

Analysis of the Impact of Finance Minister Turnover on IHSG Volatility

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Abstract

This study aims to analyze the impact of the change of Minister of Finance on the volatility of the Indonesia Composite Stock Price Index (IHSG) by comparing market conditions before and after the appointment on September 08, 2025. This research employs a quantitative approach using an event study design, with an observation period of 30 trading days consisting of 15 days before and 15 days after the event, resulting in 39 effective trading days due to market holidays. Daily IHSG closing price data are used to calculate stock returns and volatility, where volatility is measured using the standard deviation of returns. The results show that IHSG volatility before the event (0.00986) is higher than after the event (0.00758), indicating that market fluctuations decreased following the appointment and suggesting that the market became more stable after uncertainty surrounding the leadership transition was resolved. However, this study is limited by the relatively short observation period and the use of a single indicator without incorporating broader macroeconomic variables. The findings imply that investors should not overreact to political events, as the market tends to adjust and stabilize once information is fully absorbed. This research offers value by focusing specifically on IHSG volatility as a response to a political event, particularly the change of Minister of Finance in Indonesia.

Keywords: *IHSG, Volatility, Event Study, Stock Market, Political Event.*

Introduction

The capital market is one of the essential instruments within the financial system, functioning as a medium for mobilizing funds from the public to parties requiring financing. In addition, the capital market serves as an indicator of a country's economic condition, as it reflects investors' expectations regarding economic stability, government policies, and future growth prospects (Alvionta et al., 2025). In the Indonesian context, capital market performance is generally measured by the Composite Stock Price Index (CSPI), which

represents the movement of all stocks listed on the Indonesia Stock Exchange and serves as a primary indicator for assessing market conditions and investor confidence in the national economy (Alvionta et al., 2025).

The movement of the Composite Stock Price Index (CSPI) is influenced by various factors, both internal and external in nature. Macroeconomic factors such as interest rates, exchange rates, inflation, and global economic conditions have been shown to affect the dynamics of the Indonesian stock market, both in the short term and the long term (Ananda et al., 2025). Furthermore, changes in global economic conditions and policies also influence the movement of the domestic capital market through the mechanism of financial market integration, which increases the sensitivity of the CSPI to external dynamics

In addition to economic factors, the capital market is also highly responsive to non-economic information, particularly political events and government policies. From the perspective of the Efficient Market Hypothesis, any publicly disclosed information will be immediately responded to by investors and subsequently reflected in stock prices (Alvionta et al., 2025). This indicates that changes in policies or governmental structures may influence market behavior through fluctuations in stock prices, trading volume, and volatility levels. To examine market reactions to a particular event, the event study approach is commonly employed to assess whether an event contains significant information value for investors. In capital market research, this method is generally used to analyze abnormal returns and trading volume activity surrounding the event date. Through this approach, researchers are able to identify whether the market reacts significantly to a specific event.

One political event that has the potential to influence the capital market is the replacement of the Minister of Finance. This position holds a strategic role in determining the direction of fiscal policy, managing the state budget, and maintaining the stability of the national financial system. Consequently, changes in this position may generate new expectations among investors regarding the future direction of economic policy (Alvionta et al., 2025). The replacement of the Minister of Finance in 2025 became a notable event, as it had the potential to influence investor perceptions of fiscal policy stability and national economic

conditions. Several studies suggest that political events can trigger short-term changes in market volatility due to heightened uncertainty among investors.

Research Methods

This study employs a quantitative approach to analyze changes in the volatility of the Composite Stock Price Index (CSPI) before and after the replacement of the Minister of Finance in Indonesia. The quantitative approach was selected because this study utilizes numerical data in the form of stock prices, which are statistically processed to examine changes in capital market conditions resulting from specific economic or political events. The method applied in this research is an *event study*, which is commonly used to observe market reactions to a particular event by comparing market conditions before and after the occurrence of the event. The *event study* approach is widely employed in capital market research because it is capable of identifying whether an event contains information that influences investor behavior and stock price movements in the market.

The event observed in this study is the inauguration of the Minister of Finance on September 8, 2025, which was officially announced by the Government of Indonesia and reported by national media. The event marked the transition of office from Sri Mulyani Indrawati to Purbaya Yudhi Sadewa. This change in a strategic economic position is considered important information for market participants because the Minister of Finance plays a central role in determining fiscal policy direction and maintaining national economic stability, both of which may influence investors' perceptions of economic conditions (Alvionta et al., 2025).

This study uses the Composite Stock Price Index (CSPI) as the primary indicator to represent the condition of the Indonesian capital market. The CSPI was selected because it reflects the price movements of all stocks listed on the Indonesia Stock Exchange, thereby providing an aggregate representation of overall market conditions and serving as an important benchmark for investors in assessing market stability and making investment decisions (Alvionta et al., 2025). In *event study* research, the observation period is divided into two parts: the pre-event period and the post-event period. This study employs an event window of 30 trading days, consisting of 15 trading days before and 15 trading days after

the inauguration of the Minister of Finance. The selection of this observation period aims to capture short-term changes in market conditions while minimizing the influence of external factors unrelated to the research event (Rizki, 2025).

However, the number of trading days available in the research data does not fully correspond to the number of calendar days due to stock exchange holidays, weekends, and days without trading activity on the Indonesia Stock Exchange. Therefore, the number of observations used in this study consists of 18 trading days before the inauguration of the Minister of Finance and 21 trading days after the inauguration, resulting in a total of 39 trading-day observations analyzed in this research. The type of data used in this study is secondary data in the form of the daily closing prices of the Composite Stock Price Index (CSPI). The data were obtained from official publications of the Indonesia Stock Exchange as well as publicly available capital market data sources. The collected data include the daily closing prices of the CSPI during the periods before and after the inauguration of the Minister of Finance in accordance with the research event window.

The initial step in the data analysis is to calculate the daily returns of the Composite Stock Price Index (CSPI). Stock returns represent changes in the index price from one period to the next and are used as the basis for measuring fluctuations in the stock market. Daily

$$R_t = \frac{P_t - P_{t-1}}{P_{t-1}}$$

returns are calculated using the following formula:

Where:

R_t = CSPI return on day-t

P_t = CSPI closing price on day-t

P_{t-1} = CSPI closing price on the previous trading day

After calculating the daily returns, the next step is to measure the level of market volatility. Volatility reflects the degree of stock price fluctuations within a certain period and is commonly used as an indicator of risk in financial markets. The higher the volatility

value, the greater the level of uncertainty faced by investors in capital market investment activities (Ananda et al., 2025).

In this study, volatility is measured using the standard deviation of the daily CSPI returns, calculated using the following formula:

$$\sigma = \sqrt{\frac{\sum (R_t - \bar{R})^2}{n - 1}}$$

Where:

σ = IHSG volatility

R_t = IHSG return on day -t

$\bar{R}$ = average return of the IHSG

n = number of observations

A higher standard deviation value indicates greater fluctuations in stock prices, implying an increase in market volatility. The data analysis procedure in this study consists of several stages. First, the daily CSPI returns are calculated for the periods before and after the inauguration of the Minister of Finance. Second, the mean return and the standard deviation of returns are calculated for each observation period. Third, the level of CSPI volatility before and after the event is compared to determine whether there are changes in market stability following the replacement of the Minister of Finance.

This comparison is used to identify whether the replacement of the Minister of Finance has an impact on stock market volatility. If volatility in the post-event period is higher than in the pre-event period, it may indicate that the event increased market uncertainty. Conversely, if volatility decreases or remains relatively stable, the event may be considered to have no significant impact on the condition of the Indonesian capital market.

Results and Discussion

The analysis in this study begins with the calculation of the daily returns of the Composite Stock Price Index (CSPI) based on changes in the index closing prices from one

trading day to the next. The calculation of daily returns is intended to illustrate changes in the index value, which reflect market responses to various types of information received by investors.

A summary of the number of observations and the average CSPI returns for each period is presented in the following table.

Table 1. Average CSPI Returns Before and After the Inauguration of the Minister of Finance

Period	Number of Observations	Average Return
Before the Inauguration	18 day	0,00246
After the Inauguration	21 day	0,00244

Based on Table 1, it can be observed that the average CSPI returns before and after the inauguration of the Minister of Finance did not show a significant difference. The average return before the inauguration was recorded at 0.00246, while the average return after the inauguration was 0.00244. This very small difference indicates that, on average, the changes in the index value did not experience substantial variation between the two observation periods. Volatility in this study is measured using the standard deviation of daily CSPI returns. Standard deviation is used to describe the degree of dispersion of return data around its mean value. The higher the standard deviation, the greater the fluctuation in stock prices occurring in the market. The volatility calculation was conducted separately for the period before the inauguration of the Minister of Finance and the period after the inauguration. The results of the CSPI return volatility calculations for each period are presented in Table 2 below.

Table 2. CSPI Return Volatility Before and After the Inauguration of the Minister of Finance

Period	Number of Observations	Mean Return	Volatility (Standard Deviation)
Before the Inauguration	18	0,00246	0,00986
After the Inauguration	21	0,00244	0,00758

Based on the calculation results presented in Table 2, the CSPI volatility during the period before the inauguration of the Minister of Finance was recorded at 0.00986, whereas the volatility during the post-inauguration period was 0.00758. The higher volatility value in the pre-inauguration period indicates that stock market fluctuations were relatively greater before the replacement of the Minister of Finance took place. In contrast, after the inauguration of the Minister of Finance, the level of CSPI volatility tended to decline, suggesting that stock market conditions became relatively more stable compared to the previous period.

The findings of this study indicate that CSPI volatility in the period before the inauguration of the Minister of Finance was higher than in the period after the inauguration. This condition suggests that the stock market experienced a higher degree of fluctuation during the phase leading up to the leadership transition in a strategic economic sector. The increase in volatility prior to the event can be interpreted as a market response to policy uncertainty that may arise as a result of the leadership change.

The replacement of a public official who holds authority over fiscal management and national economic stability may influence investor perceptions of risk in the capital market. The position of the Minister of Finance plays a crucial role in determining fiscal policy direction, managing national debt, and maintaining the credibility of the government's economic policies. Therefore, changes in this position can affect investor confidence and

market expectations regarding future economic conditions (Alvionta et al., 2025). The phenomenon of increased volatility prior to the event can also be explained through investor behavior in response to information uncertainty. In situations where the direction of economic policy is not yet fully clear, investors tend to adopt a *wait-and-see* attitude by postponing investment decisions until more definite information regarding the policies of the new official becomes available. This condition may encourage speculative trading activities, leading to greater fluctuations in stock prices. These findings are consistent with previous studies showing that the stock market is highly sensitive to leadership changes in the economic sector because investors perceive government officials as important indicators in assessing the credibility of fiscal policy and long-term economic stability.

However, after the inauguration of the Minister of Finance on September 8, 2025, CSPI volatility in this study showed a tendency to decline. The decrease in volatility indicates that the market was able to adjust quickly once information regarding the new leadership became clear. As uncertainty surrounding the appointed figure and the direction of economic policy gradually diminished, investors were able to return to making rational evaluations of market conditions, resulting in more stable trading activities. These findings support the concept of market efficiency, which states that publicly available information in the market is rapidly absorbed by investors and reflected in stock prices within a relatively short period of time.

The results of this study also indicate that the replacement of the Minister of Finance does not necessarily generate negative reactions or prolonged turbulence in the capital market. In some cases, the market may perceive changes in economic leadership as a normal part of governmental dynamics, thereby not triggering significant changes in volatility. Previous studies examining the impact of changes in the Minister of Finance on the volatility of banking sector stocks listed on the Indonesia Stock Exchange similarly found that the market did not exhibit excessive reactions to such events. This suggests that investors are capable of absorbing information rationally without causing extreme price fluctuations (Alvionta et al., 2025).

From the perspective of information economics theory, the findings of this study can also be explained through signaling theory, which states that a political or economic event may serve as a signal to investors regarding the direction of future policies. Changes in strategic economic officials may be perceived as signals that influence investor expectations concerning fiscal policy and economic stability. If the appointed figure possesses credibility or a reputation that is viewed positively by the market, investors tend to respond more optimistically, thereby reducing market volatility following the announcement.

In addition to leadership factors, the dynamics of CSPI movements cannot be separated from the influence of broader macroeconomic conditions. Factors such as changes in global interest rates, international capital flows, exchange rate fluctuations of the Indonesian rupiah, and global geopolitical conditions may affect investor confidence and stock index movements. Therefore, changes in CSPI volatility during the research period cannot be entirely explained solely by the replacement of the Minister of Finance, but are also influenced by various economic factors that interact within the financial market system. Previous studies have shown that CSPI movements are highly sensitive to macroeconomic conditions as well as government policy responses in maintaining national economic stability (Hafifa et al., 2025).

Overall, the findings of this study indicate that the Indonesian capital market possesses a relatively strong capacity to adapt to leadership changes in the economic sector. Although volatility increased during the period prior to the inauguration of the Minister of Finance, market conditions tended to stabilize after the event occurred. This suggests that the market was able to absorb information regarding the leadership transition relatively quickly, thereby preventing prolonged turbulence in CSPI movements. These findings are also consistent with previous studies showing that changes in economic officials may influence market sentiment in the short term; however, the effects tend to be temporary once the market gains greater certainty regarding the direction of economic policies to be implemented (Rizki, 2025).

Conclusion

This study aims to analyze the impact of the replacement of the Minister of Finance on the volatility of the Composite Stock Price Index (CSPI) by comparing stock market conditions before and after the inauguration of the Minister of Finance on September 8, 2025. The analysis was conducted using daily CSPI closing price data, which were subsequently transformed into daily returns and measured for volatility using the standard deviation of returns.

The results of the study indicate that CSPI volatility during the period before the inauguration of the Minister of Finance was higher than during the post-inauguration period. The volatility value prior to the inauguration was recorded at 0.00986, while the volatility after the inauguration was 0.00758. These findings suggest that the level of stock market fluctuations tended to decline following the replacement of the Minister of Finance, indicating that the market was able to adjust to information regarding leadership changes in the economic sector.

These findings provide evidence that changes in strategic economic officials do not necessarily lead to instability in the capital market. On the contrary, the stock market may respond rationally to political and policy-related information, resulting in volatility that is only temporary in nature. This indicates that the Indonesian capital market possesses a relatively strong capacity to adapt to leadership changes within the government, particularly in economic sectors directly related to fiscal policy and financial stability.

Academically, the findings of this study reinforce the view that capital markets possess a relatively rapid information adjustment mechanism in response to political events and changes in economic policy. The replacement of the Minister of Finance may influence investor perceptions in the short term; however, once the information is absorbed by the market, volatility tends to return to a more stable condition.

Nevertheless, this study has several limitations. First, the observation period used in this research is relatively limited and therefore may not fully capture market dynamics over a longer time horizon. Second, this study only employs CSPI volatility as the main indicator

without considering other economic variables that may also influence stock market movements, such as inflation, interest rates, exchange rates, and global market sentiment. Therefore, future studies are recommended to use a longer observation period and incorporate additional macroeconomic variables in order to provide a more comprehensive understanding of the impact of political events on capital market stability.

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