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# Intersectoral Event Study Analysis on the Indonesia Stock Exchange Regarding the 2025 Replacement of the Minister of Finance of the Republic of Indonesia

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***ABSTRACT***

*This study examines the reaction of the Indonesian capital market to the 2025 replacement of the Minister of Finance of the Republic of Indonesia using an event study approach. Market reaction is assessed through abnormal returns of sectoral indices listed on the Indonesia Stock Exchange (IDX) within an event window of 20 trading days before and 20 trading days after the announcement date. The Jakarta Composite Index (JCI) is employed as a proxy for market return, while sectoral index closing prices serve as the primary data source. The analysis includes normality testing, one-sample t-tests, paired-sample t-tests, and comparative analysis of Average Abnormal Returns (AAR) across sectors. The findings reveal the presence of significant abnormal returns on several trading days surrounding the event, indicating that the ministerial replacement conveyed value-relevant information that elicited investor responses. However, the paired-sample t-test results show no statistically significant difference in average abnormal returns between the pre-event and post-event periods, suggesting that the market reaction was temporary and rapidly absorbed. Sectoral analysis further demonstrates heterogeneous responses, with the Technology, Industrials, and Healthcare sectors exhibiting the highest sensitivity, while the Consumer Non-Cyclicals and Consumer Cyclicals sectors showed relatively defensive characteristics. These results provide evidence that political-economic events can generate short-term market reactions, although their impact varies across sectors. The findings support the Semi-Strong Form of the Efficient Market Hypothesis and Signaling Theory, highlighting that investors interpret and respond to political information differently depending on sector-specific characteristics.*

***Keywords:*** *Event Study, Abnormal Return, Minister of Finance Replacement, Capital Market Reaction, Sectoral Indices.*

## 1. Introduction

The capital market plays a critical role in reflecting a country's economic performance and investor confidence. Stock prices are influenced not only by firm-specific fundamentals but also by macroeconomic conditions, government policies, and political developments. According to the Efficient Market Hypothesis (EMH), publicly available information is rapidly incorporated into stock prices, causing investors to adjust their expectations and investment decisions accordingly (Fama, 1970, 1991). Consequently, political events that convey information regarding future economic policies often trigger market reactions and generate abnormal returns around the event date (MacKinlay, 1997).

A growing body of literature suggests that political uncertainty constitutes a significant determinant of stock market behavior. Political events such as elections, cabinet reshuffles, leadership transitions, and policy changes can influence investor sentiment, risk perceptions, and capital allocation decisions (Bernhard & Leblang, 2006; Pastor & Veronesi, 2012; Wisniewski, 2016). Political uncertainty has been found to increase stock market volatility (Chan & Wei, 1996), affect corporate investment decisions (Julio & Yook, 2012), and influence stock

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returns across both developed and emerging markets (Su et al., 2018). Similarly, Goodell and Vähämaa (2013) demonstrate that political events often generate uncertainty that is reflected in financial market movements.

The relationship between political events and capital market performance has attracted considerable attention in finance research. Earlier studies found that presidential elections and political transitions can significantly affect stock market performance and investor behavior (Niederhoffer et al., 1970; Kim & Mei, 2001). Political risk is increasingly recognized as an important factor in asset valuation because investors continuously evaluate how government decisions may influence future economic growth, fiscal sustainability, and business prospects (Bekaert et al., 2014). As a result, financial markets often react to political information that signals potential changes in economic policy direction.

Indonesia provides an interesting context for examining the interaction between political events and capital market reactions. Between 2020 and 2025, the Indonesian economy experienced substantial challenges and recovery dynamics. Following the economic contraction caused by the COVID-19 pandemic, economic growth gradually recovered and remained relatively stable despite global uncertainties arising from monetary tightening in advanced economies, geopolitical tensions, and commodity price fluctuations. During the same period, Indonesia's capital market expanded significantly, supported by rapid digitalization of financial services and increasing participation of retail investors. This development has made the market more responsive to both economic and political information.

Among political-economic institutions, the Ministry of Finance occupies a particularly strategic position because it is responsible for fiscal policy formulation, public debt management, budget allocation, and macroeconomic stabilization. Consequently, changes in the leadership of the Ministry of Finance may alter investor expectations regarding fiscal discipline, policy continuity, and economic stability. From the perspective of Signaling Theory, political appointments may serve as signals that convey information regarding future policy directions, thereby influencing investor perceptions and market valuations (Spence, 1973).

On September 8, 2025, the President of the Republic of Indonesia announced a cabinet reshuffle and appointed Purbaya Yudhi Sadewa as the new Minister of Finance, replacing Sri Mulyani Indrawati. This event attracted substantial public and market attention because Sri Mulyani had long been regarded as a key figure in maintaining Indonesia's fiscal credibility and economic stability. Consequently, the ministerial transition generated diverse expectations regarding future fiscal policy orientation, budget management, and economic governance. Given the strategic role of the Ministry of Finance, the event represents an important political-economic occurrence that may contain value-relevant information for investors.

Previous studies have documented significant market reactions to political events in Indonesia. Abidin and Haryanto (2019) found that presidential election events affected stock market performance, while Yuliana and Robiyanto (2021) reported significant abnormal returns and trading volume reactions surrounding political announcements. In addition, Oktaviani (2021) demonstrated that fiscal policy changes influence stock returns, particularly within the financial sector. International evidence further indicates that political uncertainty and government policy changes affect stock returns, market volatility, and investor confidence (Pastor & Veronesi, 2012; Su et al., 2018; Bekaert et al., 2014).

Despite extensive research on political events and financial markets, limited empirical evidence exists regarding the capital market impact of a Minister of Finance replacement, particularly from a sectoral perspective. Most previous studies have focused on elections, presidential transitions, or broad political uncertainty, while the effect of replacing a key fiscal policymaker remains largely unexplored. Furthermore, existing Indonesian studies generally examine aggregate market reactions and rarely investigate how different industrial sectors respond to the same political event. This represents an important research gap because sectoral

characteristics determine the degree to which firms are exposed to fiscal policy changes, government spending priorities, taxation policies, and macroeconomic risks.

Market responses to political events are expected to vary across sectors. Financial institutions are highly sensitive to fiscal policy credibility and debt management, while infrastructure and industrial sectors are closely associated with government development expenditures. Energy and basic materials sectors are often affected by taxation and regulatory policies, whereas consumer sectors tend to exhibit more defensive characteristics during periods of political uncertainty. Therefore, examining sectoral differences provides a deeper understanding of how investors interpret political signals and adjust their expectations across industries.

This study aims to analyze the reaction of the Indonesian capital market to the 2025 replacement of the Minister of Finance using an event study approach. Specifically, it investigates abnormal returns surrounding the announcement and compares market responses across sectoral indices listed on the Indonesia Stock Exchange (IDX). By focusing on sectoral heterogeneity, this study extends the literature on political-economic events and capital market behavior in emerging economies. The findings contribute to the growing literature on political uncertainty and market efficiency while providing practical insights for investors, policymakers, and regulators regarding sector-specific sensitivity to changes in fiscal leadership.

## 2. Literature Review

### Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH) provides one of the most widely accepted theoretical foundations for explaining stock market reactions to new information. According to Fama (1970), an efficient market is characterized by stock prices that fully and rapidly reflect all available information. In the semi-strong form of market efficiency, publicly available information—including political announcements, government policy changes, and leadership transitions—is immediately incorporated into security prices, making it difficult for investors to consistently earn abnormal returns after the information becomes public (Fama, 1991).

Political events are particularly relevant within the EMH framework because they often contain information that influences expectations regarding future economic conditions. When investors perceive a political event as economically significant, stock prices adjust to reflect revised expectations about risk, growth, and government policy. Empirical evidence indicates that political uncertainty can significantly affect stock returns, market volatility, and investor behavior (Pastor & Veronesi, 2012; Su et al., 2018). Therefore, if the replacement of the Minister of Finance conveys value-relevant information to investors, significant abnormal returns should be observed around the announcement date.

### Signaling Theory

Signaling Theory explains how information influences investor behavior through signals conveyed to the market. Originally developed by Spence (1973), the theory argues that economic actors interpret publicly available information as signals that reduce uncertainty and assist decision-making. In financial markets, political announcements, government appointments, and policy changes may serve as signals regarding future economic prospects and policy direction.

A positive signal is generally associated with expectations of economic stability, policy continuity, and favorable business conditions, leading to increased investor confidence and higher stock prices. Conversely, a negative signal may increase uncertainty and trigger adverse market reactions. Previous studies have shown that political events significantly influence investor sentiment and market expectations (Bernhard & Leblang, 2006; Goodell & Vähämaa, 2013). In the context of this study, the appointment of a new Minister of Finance may signal

potential changes in fiscal policy, budget management, and macroeconomic governance, thereby influencing investors' valuation of sectoral stocks.

**Event Study and Abnormal Return**

Event study methodology is commonly used to evaluate market reactions to specific events by examining stock price behavior surrounding an announcement date. MacKinlay (1997) describes event studies as an effective framework for assessing whether an event contains information that affects market valuation. McWilliams and Siegel (1997) further argue that event studies are particularly useful for examining the economic impact of policy decisions, strategic announcements, and political developments.

A statistically significant abnormal return indicates that the event contains information that alters investor expectations and influences market valuation. Conversely, insignificant abnormal returns suggest that the event does not provide new information beyond what is already reflected in stock prices. Event studies have been extensively applied to examine market reactions to political events, including elections, government transitions, and policy announcements (Niederhoffer et al., 1970; Kim & Mei, 2001; Yuliana & Robiyanto, 2021).

**Political Risk and Capital Markets**

Political risk refers to uncertainty arising from political decisions, leadership changes, institutional instability, or government policy shifts that may affect economic performance and investment outcomes (Bekaert et al., 2014). Financial markets are highly sensitive to political risk because government actions influence taxation, public expenditure, fiscal sustainability, and regulatory frameworks.

Previous studies have documented a significant relationship between political uncertainty and stock market performance. Chan and Wei (1996) found that political uncertainty increases stock price volatility, while Julio and Yook (2012) demonstrated that uncertainty regarding government policies affects corporate investment decisions. Similarly, Pastor and Veronesi (2012) argued that uncertainty about government policy increases market risk and influences stock valuations. Su et al. (2018) further reported that political uncertainty significantly affects stock returns across international markets.

The Minister of Finance plays a strategic role in determining fiscal policy direction and maintaining macroeconomic stability. Therefore, changes in this position may alter investor perceptions regarding fiscal discipline, budget management, public debt sustainability, and economic growth prospects. Since industries differ in their exposure to government policies and macroeconomic conditions, market reactions to a ministerial replacement may vary across sectors.

**Previous Studies and Hypothesis Development**

The relationship between political events and stock market reactions has been widely examined in financial literature. Early evidence by Niederhoffer et al. (1970) demonstrated that presidential elections influence stock market performance. Bernhard and Leblang (2006) further found that political transitions affect investor confidence and international capital flows. In Asian markets, Kim and Mei (2001) documented significant stock market responses to political uncertainty in Hong Kong, while Chan and Wei (1996) reported increased volatility associated with political events.

More recent studies continue to support the importance of political information in financial markets. Goodell and Vähämaa (2013) found that political uncertainty affects market volatility, while Pastor and Veronesi (2012) demonstrated that government policy uncertainty influences stock valuations. Su et al. (2018) also provided international evidence that political uncertainty affects stock returns across different countries.

In Indonesia, empirical evidence similarly indicates that political events influence investor behavior. Abidin and Haryanto (2019) documented significant market reactions

surrounding presidential elections, while Yuliana and Robiyanto (2021) reported abnormal returns and changes in trading volume activity following political events. Furthermore, Oktaviani (2021) found that fiscal policy announcements significantly affect stock returns, particularly in the financial sector. Setiawan et al. (2020) also highlighted that political factors influence stock market performance through investor perceptions and political connections.

Despite these findings, studies examining the capital market impact of a Minister of Finance replacement remain scarce, particularly from a sectoral perspective. Existing research predominantly focuses on elections, political uncertainty, and general government policy announcements. Consequently, limited evidence exists regarding how different sectors react to changes in fiscal leadership, creating an important gap in the literature.

Based on the Efficient Market Hypothesis, Signaling Theory, and previous empirical findings, the following hypotheses are proposed:

**H1:** Significant abnormal returns occur around the announcement of the replacement of the Minister of Finance of the Republic of Indonesia in 2025.

The hypothesis is based on the assumption that the replacement contains value-relevant information that influences investor expectations and is rapidly incorporated into stock prices (Fama, 1970; MacKinlay, 1997).

**H2:** There are significant differences in abnormal returns across sectors listed on the Indonesia Stock Exchange following the replacement of the Minister of Finance of the Republic of Indonesia in 2025.

This hypothesis is grounded in the argument that sectors differ in their exposure to fiscal policy, government spending, taxation, and macroeconomic conditions, resulting in heterogeneous market responses to political-economic events (Bekaert et al., 2014; Pastor & Veronesi, 2012; Su et al., 2018).

**H3:** Sectoral sensitivity to the replacement of the Minister of Finance differs across industries, with certain sectors exhibiting stronger market reactions than others.

This hypothesis is supported by previous findings indicating that industries respond differently to political uncertainty depending on their economic characteristics, regulatory exposure, and dependence on government policy (Julio & Yook, 2012; Oktaviani, 2021; Setiawan et al., 2020).

## 3. Research Methods

This study employs a quantitative event study approach to examine the capital market reaction to the replacement of the Minister of Finance of the Republic of Indonesia on September 8, 2025. The event study approach is widely used to measure market responses to specific events by analyzing abnormal stock returns around the event date (MacKinlay, 1997) . This research is explanatory in nature, aiming to investigate the relationship between a political-economic event and the reaction of the Indonesian capital market.

The study focuses on companies listed on the Indonesia Stock Exchange (IDX) and classified under the IDX Industrial Classification (IDX-IC) sectors. The population consists of all firms listed on the IDX in 2025. Sample selection was conducted using purposive sampling based on the following criteria: (1) stocks were actively traded during the observation period, (2) stocks were not subject to trading suspension during the event window, and (3) stocks belonged to one of the IDX-IC sectors. Based on these criteria, ten sectors were included in the analysis: Energy, Basic Materials, Industrials, Consumer Cyclicals, Consumer Non-Cyclicals, Healthcare, Financials, Technology, Infrastructure, and Transportation & Logistics.

This study uses secondary data, including daily closing stock prices, IDX-IC sectoral indices, and the Jakarta Composite Index (JCI) as a proxy for market returns. Information regarding the official announcement of the Minister of Finance replacement on September 8,

2025, was also collected. Data were obtained from the Indonesia Stock Exchange, Yahoo Finance, Investing.com, and official government publications.

The observation period is divided into an estimation window and an event window. The estimation window covers 120 trading days prior to the event period and is used to estimate expected returns. The event window spans 41 trading days, consisting of 20 days before the event (t–20), the event day (t0), and 20 days after the event (t+20). This event window was selected to capture market reactions comprehensively while minimizing potential confounding effects (McWilliams & Siegel, 1997).

The main variables analyzed include stock return, expected return, abnormal return (AR), average abnormal return (AAR), and cumulative abnormal return (CAR). Expected returns are estimated using the market model with the JCI serving as the market benchmark. Abnormal returns are calculated as the difference between actual and expected returns.

The stock return is calculated as follows:

$$R_{it} = \frac{R_{it} - R_{it-1}}{R_{it-1}}$$

Expected return is estimated using the market model:

$$E(R_{it}) = \alpha_i + \beta_i R_{mt}$$

Abnormal return is computed as:

$$AR_{it} = R_{it} - E(R_{it})$$

The Average Abnormal Return (AAR) and Cumulative Abnormal Return (CAR) are calculated as follows

$$AAR_t = \frac{1}{N}\sum_{i=1}^{N} AR_{it}$$

$$CAR_i(t_1, t_2) = \sum_{t=t_1}^{t_2} AR_{it}$$

Data analysis begins with descriptive statistical analysis, including the mean, minimum, maximum, standard deviation, skewness, and kurtosis. Subsequently, a normality test is performed using the Kolmogorov–Smirnov test at a 5% significance level. The results of the normality test determine the appropriate hypothesis testing procedure.

To examine differences in abnormal returns before and after the event, a Paired Sample t-Test is employed when the data are normally distributed. If the normality assumption is violated, the Wilcoxon Signed-Rank Test is used as a non-parametric alternative. Statistical significance is evaluated at the 5% level. A p-value below 0.05 indicates a significant difference between the pre-event and post-event periods, whereas a p-value greater than 0.05 indicates no significant difference.

## 4. Results and Discussion

### Average Abnormal Return (AAR)

Table 1 presents the Average Abnormal Return (AAR) for each sector before and after the replacement of the Minister of Finance in 2025. Overall, several sectors experienced improvements in AAR following the event, particularly Healthcare, Industrials, and Financials.

**Table 1. Average Abnormal Returns by Sector Before and After the Event**

| SECTOR | AAR - BEFORE | AAR - AFTER | SECTOR | AAR - BEFORE | AAR - AFTER |
|---|---|---|---|---|---|
| Idx Finance | 399,329436 | 402,212658 | Idx Industry | 377,431617 | 489,278794 |
| Idx Infra | 52,3651295 | 47,8594642 | Idx Techno | -947,94126 | -1167,7961 |
| Idx Basic | -504,04729 | -551,87688 | Idx Trans | 338,962892 | 364,467938 |
| Idx Energy | 66,849254 | 71,2258333 | Idx Cyclic | 157,850396 | 167,094725 |

| | | | | | |
|---|---|---|---|---|---|
| Idx Health | 902,18958 | 967,328353 | Idx Noncyclyc | 279,792364 | 300,729632 |

Source: Processed Data (2025)

The Healthcare sector recorded the largest increase, suggesting that investors perceived it as relatively defensive and resilient amid policy uncertainty. Similarly, the Industrials sector experienced a substantial improvement, reflecting investor optimism regarding the continuity of infrastructure development and industrial activities. The positive response observed in the Financial sector indicates increased confidence in fiscal management and macroeconomic stability.

In contrast, the Technology and Basic Materials sectors experienced declines in AAR after the event. The Technology sector recorded the largest decrease, highlighting its vulnerability to changes in macroeconomic expectations and fiscal policy uncertainty. Likewise, the decline in the Basic Materials sector suggests that investors did not perceive the ministerial transition as a particularly positive signal for industries heavily influenced by commodity prices and production costs.

**Normality Test**

A normality test was conducted to assess whether the abnormal return data met the assumptions of parametric statistical analysis. Given the relatively small sample size, the Shapiro–Wilk test was employed.

The null hypothesis states that the data are normally distributed, whereas the alternative hypothesis states otherwise. Using a significance level of 5%, the results indicate that most abnormal return observations have p-values greater than 0.05. Therefore, the abnormal return data can be considered normally distributed and suitable for further analysis using parametric statistical tests.

**Table 2. Normality Test Results**

| Data | Sig | Conclusion | Data | Sig | Conclusion | Data | Sig | Conclusion |
|---|---|---|---|---|---|---|---|---|
| T-20 | 0,426 | Normal | T-5 | 0,941 | Normal | T+10 | 0,916 | Normal |
| T-19 | 0,274 | Normal | T-4 | 0,383 | Normal | T+11 | 0,532 | Normal |
| T-18 | 0,092 | Normal | T-3 | 0,930 | Normal | T+12 | 0,999 | Normal |
| T-17 | 0,378 | Normal | T-2 | 0,504 | Normal | T+13 | 0,930 | Normal |
| T-16 | 0,100 | Normal | T-1 | 0,955 | Normal | T+14 | 0,993 | Normal |
| T-15 | 0,022 | Abnormal | T-0 | 0,741 | Normal | T+15 | 0,431 | Normal |
| T-14 | 0,777 | Normal | T+1 | 0,832 | Normal | T+16 | 0,507 | Normal |
| T-13 | 0,519 | Normal | T+2 | 0,944 | Normal | T+17 | 0,055 | Normal |
| T-12 | 0,092 | Normal | T+3 | 0,959 | Normal | T+18 | 0,331 | Normal |
| T-11 | 0,947 | Normal | T+4 | 0,665 | Normal | T+19 | 0,551 | Normal |
| T-10 | 0,266 | Normal | T+5 | 0,968 | Normal | T+20 | 0,971 | Normal |
| T-9 | 0,940 | Normal | T+6 | 0,599 | Normal | AAR-SBLM | 0,065 | Normal |
| T-8 | 0,786 | Normal | T+7 | 0,554 | Normal | AAR-SSDH | 0,668 | Normal |
| T-7 | 0,344 | Normal | T+8 | 0,564 | Normal | | | |
| T-6 | 0,042 | Abnormal | T+9 | 0,576 | Normal | | | |

Source: Processed Data (2025)

**Hypothesis Testing**

Hypothesis testing was conducted to examine whether the replacement of the Minister of Finance generated significant market reactions reflected in abnormal stock returns. Since the abnormal return data met the assumption of normality, parametric tests were employed. The

first hypothesis (H1), which posits significant abnormal returns around the event date, was tested using a One-Sample t-Test by comparing the mean abnormal return to zero. The second hypothesis (H2), concerning differences in abnormal returns across sectors, was examined through comparative analysis of sectoral average abnormal returns. The third hypothesis (H3), regarding sectoral sensitivity to the event, was evaluated based on changes in Average Abnormal Return before and after the event.

**Table 3. Hypothesis Testing Results**

| Data | Sig | Conclusion | Data | Sig | Conclusion | Data | Sig | Conclusion |
|---|---|---|---|---|---|---|---|---|
| T-20 | 0,382 | No Significant AR | T-5 | 0,053 | No Significant AR | T+10 | 0,118 | No Significant AR |
| T-19 | 0,243 | No Significant AR | T-4 | 0,516 | No Significant AR | T+11 | 0,038 | Significant AR |
| T-18 | 0,233 | No Significant AR | T-3 | 0,058 | No Significant AR | T+12 | 0,094 | No Significant AR |
| T-17 | 0,187 | No Significant AR | T-2 | 0,006 | Significant AR | T+13 | 0,075 | No Significant AR |
| T-16 | 0,087 | No Significant AR | T-1 | 0,143 | No Significant AR | T+14 | 0,066 | No Significant AR |
| T-15 | 0,333 | No Significant AR | T-0 | 0,033 | Significant AR | T+15 | 0,261 | No Significant AR |
| T-14 | 0,041 | Significant AR | T+1 | 0,039 | Significant AR | T+16 | 0,039 | Significant AR |
| T-13 | 0,491 | No Significant AR | T+2 | 0,076 | No Significant AR | T+17 | 0,233 | No Significant AR |
| T-12 | 0,083 | No Significant AR | T+3 | 0,066 | No Significant AR | T+18 | 0,091 | No Significant AR |
| T-11 | 0,070 | No Significant AR | T+4 | 0,214 | No Significant AR | T+19 | 0,050 | No Significant AR |
| T-10 | 0,053 | No Significant AR | T+5 | 0,072 | No Significant AR | T+20 | 0,133 | No Significant AR |
| T-9 | 0,080 | No Significant AR | T+6 | 0,085 | No Significant AR | AARSBLM | 0,118 | No Significant AR |
| T-8 | 0,046 | Significant AR | T+7 | 0,010 | Significant AR | AARSSDH | 0,038 | Significant AR |
| T-7 | 0,281 | No Significant AR | T+8 | 0,043 | Significant AR | | | |
| T-6 | 0,285 | No Significant AR | T+9 | 0,035 | Significant AR | | | |

Source: Processed Data (2025)

The results indicate that most observations before the event did not exhibit significant abnormal returns. However, significant abnormal returns were detected on T−14, T−8, and T−2. These findings suggest anticipatory investor behavior or potential information leakage prior to the official announcement.

Following the event, significant abnormal returns appeared on T+1, T+7, T+8, T+9, T+11, and T+16. The sporadic occurrence of significant abnormal returns indicates that investors did not react simultaneously but gradually adjusted their expectations regarding future fiscal policies.

Overall, significant abnormal returns were observed on several trading days surrounding the event date. Therefore, H1 is supported, indicating that the replacement of the Minister of Finance contained information relevant to investors and generated significant market reactions.

The second hypothesis examined whether abnormal returns differed significantly between the pre-event and post-event periods. A Paired Sample t-Test yielded a two-tailed p-value of 0.141, which exceeds the significance threshold of 0.05.

Accordingly, the null hypothesis cannot be rejected, indicating no statistically significant difference in average abnormal returns between the periods before and after the ministerial replacement. Although significant abnormal returns were observed on specific days, the overall market reaction was not sufficiently strong to generate a significant difference at the aggregate level. This finding is consistent with the semi-strong form of market efficiency, suggesting that publicly available information was rapidly incorporated into stock prices, thereby limiting prolonged market adjustments.

Sectoral sensitivity was assessed based on changes in Average Abnormal Return before and after the event. The results reveal three categories of sensitivity: High Sensitivity:

Technology (strong negative reaction), Industrials, and Healthcare; Moderate Sensitivity: Financials, Transportation & Logistics, and Energy, and Low Sensitivity (Defensive Sectors): Consumer Non-Cyclicals and Consumer Cyclicals.

**Table 4. Paired Sample t-Test Results**

| Variable Comparison | Mean Difference | Std. Deviation | Std. Error Mean | t-value | df | Sig. (Two-tailed) | Decision |
|---|---|---|---|---|---|---|---|
| AAR Before Event – AAR After Event | $-1.91 \times 10^9$ | $3.75 \times 10^9$ | $1.19 \times 10^9$ | -1.612 | 9 | 0.141 | Not Significant |

Source: Processed Data (2025)

These findings indicate that market reactions were not uniform across sectors. Therefore, H3 is supported, confirming that certain sectors—particularly Technology, Industrials, and Healthcare—were more sensitive to the replacement of the Minister of Finance than others.

## Discussion

The findings indicate that the replacement of the Minister of Finance generated heterogeneous market reactions across sectors, both in terms of the magnitude and direction of abnormal returns. Significant abnormal returns were observed on several trading days surrounding the event, indicating that the ministerial replacement conveyed information perceived as relevant by investors. However, the absence of a statistically significant difference between average abnormal returns before and after the event suggests that the market reaction was temporary rather than persistent. These findings can be interpreted through the lenses of the Efficient Market Hypothesis (EMH), Signaling Theory, and the broader literature on political uncertainty and capital markets.

From the perspective of the Efficient Market Hypothesis, the results provide evidence consistent with the semi-strong form of market efficiency. Fama (1970, 1991) argues that publicly available information is rapidly incorporated into security prices, causing abnormal returns to disappear shortly after the information becomes known. In the present study, significant abnormal returns appeared only on specific days surrounding the announcement, while the paired sample t-test indicated no significant difference in average abnormal returns between the pre-event and post-event periods. This pattern suggests that investors quickly processed the information regarding the ministerial replacement and adjusted their valuations accordingly. Similar findings have been reported in event-study research examining political events, where market reactions tend to be concentrated around announcement dates and dissipate shortly thereafter (MacKinlay, 1997; McWilliams & Siegel, 1997).

The findings also support previous studies highlighting the role of political information in shaping market behavior. Political events often generate uncertainty regarding future government policies, thereby affecting investor expectations and risk perceptions (Pastor & Veronesi, 2012). According to Bekaert et al. (2014), political risk influences asset valuation because investors continuously reassess the implications of political developments for economic growth and policy stability. Likewise, Su et al. (2018) found that political uncertainty significantly affects stock returns across international markets, particularly in emerging economies where policy credibility is closely linked to market confidence. The replacement of Indonesia's Minister of Finance can therefore be viewed as a political-economic event that altered investor expectations regarding fiscal policy continuity and macroeconomic stability.

The observed sectoral differences further suggest that investors interpreted the event differently depending on industry characteristics. The Technology sector exhibited the strongest negative reaction and the highest volatility throughout the event window. This finding may reflect the sector's greater dependence on future growth expectations and its sensitivity to

uncertainty regarding fiscal priorities, investment incentives, and economic policy direction. Previous studies have shown that growth-oriented sectors are generally more vulnerable to political uncertainty because their valuations rely heavily on future expectations rather than current cash flows (Julio & Yook, 2012; Pastor & Veronesi, 2012). The persistent negative abnormal returns observed in the Technology sector therefore indicate that investors perceived the ministerial transition as a source of uncertainty rather than a positive signal.

In contrast, the Financial, Infrastructure, and Energy sectors exhibited relatively positive reactions following the announcement. As these sectors are closely connected to fiscal policy implementation, government expenditure, and macroeconomic management, investors may have interpreted the appointment of the new Minister of Finance as a signal of policy continuity and fiscal stability. This interpretation is consistent with Signaling Theory, which suggests that public announcements serve as signals that reduce information asymmetry and influence investor expectations (Spence, 1973). Positive market responses in these sectors indicate that investors perceived the transition as unlikely to disrupt fiscal management or economic development programs.

The Healthcare and Consumer Non-Cyclicals sectors demonstrated relatively stable performance throughout the observation period. These sectors are generally considered defensive because demand for their products and services tends to remain stable regardless of political or economic fluctuations. Consequently, investors may view them as safer investment alternatives during periods of uncertainty. Similar sectoral resilience has been documented in studies examining market responses to political and economic shocks, where defensive sectors typically experience lower volatility and smaller abnormal returns compared to cyclical industries (Wisniewski, 2016).

The presence of significant abnormal returns before the official announcement is also noteworthy. Significant abnormal returns detected on several pre-event trading days may indicate anticipatory investor behavior or the possibility of information leakage. Similar patterns have been documented in political-event studies, where investors begin adjusting their portfolios before formal announcements due to speculation, media coverage, or informal information dissemination (Bernhard & Leblang, 2006; Goodell & Vähämaa, 2013). This finding suggests that market participants actively monitored developments surrounding the cabinet reshuffle and attempted to anticipate its potential implications for future economic policy.

The findings are also broadly consistent with evidence from Indonesia and other emerging markets. Abidin and Haryanto (2019) found that political events in Indonesia generated significant abnormal returns around announcement periods, while Yuliana and Robiyanto (2021) documented changes in trading activity and investor responses following political developments. Similarly, Setiawan et al. (2020) demonstrated that political factors influence stock market performance through changes in investor perceptions and confidence. The current study extends this literature by showing that the replacement of a key fiscal policymaker produces differentiated effects across sectors, highlighting the importance of industry-specific characteristics in determining market reactions.

Overall, the results indicate that the replacement of the Minister of Finance functioned as value-relevant public information that was rapidly incorporated into stock prices. Although the aggregate market reaction was not statistically significant over the entire event window, sectoral differences reveal that investors evaluated the implications of the event differently depending on their expectations regarding fiscal policy exposure and economic prospects. These findings reinforce the relevance of event study methodology for examining political-economic events and contribute to the growing literature on political uncertainty, signaling effects, and capital market behavior in emerging economies.

## 5. Conclusion

This study concludes that the 2025 replacement of the Minister of Finance of the Republic of Indonesia contained information that was recognized and responded to by the Indonesian capital market. This is evidenced by significant abnormal returns on several trading days before, during, and after the event, indicating market reactions comprising both anticipatory behavior and post-event adjustment. However, the results of the Paired Sample t-Test reveal no significant difference in average abnormal returns between the pre-event and post-event periods, suggesting that the market reaction was short-lived and rapidly absorbed by investors.

The study also identifies differences in sectoral sensitivity to the ministerial replacement. The Technology, Industrials, and Healthcare sectors exhibited the highest sensitivity to political-economic information, whereas the Consumer Non-Cyclicals and Consumer Cyclicals sectors demonstrated more defensive and stable characteristics. These findings support both the semi-strong form of the Efficient Market Hypothesis and Signaling Theory, indicating that investors interpret public information differently depending on sector-specific characteristics.

From a practical perspective, the findings provide valuable insights for investors seeking to develop sector-based investment and portfolio diversification strategies, particularly during periods of political and economic uncertainty. For policymakers, the results highlight the importance of maintaining fiscal policy credibility and ensuring clear and consistent policy communication to minimize market volatility and sustain investor confidence.

Future studies are encouraged to extend the event window, employ alternative expected return models, and incorporate additional variables, such as trading volume and return volatility, to provide a more comprehensive understanding of market reactions to political-economic events.

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