial management and public policy. The President issued Presidential Instruction of the Republic of Indonesia Number 1 of 2025 on January 22, 2025, concerning Spending Efficiency in the Implementation of the State Budget and Regional Budgets for Fiscal Year 2025 (Instructions of the President of the Republic of Indonesia, 2025). The instruction included a directive to reduce spending on official travel activities by 50% (fifty percent) of the previous allocation. This policy is expected to have implications for the stock market, particularly in sectors closely linked to government spending in this area, such as hotel, resort, and cruise line stocks, because it influences investor perceptions of fiscal stability and the direction of national economic policy.

A survey conducted by the Indonesian Hotel and Restaurant Association in collaboration with Horwath HTL revealed that hotel occupancy rates are predicted to experience pressure. Based on a survey of 717 hotels in Indonesia, more than 50 percent of star-rated hotels reported a negative impact from budget efficiency policies. Furthermore, the survey also showed that 42 percent of hotels reported unused meeting room facilities, by January 2025 more than 30 percent of respondents experienced a decrease in revenue of more than 40 percent compared to the previous year, 88 percent of hotels predicted they would lay off employees (PHK) to reduce operational costs, 58 percent stated they were at risk of defaulting on bank loans, and 48 percent were concerned about potential hotel closures due to operational deficits (PHRI, 2025).

The government's 2025 budget efficiency policy is generally aimed at controlling operational spending, including reducing business travel, meetings, and out-of-town activities.

Therefore, the announcement of budget efficiency measures can be perceived as a signal that demand for hotel rooms from the government segment will decrease. The impact of reduced business travel has the potential to lead to lower occupancy rates, room revenues, and revenues from MICE (Meeting, Incentive, Convention, and Exhibition) events. For the hotel industry, particularly those with a high dependence on institutional and government customers, this condition can depress short- to medium-term financial performance. The decline in occupancy can also impact profit margins because hotel operating costs are relatively fixed. In the capital market, investors use macroeconomic information and fiscal policy as a basis for forming expectations. Therefore, budget efficiency policies not only impact the operational activities of the hotel and tourism industry but also serve as economic signals that influence investor expectations regarding the revenue prospects and risks of companies in the hotel, resort, and cruise line sectors.

Investors may interpret the announcement of budget efficiency as a negative signal for the hotel industry's revenue prospects, indicating a slowdown in demand for hotel services and the risk of declining profits and cash flows for hotel companies. In making investment decisions, investors are generally confronted with two fundamental considerations, namely return and risk. Rational investors evaluate these two aspects carefully by seeking to maximize returns at a given level of risk or, alternatively, minimizing risk for a targeted level of return (Putra, 2025). Consequently, investors may make portfolio adjustments, such as selling hotel company shares, reflecting revised expectations about the company's value. According to the efficient market hypothesis, relevant new information will be immediately reflected in stock prices and trading activity. The announcement of the 2025 budget efficiency has the potential to contain value-relevant economic information for hotel investors. Market reactions can be reflected in abnormal returns, as stock prices adjust to new information and changes in trading volume, reflecting differences in investor perceptions and the intensity of reactions to the event. According to the optimal investment portfolio theory, under conditions of uncertainty, investors tend to shift their funds from risky assets, of which the tourism and hospitality sectors are high-risk, to safer investment instruments, such as bonds (Martins et al., 2023).

Previous research examining the influence of political events on market reactions has yielded mixed results. Shaikh (2019) found that the 2012/2016 presidential election influenced investor sentiment and stock market performance. Furthermore, Ratnaningsih & Widanaputra (2019) revealed that the announcement of general election results contained information capable of triggering a market response, as indicated by significant abnormal returns around the event window, with positive values indicating that the announcement of the Jokowi-Ma'ruf ticket's victory was positively received by the market. Lesmana & Sumani (2023) showed no

significant difference in the average abnormal returns before and after general election events in the last five elections in the countries analyzed. Similarly, Prameswari & Wirakusuma (2018) also found no market response to the 2017 Jakarta gubernatorial election. Souffargi & Boubaker (2024) examined various political events, one of which was the democratic transition, which showed positive abnormal returns. Obradović & Tomić (2017) examined the influence of the US Presidential election with parametric test results showing a negative impact on stock returns.

Event study research in Indonesia generally focuses on electoral political events, while studies of operational fiscal policies such as budget efficiency are still limited. Yet, budget efficiency policies have a direct economic impact on certain sectors, particularly the hotel industry, which relies heavily on government travel expenditures. Therefore, this study fills this research gap by examining the capital market's reaction to budget efficiency announcements as non-electoral events, thus providing a new perspective on the information content of fiscal policy on abnormal returns and stock trading volume by sector.

LITERATURE REVIEW

Event Study

An event study is a method used to assess the impact of an event announcement on market movements (Hartono, 2017:643). This study is used to evaluate the impact of the information contained in an announcement on market behavior. According to McWilliams & Siegel (1997), the assumptions in implementing this study method are: the event is unexpected, there are no confounding effects during the event period, the sample size, and the length of the event window. The assumption of an unexpected event is that the market has no information about the event, but there is a possibility that an event has been anticipated or information leaked to the market before the official announcement. This leak makes the use of this method problematic because it is difficult to determine when the market learned of the new information.

The second assumption explains that there are no confounding events other than the event being studied, such as dividend announcements, mergers, changes in management, or other corporate actions. The third assumption concerns sample size, which is important because the statistical test of this method is based on the assumption of normality associated with large samples. However, for small samples, non-parametric tests can be used. The final assumption concerns the event window, where a researcher may not be able to identify when the news was released. Therefore, the standard event window is 2 days: the day of the event and the day before. If it is longer than 2 days, it can be justified based on uncertainty about the impact of the event. If there is a possibility that news has leaked, it is necessary to use a longer window to determine the impact of the event (McWilliams & Siegel, 1997).

Research related to event studies has been conducted by Millawati & Wirakusuma

(2024); Gunawan & Wirama (2024); Pujaastawan & Wiksuana (2020); Prameswari & Wirakusuma (2018); Lesmana & Sumani (2023). Market response can be measured using abnormal returns and trading volume (Hartono, 2017). Millawati & Wirakusuma (2024) discuss investor preferences for dividend events as measured using trading volume and stock bid-ask spreads. Gunawan & Wirama (2024) examine market reactions to company name changes using abnormal returns. Pujaastawan & Wiksuana (2020) examine market reactions to the Presidential Election in Indonesia using abnormal returns. Prameswari & Wirakusuma (2018) examine the election of the Governor of DKI Jakarta using abnormal returns and stock volume. Lesmana & Sumani (2023) examine General Election events in Asia using abnormal returns.

Souffargi & Boubaker (2024) studied the impact of political uncertainty on stock returns in Tunisia using various political events. Of the various political events studied, popular uprisings had the most negative effect on stock returns, while democratic transitions and the announcement of general election results produced positive reactions. Martins et al. (2023) examined the market response to the military conflict between Russia and Ukraine in the European tourism and hospitality industry, showing that the market responded negatively to the event.

Efficient Market Hypothesis

The efficient market theory was proposed by Fama, (1970). According to this theory, a market is considered efficient when stock prices reflect all available information, so that historical information cannot be used to predict future prices (Fama, 1970). Market efficiency is achieved when received information is immediately responded to appropriately by market participants, which is then reflected in the formation of a new equilibrium price (Ntim et al., 2015). Based on the Efficient Market Hypothesis (EMH), an efficient market is characterized by the absence of opportunities to obtain abnormal returns through predicting price movements. Under these conditions, returns follow a random process, so historical information regarding price and volume has no predictive power regarding future returns. The existence of predictable returns indicates the existence of patterns in historical data that reflect the level of market inefficiency (Mallikarjunappa et al., 2025). Based on this, an event is defined as the disclosure of relevant information that impacts stock prices and measures that impact within a specific period called the event window (McWilliams & Siegel, 1997).

The assumption of market efficiency is difficult to apply when using a long event window. The use of such a window implies that the impact of an event is not immediately reflected in stock prices, thus indicating a potential violation of market efficiency. However, under certain conditions, information can be received by investors gradually over a period of time (McWilliams & Siegel, 1997). Fama (1970) distinguished three forms of efficient markets:

strong, semi-strong, and weak. Pandey et al. (2020) examined the Indian stock market for buyback events, showing very limited trading opportunities after the announcement, while significant risk-adjusted returns emerged before the event. This indicates that investors who anticipate share buyback announcements have the potential to achieve above-normal returns, placing the Indian stock market at a semi-strong level of efficiency. Phuong (2021) examined the Covid-19 event in Vietnam, which showed a negative market response after the first Covid case in Vietnam, supporting semi-strong market efficiency.

Differences in Average Abnormal Returns around Budget Efficiency Announcements

Within an event study framework, capital market reactions to an event are measured through changes in stock prices and trading activity around the announcement date. Observations of stock price movements in the stock market are conducted to evaluate whether a particular event affects the abnormal returns received by shareholders (Lesmana & Sumani, 2023). To assess the impact of an event, market participants' responses can be measured through abnormal returns, which are the difference between actual and expected returns (Prameswari & Wirakusuma, 2018). Abnormal returns are not always positive; if the event is perceived to decrease the company's value, the resulting abnormal returns will be negative (Obradović & Tomić, 2017).

Within the framework of efficient market theory, the capital market will quickly absorb any new information deemed relevant, so that this information is immediately reflected in stock price movements (Fama, 1970). Announcements of state and regional budget spending efficiency policies are fiscal policy instruments that have the potential to influence investor perceptions of cash flow prospects and company risk levels, particularly in the hotel, resort, and cruise line industries that are highly dependent on government travel budgets and MICE activities. From an economic perspective, these spending tightenings are seen as an indication of weakening demand and increasing uncertainty over the financial performance of the related sectors, ultimately prompting investors to adjust their portfolio composition. The market response to this information is reflected in stock price fluctuations around the time of the announcement, which can be observed through the difference in abnormal returns before and after the event as a primary measure of market reaction to value-relevant information.

In an efficient market, abnormal returns will not occur because stock prices fully reflect all available information. Therefore, investors cannot obtain abnormal returns either by utilizing historical price and volume data, public information, or insider information. This condition indicates that the market is in a strong-form efficient state. If no abnormal returns are found during the event window period, this indicates that the information has been fully responded to by the market and reflected in the stock price. Conversely, if the stock price only adjusts to

information or announcements around the event date, abnormal returns will occur (Singh & Padmakumari, 2020).

Previous research findings, such as those reported by Shaikh (2019); Hayumurti & Khomsiyah (2025), and Ratnaningsih & Widanaputra (2019), indicate significant abnormal returns around the event window period. This indicates that the market responds to information emerging regarding a specific event. Souffargi & Boubaker (2024) examined various political events, including the democratic transition, which showed positive abnormal returns. Singh & Padmakumari (2020) examined inflation announcements in India and found abnormal returns around the event. Therefore, government spending efficiency announcements are expected to generate different market reactions before and after the event, particularly in stocks in sectors directly impacted by the policy. Based on these previous findings, the following hypothesis is formulated:

H1: There is a difference in the average abnormal return before and after budget efficiency announcements.

Differences in Average Trading Volume Activity around Budget Efficiency Announcements

According to efficient market theory, public information, such as government policy announcements, will be responded to by the capital market if it contains economic value. Market reactions to information are not only reflected in stock price movements, but also in how actively the stock is traded, as measured by volume (Prameswari & Wirakusuma, 2018). High levels of trading volume activity reflect strong investor interest in a stock, which can ultimately drive more dynamic stock price movements (Dewi et al., 2025). Stock trading volume is defined as the proportion of traded shares compared to the total number of shares available on the market, reflecting the level of liquidity and transaction intensity (Millawati & Wirakusuma, 2024). Investors adjust their expectations as new information emerges, and this adjustment process plays a significant role in determining the level of trading volume activity (Dhaoui & Bacha, 2017).

Announcements of state and regional budget spending reduction policies are fiscal instruments that have the potential to influence revenue expectations and corporate risk perceptions, particularly in the hotel, resort, and cruise line sectors, which are highly dependent on government travel expenditures and MICE events. Uncertainty regarding the sustainability of cash flow and financial performance in these sectors can encourage investors to adjust their portfolio composition, either through decisions to sell or buy shares, ultimately resulting in increased trading activity in the capital market. Previous research has shown that events containing valuable information for investors can trigger significant changes in trading volume

activity, as found in studies of non-operational events such as stock splits (Muna & Khaddafi, 2022; Yuliawati et al., 2024; Rahman et al., 2021). Although the context of the events differs, these findings indicate that information that influences investor expectations and uncertainty tends to be reflected in changes in stock trading activity. Therefore, the hypothesis proposed in this study is as follows:

H2: There is a significant difference in average trading volume activity before and after budget efficiency announcements.

State of the Art and Research Gap

Although numerous event study research has examined electoral political events, studies investigating operational fiscal policies such as government budget efficiency, particularly at the sectoral level, remain very limited. Moreover, previous findings show inconsistent results regarding market reactions to political-related announcements, indicating an unresolved empirical gap. The inconsistency of prior findings may stem from differences in event characteristics, sectoral exposure, and the degree of policy anticipation by investors. Electoral events tend to generate stronger sentiment-driven reactions, while fiscal operational policies may be perceived as gradual and anticipated, resulting in weaker short-term market responses. Prior studies show mixed evidence regarding market reactions to political events. Some studies report significant abnormal returns around election announcements (Shaikh, 2019; Ratnaningsih & Widanaputra, 2019) suggesting that political information contains value-relevant signals. However, other studies find no significant market response (Lesmana & Sumani, 2023; Prameswari & Wirakusuma, 2018), indicating that certain political events may have been anticipated or perceived as neutral by investors. This inconsistency reflects an unresolved empirical issue in the literature. Despite the extensive literature on political event studies, limited attention has been given to non-electoral fiscal policy announcements, particularly those directly affecting sectoral demand structures such as government travel spending. Furthermore, prior findings remain inconclusive regarding whether politically related announcements consistently generate abnormal returns and trading volume reactions. Therefore, this study contributes to the literature by examining the market reaction to Indonesia's 2025 budget efficiency policy within the hotel, resort, and cruise line sectors. By focusing on a sector highly dependent on government expenditure, this research extends the event study literature beyond electoral contexts and provides new empirical evidence on the information content of fiscal operational policies.

RESEARCH METHODOLOGY

This study applies an event study approach, focusing on the announcement of Indonesia's Presidential Instruction No. 1/2025 pertaining to cost-efficiency measures in

carrying out the 2025 State and Local Budgets, issued on January 22, 2025. The event window period used four days, namely two days before and after the announcement. This time span was chosen to minimize the potential for confounding effects. Therefore, the announcement was published close to the holiday effect, so the time range chosen was t-2 and t+2. The population in this study was tourism sector stocks, including hotel, resort, and cruise line subsectors on the Indonesia Stock Exchange (IDX). With a total sample of 17 issuers, purposeful sampling was employed to choose equities that were actively traded on the IDX and did not engage in any other corporate activities. The Indonesian Stock Exchange's official website provided secondary data. Because the number of research samples is less than 30, if the data were normally distributed, paired sample t-tests were used for difference testing; if not, the Wilcoxon signed rank test was used. Market reaction in this study was measured through abnormal returns and trading volume activity. Abnormal returns were determined using a market-adjusted model, with the formula:

1. Actual stock return

$$R_{i,t} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}} \quad (1)$$

2. Return market

$$R_{mt} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}} \quad (2)$$

3. Expected return

$$E(R_{i,t}) = R_{mt} \quad (3)$$

4. Abnormal return

$$AR_{i,t} = R_{i,t} - E(R_{i,t}) \quad (4)$$

5. Average abnormal return

$$AAR = \frac{\sum_{i=1}^n - AR_{i,t}}{n} \quad (5)$$

Trading volume activity (TVA) is determined with the formula:

1. $TVA = \frac{\text{Number of Shares Traded}}{\text{Number of Shares Outstanding}} \quad (1)$

2. $ATVA = \frac{\sum_{i=1}^n - TVA_{i,t}}{n} \quad (2)$

Description:

$P_{i,t}$: Current stock prices

$P_{i,t-1}$: Previous stock prices

$IHSG_t$: Closing price of the IHSG for period-t

$IHSG_{t-1}$: Closing price of the IHSG for the period before period-t

RESULT AND DISCUSSIONS

Result

This event study was conducted to examine the information content related to government budget efficiency in hotel, resort, and cruise line stocks in Indonesia using SPSS software. An initial overview of the average abnormal returns surrounding the event is presented in Table 1. Referring to the data results, negative abnormal returns occurred before the event, while positive abnormal returns occurred after the event. The abnormal return reaction was highest one day after the announcement, while the lowest was on the second day before the announcement. A positive AR value after the announcement may indicate a return for investors, while a negative AR value before the announcement indicates neither a gain nor a loss for investors.

Based on the data in Table 2, the average TVA around the event tended to be stable, with the average TVA increasing one day after the announcement and decreasing again on the second day. Although trading activity did increase, it was not significant. Available information indicates that it did not encourage investors to conduct large-scale transactions.

Referring to Table 3, the average abnormal return before the announcement has a minimum value of -0.0442 (Pudjiadi & Sons, Tbk.) and a maximum value of 0.0490 (Pembangunan Graha Lestari Indah, Tbk.), while in the period after the announcement the minimum value is -0.0285 (Hotel Sahid Jaya International, Tbk.) and a maximum value of 0.0929 (Sanurhasta Mitra, Tbk.). The average TVA before and after the announcement has a minimum value of 0.0000 (Dafam Property Indonesia, Tbk. and Surya Permata Andalan, Tbk.), while the maximum value of the average TVA before and after the announcement is 0.0094 and 0.0112 (Sunter Lakeside Hotel, Tbk.). Based on the results of descriptive statistics, the average abnormal return in the period before the announcement of government spending budget efficiency shows a negative value. This indicates that in general the observed stock returns are below the expected returns during that period. The difference in average trading volume before and after the announcement was relatively small, indicating that investor response to the policy tended to be limited. Furthermore, the increase in standard deviation in the post-announcement period indicates that investor response became more varied.

Based on the results of the normality test showed on Table 4, the Average Abnormal Return (AAR) before the event was $0.200 > 0.05$ while the AAR after the event was $0.000 < 0.05$. The Average Trading Volume Activity (ATVA) value before and after the event was $0.000 < 0.05$. In this test, the data is declared normally distributed if the Asymp. Sig. (2-tailed) value is > 0.05 . Considering that the test results show that the Average Abnormal Return (AAR)

and ATVA before and after the event are not normally distributed, the difference analysis is carried out using a non-parametric test, namely the Wilcoxon Signed Rank Test.

Based on the results of the AAR difference test before and after the event in Table 5, the asymp. Sig. (2-tailed) value is $0.177 > 0.05$, indicating that there is no difference in the average abnormal return before and after the announcement. The results of the ATVA difference test before and after the event show the asymp. Sig. (2-tailed) value is $0.670 > 0.05$, indicating that there is no difference in the average trading volume activity before and after the announcement. These results indicate that hotel, resort, and cruise line stocks do not react significantly to the announcement of government spending budget efficiency, both in terms of changes in stock prices and trading activity.

Discussion

The results of the study showed no significant differences in average abnormal returns and stock trading volume before and after the announcement of the government's budget efficiency policy. This finding indicates that the policy announcement was unable to elicit a strong market reaction, either in terms of stock price changes or trading activity. The insignificant difference in abnormal returns indicates that stock prices did not experience significant adjustments around the announcement date. This indicates that information regarding the government's budget efficiency policy was not perceived as new by investors or had been anticipated. Therefore, this information was reflected in stock prices before the official announcement. Furthermore, the absence of significant differences in stock trading volume indicates that investor transaction activity was relatively stable around the event. Although there were fluctuations in trading volume on certain days, these changes were not large enough to indicate a significant increase in buying or selling interest in response to the policy announcement. This finding can also be attributed to the characteristics of budget efficiency policies, which are often perceived as medium- to long-term policies. The impact of these policies on issuer performance cannot be directly felt, so investors tend to adopt a wait-and-see approach and avoid immediately making portfolio adjustments. Overall, the results of this study indicate that government budget efficiency announcements do not provide a strong enough signal to influence short-term investor investment decisions. Therefore, market reactions reflected in abnormal returns and stock trading volume around the announcement date tend to be insignificant.

The lack of significant differences surrounding government budget efficiency announcements could be due to several possibilities. First, the information may have been anticipated by the market, so the official announcement did not cause a significant price shock because investors had anticipated the information. Second, the impact of budget efficiency

announcements tends to be felt in the medium to long term, rather than immediately during the short-term announcement period. Government budget efficiency can impact fiscal stability without necessarily impacting the issuer's profit prospects in the short term, so stock price reactions and trading activity do not appear to differ significantly within the event window. Third, investor response may be neutral in viewing the impact of the announcement from a company's business continuity perspective (Pandey et al., 2020; Phuong, 2021; Martins et al., 2023).

Based on the semi-strong form of efficient market theory (EMH), stock prices reflect all available public information, including financial reports, government announcements, and other public information. If the market is truly efficient in the semi-strong form, announcements that do not contain new information or are not anticipated by investors will not cause significant changes in abnormal returns. In other words, the market has been adjusting stock prices since the information was first revealed or could have been anticipated. Thus, the findings of this study are consistent with the semi-strong form of efficient market theory, which states that stock prices quickly adjust to relevant public information, and if the information is not new or its impact is not immediate, the market does not adjust prices significantly.

The results of this study align with those of other studies, including Lesmana & Sumani, (2023); Praptiwi & Widjatmaka, (2021); Setyowati & Hariyati, (2022), and Prameswari & Wirakusuma, (2018), which showed no significant difference in average abnormal returns and trading volume during the political events studied. Souffargi & Boubaker (2024) studied the impact of political uncertainty on stock returns in Tunisia, using the popular uprising as the most negative effect on stock returns. Martins et al. (2023) examined the market response to the military conflict between Russia and Ukraine in the European tourism and hospitality industry, showing that the market responded negatively to the event.

CONCLUSION

Based on the research results, there was no significant difference in average abnormal returns or stock trading volume before and after the announcement of government spending efficiency measures. This finding indicates that the policy announcement did not elicit a strong market reaction in terms of stock prices or trading activity. This could be because the information was previously anticipated by the market, its impact was medium to long-term, or investor response was neutral due to balancing perceptions. Furthermore, the results of this study are consistent with the semi-strong form of efficient market theory, where stock prices quickly adjust to relevant public information, so that announcements that are not truly novel or have indirect impacts do not cause significant changes in abnormal returns. Overall, this study

indicates that government spending efficiency measures announcements do not provide a market signal strong enough to influence investors' investment decisions in the short term.

This study has several limitations. First, it is limited to a single event, namely the announcement of government budget efficiency, so the results cannot be generalized to all government policies. Second, the relatively small sample size may limit the ability to detect significant differences in abnormal returns or trading volume. Third, the short event window excludes the medium- to long-term impact of the budget efficiency announcement. Future research should extend the observation period to several weeks or months after the announcement to capture medium-term market responses that may not appear in the short term. Furthermore, it could examine several other government or fiscal policy announcements so that the results can be generalized regarding market reactions to public policies. Finally, it could analyze differences in market reactions across sectors, particularly stocks that rely on government spending compared to other stocks, to identify variations in responses to fiscal policy.

This research has both theoretical and practical implications. The results support the semi-strong form of efficient market theory, where stock prices quickly reflect public information, so that anticipated budget efficiency announcements do not lead to significant changes in abnormal returns. These findings also add to the event study literature on government fiscal policy. For investors, government budget efficiency announcements do not always significantly impact stock prices, so investment decisions should consider long-term factors. For the government, this research demonstrates the need for a clear communication strategy so that fiscal policy can send more effective signals to the market.

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TABLE

Table 1. Average Abnormal Return (AAR)

Date	Period	AAR
20 Januari 2025	t-2	-0,0009
21 Januari 2025	t-1	-0,0035
23 Januari 2025	t+1	0,0076
24 Januari 2025	t+2	0,0068

Source: Processed secondary data, 2025

Table 2. Average Trading Volume Activity (ATVA)

Date	Period	ATVA
20 Januari 2025	t-2	0,0020
21 Januari 2025	t-1	0,0020
23 Januari 2025	t+1	0,0022
24 Januari 2025	t+2	0,0016

Source: Processed secondary data, 2025

Table 3. Descriptive Statistics Results: AAR and ATVA

	N	Minimum	Maximum	Average	Standard Deviation
AAR Before	17	-0,0442	0,0490	-0,0022	0,02672
AAR After	17	-0,0285	0,0929	0,0072	0,02817
ATVA Before	17	0,0000	0,0094	0,0020	0,00287
ATVA After	17	0,0000	0,0112	0,0019	0,00337
Valid N (listwise)	17				

Source: Processed secondary data, 2025

Table 4. Normality Test Results of AAR and ATVA

		AAR Before	AAR After	ATVA Before	ATVA After
N		17	17	17	17
Normal Parameters	Mean	-0,002	0,007	0,002	0,001
	Std. Deviation	0,026	0,0281	0,002	0,003
Most Extreme Differences	Absolute	0,097	0,332	0,334	0,354
	Positive	0,097	0,332	0,334	0,354
	Negative	-0,085	-0,182	-0,242	-0,282
Test Statistic		0,097	0,332	0,334	0,354
Asymp. Sig. (2-tailed)		0,200	0,000	0,000	0,000

Source: Processed secondary data, 2025

Table 5. AAR and ATVA Difference Test Result

	AAR Before – AAR After	ATVA Before – ATVA After
Z	-1,349	-0,426
Asymp. Sig. (2-tailed)	0,177	0,670

Source: Processed secondary data, 2025