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Capital Market Reaction to Free Nutritious Food Policy: A Case Study of Palm Oil Companies on Indonesia Stock Exchange

Jihan Eka Putri[1*], Muhammad Nofal[2], Husnah[3], Rian Risendy[3]
[1]Universitas Tadulako, Palu, Indonesia, jihaneekaputry@gmail.com.
[2]Universitas Tadulako, Palu, Indonesia, nofal_flo@yahoo.com.
[3]Universitas Tadulako, Palu, Indonesia, husnahatjo@yahoo.co.id.
[4]Universitas Tadulako, Palu, Indonesia, rian_risendy013@yahoo.co.id.

[*]Corresponding Author: jihaneekaputry@gmail.com[1]

Abstract: The Free Nutritious Meal Policy, targeted at school students, toddlers, and pregnant women, is implemented as an effort to reduce stunting and produce high-quality human resources. The reaction of investors in the capital market to this program remains unknown, even though the program directly increases the volume of food that will be consumed, such as palm cooking oil. Therefore, this research aims to test whether investors react to the MBG program by analyzing the abnormal returns of palm oil company stocks that are expected to receive direct positive impacts from the program. To this end, we examine this market reaction by conducting an event study based on the market model. The analysis utilizes return data from 24 palm oil company stocks listed on the BEI. We found that positive and significant abnormal returns occurred a few days before and after the event date, indicating an investor reaction to the MBG program. The variable abnormal returns suggest that the market reaction tends to be slow and spreads gradually and indirectly. The inconsistency in significant patterns indicates that market information is still developing, while also reflecting investors' cautious attitude toward government policies with broad impacts.

Keywords: Free nutritious meals, event study, abnormal return, palm oil company.

INTRODUCTION

During his first campaign on December 2, 2023, presidential candidate Prabowo Subianto announced his flagship program called Makan Bergizi Gratis or MBG for short. This program will provide healthy and nutritious food to students in schools, toddlers and pregnant women. With the fulfillment of optimal nutrition, it is expected to strengthen the cognitive abilities and academic achievements of students while reducing the *stunting* rate, which is a serious problem and has an impact on the low productivity and quality of human resources in Indonesia.

The public seems to respond positively to the MBG as evidenced by the election of Prabowo Subianto as president in the General Election on February 14, 2024. President

Prabowo Subianto was officially inaugurated as President of the Republic of Indonesia for the 2024-2029 term on October 20, 2024. The MBG program received a budget allocation of IDR 71 T. In its implementation, 100% of the State Budget (APBN) was spent on agricultural materials produced by farmers.

On November 7, 2024, the Head of the National Nutrition Agency announced that they would start the trial starting in December 2024 at 100 points throughout Indonesia. On January 6, 2025, the first *launch of* MBG, starting at 190 points spread across 26 provinces in Indonesia. Indonesia's large and growing population also increases the challenge of meeting national nutritional needs. This condition strengthens the urgency of the MBG program while opening up opportunities for economic growth, especially in the food sector.

MBG is expected to have a large and broad impact on the economy, in particular, generating the food and industrial sectors as associated with supply activities to meet the needs of MBG, one of the subsectors that has a close relationship with the provision of nutritious food is the palm oil industry. This is due to the use of cooking oil derived from palm oil as one of the main basic ingredients in the preparation of the MBG diet. This economic impact has the potential to affect investor behavior, which changes their perception of estimated *returns* and risk (Saleh et al., 2021).

Implementing a sustainable growth strategy has an important role in advancing human progress and promoting prosperity (Suparman & Muzakir, 2023). Research conducted by (Kiroyan et al., 2022) with the research title Capital Market Reaction Analysis on CPO companies in the plantation sub-sector listed on the Indonesia Stock Exchange before and after the ban on exports of cooking oil and raw materials in Indonesia. The results of the above research indicate that the announcement of the cooking oil export ban does not have a significant impact on the abnormal *return of* CPO company shares, but significantly affects trading volume activity on the Indonesia Stock Exchange.

The question is, how do investors in the Capital Market react to the MBG program? as measured by the abnormal *return of* the stock price of food provider companies, especially the palm oil company subsector.

Literature Review

The capital market is the main source of funding for companies that have an impact on the country's economy (Nnakee et al., 2025). The capital market has a crucial role in a country's financial system, serving as an intermediation mechanism that connects parties who need financing (deficit units) with parties who have excess funds (surplus units). In Indonesia, the capital market intermediation function is carried out by the Indonesia Stock Exchange (IDX). The reaction of the capital market is determined by how investors react. The reaction is closely related to how much attention investors pay to information (Tinungki et al., 2025) When new information is announced, investors are expected to process it rationally by reflecting it in stock prices to capture the economic impact of the information (Chu et al., 2025). Stock market reaction refers to the response of the profit market to various events, news, or announcements related to a particular company or the broader market (Woolridge & Snow, 1990). Capital market reaction is a response that arises as a result of the issuance of investment instruments or surrounding information that can affect the capital market (Amir & Indriani, 2020).

The market response to good news is likely to provide economic value and conversely, a negative market response is more likely to be credited by bad news (Kasim et al., 2022). The type and influence of factors may change. Investors need to review the financial factors or signals that affect stock returns and then use them to make investment decisions (Huang et al., 2025). Signal theory (*singnalling theory*) was first put forward by Spence (1973) which explains that the sender (owner of information) provides a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor).

Investment decisions are a strategic process that has a long-term impact, so it requires careful analysis of various factors that can affect investment performance and related risks (Husnah et al., 2023). Shareholders tend to consider the potential profits that can be obtained as the main basis for making investment decisions (Huang et al., 2025).

Testing for information aims to find out how the market (event) reacts to an announcement. If the announcement contains information, the market will react when the announcement is received by the market. *Event* studies were first introduced by Dolley (1933) who stated that most *stock* prices react positively to *stock split* events. Event studies use financial information to measure the impact that certain circumstances and events have on the market value of a company's equity securities (Tinungki et al., 2025). To measure the future of the company, information about profits is needed (Totanan et al., 2021).

Event study is how to measure the effect of a certain event on a company's value. The *event study* methodology developed by (Fama et al., 1969) uses the sensitivity of stocks to variations in a well-verified market index to separate periodic stock returns into expected and unexpected components. *Event* studies aim to test whether the average and accumulated *abnormal returns* around an event are significantly different from zero for affected firms. Abnormal returns, the difference between actual returns and expected returns during the test period, can test the effect of an event (Alam et al., 2021).

The literature review did not show any previous event studies that examined the capital market reaction to the free nutritious meal policy case study on food and beverage companies on the Indonesia stock exchange. Although some event studies have been conducted by (Alam et al. 2021),, (Ashraf, 2020), (Pandey & Kumari, 2021), (Heyden & Heyden, 2021), and (Hunjra et al., 2021)) , (Mazur et al., 2021explain well the relationship between measures of uncertainty and *returns* on investment.

METHODS

Objectives and scope

This study aims to examine whether the MBG program has an impact on the Indonesian Stock Market. For this purpose, we analyze the daily *returns of* palm oil companies' stocks before and after the announcement of the MBG program. The null hypothesis is that the "abnormal *return*" around the *event day* is less than or equal to zero, implying that the MBG program does not affect the stock market. In cases where the null hypothesis is rejected, the study will conclude that the MBG program had an impact on the stock market.

Event

In this study, the *event* is the announcement of MBG as a program that will improve the quality of human resources. The following are the key *events*.

1. *Event day*. This event was the day of the first *launch of the* MBG program, which was on January 6, 2025. The news of the MBG *launch* was broadcast live on the same day by several national TV stations since 10:00 am. Since the announcement happened in the morning, the market reacted immediately on the news date.
2. *Event window*. Refers to, *event windows* for 61 days, from day t-30 to day t+30.
3. *Estimation* window. To determine the values in the *event windows*, the estimation period is 90 days, from day t-120 to day t-31. Only trading days are considered.

Population and Sample

The population used in this study were companies listed on the Indonesia Stock Exchange. The sampling of this study uses palm oil companies which are important actors in the economy, with the presence of the MBG program, the shares of these companies will be indirectly affected. This is due to the use of cooking oil derived from palm oil as one of the

main basic ingredients in the preparation of the MBG food menu. To empirically conclude this fact, we need to analyze the stock data of these palm oil companies. The sample criterion is the pure ones that are accommodated in the analysis.

Estimation Procedure

To calculate the estimated or normalized *return*, it is necessary to select an estimation model. The estimation model is applied to the daily *returns* during the estimation period. After the estimation model is finalized, the estimated/expected/normal daily *return* is calculated. The estimation period data (the period before the *event window*) is used to calculate the normalized *return*. Many models have been used in *event studies* to calculate normalized *returns*. (Ricks, 1984) analyzed three models and concluded that the OLS market model reveals better results. Therefore, we use the OLS Market Model to calculate normalized *returns*. The normalized *return*, $E(R_{it})$, is calculated as:

$$ER_{it} = \alpha + \beta R_{mt}$$

Where.

α	: intercept
β	: *slope* coefficient or slope of OLS regression model
R_{mt}	: *rate of return* on JCI on day t.

Alpha and beta coefficients are calculated with available data for 90 days, from $t_{-120}$to $t_{(-31)}$.

Calculating Abnormal Return

The daily abnormal *return* of each stock in the sample will be calculated to conduct the event study. For this, we need to calculate the actual daily return for the entire observation. To obtain the abnormal *return*, the actual return must be compared with the estimated daily return (normal return) that would have been generated if the *event* had never occurred. Now we have calculated the normal return as per equation (1) above and subtracted it from the actual daily return which results in the daily abnormal *return*. The abnormal *return*, AR_{it}, is calculated as:

$$AR_{it} = R_{it} - ER_{it}$$

Where:

ARit	: abnormal return of index i on day t;
R(it)	: actual return of index i on day t; and.
ER(it)	: normalized return of index i on day t (pers. (1) above).

To calculate the actual daily *return of* the sample as well as the benchmark index, *log-return* is used ((Adamska & Dąbrowski, 2021)) The actual *return*, Rit, is calculated using the following logarithm function.

$$R_{it} = LN \frac{P_{it}}{P_{it-1}} X\ 100$$

Where:

LN	: Natural logarithm;
P_{it}	: Stock price i on day t; and
$P_{(it-1)}$	: Price of stock i on the previous day.

Abnormal Return Aggregation

The daily abnormal *returns of* each stock are aggregated to analyze the stock reaction to the *event*. The aggregation is done during the 61-day *event window* period. The combined abnormal return is then divided by the sample size (N) to obtain the average abnormal return.

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

Where:

AAR_t : Avarage Abnormal Return on day t
N : number of shares.

AAR is then used to *calculate cumulative average abnormal return* (CAAR) during the event window. AAR and CAAR are calculated to obtain both cross-sectional and time-series aggregation during the event period.

Calculation of Test Statistics

Now the results need to be tested for significance. To test significance, we use *t-statistics*.

1. The t-statistic for AAR is calculated by dividing AAR by the standard deviation of daily returns over the estimation period.
2. The t-statistic for CAAR is calculated by dividing CAAR by the product of the standard deviation of *daily returns* over the estimation period and *the square root of the* absolute value on *event day plus* 1. For this purpose, the following formula is used to calculate the estimation period standard deviation of *daily abnormal returns*.

$$\sqrt{\frac{\sum_{-120}^{-31}(\mathbf{AR_{it}} - \mathbf{AAR_e})^2}{\mathbf{n}}}$$

$\sigma_{(i,e)}$: estimation *period standard deviation of daily returns;*
AAR_e : average *abnormal return of index i for the estimation period*; and
n : number *of days in the estimation period.*

Now, the *aggregate estimation period standard deviation*, $\sigma_{N,e}$, is calculated as follows.

$$\boldsymbol{\sigma_{N,e} = \sqrt{\frac{\sum_{i=1}^{N}\sigma_{i,e}^2}{N^2}}}$$

As discussed earlier, the t-statistic for AAR is calculated as:

$$\boldsymbol{AAR_t\, t = \frac{AAR_t}{\sigma_{N,e}}}$$

Similarly, the t-statistic for CAAR is calculated as:

$$\boldsymbol{CAAR_t = \frac{CAAR_t}{\sigma_{N.e}\sqrt{N_{t+1}}}}$$

Where:

$CAAR_t$: cumulative *average abnormal return* on day t.
N_{t+1} : *absolute* value *of event day plus* 1 (example: for *event day* -10, the *absolute* value is 10 and N_{t+1}= 11).

RESULTS AND DISCUSSION

The results of the values above will be used to test the research hypothesis. If AAR and CAAR are positive and significant, they indicate a positive market response, where the returns at the time of and after the event are higher compared to before the event. Before conducting the difference test, a normality test is first performed using the *Kolmogorov-Smirnov* test to determine whether the data is normally distributed or not (Ghozali,2019). If the data is normally distributed, a parametric paired sample t-test is used, if not normal, a non-parametric Wilcoxon signed rank test is used. Furthermore, the testing of the average abnormal return (AAR) during the event window period is conducted using a t-statistic test at the 10% significance level. From the calculation results, it was found that several days in the observation period showed statistically significant t-values, both positive and negative. This indicates the presence of a dynamic market reaction to the announcement. This finding can be explained through signaling theory, where the announcement of the MBG program is perceived as an economic signal that has implications for the prospective assessment of returns as well as investment risk. When the information is considered positive, the market reaction is reflected in the significant abnormal returns that occur, indicating that the market responds to government policy signals in a selective and considered manner.

Table 1. Abnormal Returns of Palm Oil Plantation Companies Listed on the IDX During the 61-Day Event Window (t–30 to t+30)

Pre-event Period

Day	AAR N=24	SD	t-stat	Kolmogrov-Smiirnov (Sig.)	Shapiro-Wilk (Sig.)	N
t-30	-0.0009	0.0634	-0.071	0.001	0.002	24
t-29	-0.0242	0.0465	-2.551	0.000	0.000	24
t-28	-0.0114	0.0303	-1.844	0.000	0.000	24
t-27	0.0035	0.0325	0.533	0.034	0.019	24
t-26	-0.0048	0.0343	-0.679	0.043	0.174	24
t-25	-0.0041	0.0270	-0.742	.200*	0.098	24
t-24	0.0031	0.0311	0.481	0.014	0.007	24
t-23	-0.0054	0.0230	-1.160	0.028	0.067	24
t-22	0.0122	0.0641	0.931	0.028	0.009	24
t-21	-0.0261	0.0540	-2.369	0.009	0.000	24
t-20	0.0136	0.0229	2.919*	0.009	0.006	24
t-19	-0.0067	0.0420	-0.782	0.000	0.000	24
t-18	0.0059	0.0412	0.706	0.000	0.000	24
t-17	-0.0096	0.0293	-1.608	0.001	0.001	24
t-16	0.0050	0.0471	0.516	0.000	0.000	24
t-15	0.0006	0.0369	0.080	0.001	0.000	24
t-14	-0.0050	0.0287	-0.845	0.071	0.429	24
t-13	-0.0095	0.0210	-2.208	0.067	0.090	24
t-12	-0.0094	0.0370	-1.238	0.000	0.000	24
t-11	-0.0155	0.0279	-2.719	0.000	0.002	24
t-10	-0.0042	0.0380	-0.539	0.002	0.000	24
t-9	-0.0021	0.0539	-0.194	0.001	0.000	24
t-8	-0.0261	0.0365	-3.499	0.023	0.006	24
t-7	0.0054	0.0282	0.946	0.003	0.108	24
t-6	0.0021	0.0262	0.390	0.000	0.001	24
t-5	0.0137	0.0406	1.786*	0.000	0.000	24
t-4	0.0036	0.0186	0.938	.200*	0.525	24
t-3	0.0030	0.0637	0.231	0.007	0.003	24
t-2	-0.0010	0.0501	-0.101	0.004	0.005	24
t-1	-0.0233	0.0524	-2.182	0.007	0.019	24
0	0.0023	0.0347	0.324	0.011	0.033	24

Post-event Period

Day	AAR N=24	SD	t-stat	Kolmogrov-Smiirnov (Sig.)	Shapiro-Wilk (Sig.)	N
0	0.0023	0.0347	0.324	0.011	0.033	24
t+1	-0.0005	0.0406	-0.062	0.000	0.000	24
t+2	0.0038	0.0383	0.489	0.000	0.000	24
t+3	0.0119	0.0342	1.826*	0.000	0.000	24
t+4	0.0094	0.0267	1.858*	0.001	0.000	24
t+5	0.0098	0.0554	0.868	0.007	0.020	24
t+6	-0.0032	0.0367	-0.430	0.008	0.002	24
t+7	-0.0186	0.0385	-2.374	0.000	0.000	24
t+8	0.0014	0.0320	0.215	0.001	0.003	24
t+9	-0.0144	0.0298	-2.363	0.003	0.024	24
t+10	0.0119	0.0352	1.796*	0.000	0.000	24
t+11	-0.0054	0.0266	-0.994	0.008	0.000	24
t+12	-0.0062	0.0178	-1.707	0.147	0.297	24
t+13	-0.0075	0.0310	-1.181	0.045	0.000	24
t+14	0.0094	0.0274	1.680	0.001	0.000	24
t+15	0.0113	0.0562	0.981	0.023	0.001	24
t+16	0.0083	0.0581	0.699	0.000	0.001	24
t+17	-0.0100	0.0348	-1.407	0.002	0.001	24
t+18	-0.0006	0.0316	-0.088	0.003	0.000	24
t+19	-0.0006	0.0250	-0.121	0.106	0.000	24
t+20	-0.0046	0.0325	-0.691	0.001	0.001	24
t+21	-0.0090	0.0441	-1.003	0.002	0.020	24
t+22	-0.0193	0.0416	-2.273	0.002	0.000	24
t+23	-0.0122	0.0430	-1.390	0.000	0.004	24
t+24	-0.0042	0.0446	-0.463	0.002	0.000	24
t+25	0.0003	0.0349	0.040	0.000	0.000	24
t+26	0.0013	0.0423	0.156	.200*	0.036	24
t+27	-0.0032	0.0257	-0.602	0.182	0.182	24
t+28	0.0070	0.0285	1.203	0.000	0.000	24
t+29	-0.0063	0.0281	-1.104	0.000	0.000	24
t+30	0.0136	0.0414	1.609	0.002	0.000	24

*** significant at 5%. *significant at 10%.*

The table above shows the results of the abnormal *return* value of oil palm plantation sector companies listed on the Indonesia Stock Exchange, the analysis conducted during the observation period of 61 days consisting of t-30 before the *event* and t + 30 after the *event* (*event window* t-30 to t + 30), obtained a fairly clear picture of how the market responds to certain events analyzed in the study.

The results show that most days within the observation period, show fluctuations that reflect a dynamic market response to the event. However, the values shown are not always statistically significant, as indicated by the t-statistic values calculated for each day. There are a number of days where the t-statistic values show statistically significant results, both in the period before the event (t-30 to t-1) and after the event (t+1 to t+30), indicating that on these days there are abnormal *returns* that are statistically different from zero. This indicates that investors react to information circulating around the time of the event.

In the period before the event, there are several days that show a significant t-statistic value, namely on day t-29 with a t value of -2.551, day t-1 with a t value of -2.182 indicating a reaction from the market that tends to be negative before the event. However, on day t-21, the t-value is 2.369, positively significant at 5%, indicating a significant deviation towards the opposite (positive). In addition, on day t-5, the t-value of 1.786 is significant at close to 10%, indicating a potential market reaction ahead of the event. This shows that not all days in the period before the event reflect market pessimism, there are also indications of momentary optimism triggered by various information factors circulating ahead of the event.

Meanwhile, on the *event day* t=0, the AAR is recorded at 0.0023 with a t-statistic value of 0.324, the results of this value can be concluded that on the event day there is no significant market reaction. This may occur because the information that comes on that day is not considered strong enough to influence investment decisions and because the information has been anticipated in advance by market participants, so the impact of information does not immediately look significant.

After the *event* day, there are several days that show statistically significant positive values, namely on day t + 3 the value of t = 1.826, day t + 4 the value of t = 1.858, and day t + 10 the value of t = 1.796. These days indicate that the market responds positively to events that occur, even though the response does not occur immediately on the day of the event. This can be explained by the delay in market reaction to information. In addition, a few days after the *event day* there is a negative response which indicates that market sentiment is not entirely positive towards the event. This negative response may occur due to the emergence of further negative information.

Overall, the analysis shows that the market does not react significantly on the event day, but shows a significant response on several days before and after the event. This reaction reflects that the market is quite sensitive to the information circulating and shows semi-strong efficiency, i.e. the market responds to public information quickly but not always instantly. This finding makes an important contribution in understanding market behavior towards certain events, as well as providing an overview of how investors respond to information in the context of capital markets.

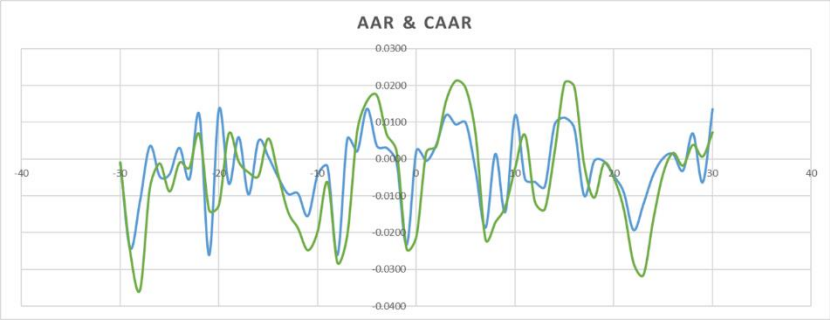


Figure 1. Trend of AARs and CAARs for the Event window (t-30 to t+30 days).

Based on the AAR graph, it can be seen that the average abnormal *return* shows quite high fluctuations both before and after the *event date*. These fluctuations reflect that the market reacts to various information circulating, including rumor expectations, as well as the official announcement of the MBG program. As the *event date* approaches, there is a sharp decline in the AAR value, which indicates that some investors react negatively to the initial information about the MBG program. This negative reaction can be interpreted as a form of market concern over potential unfavorable impacts, such as the lack of clarity on the program's funding mechanism, potential pressure on profits, or continued regulatory uncertainty that could impact the food sector supply chain. This concern is even more relevant for palm oil companies, which serve as one of the main suppliers of cooking oil needs in the MBG program, as there is a possibility that the government will pressure the selling price of oil to maintain the affordability of the supply. This condition is perceived by investors as a risk to the short-term profitability of palm oil companies, thereby eliciting a cautious investor reaction. Despite the decline in the AAR value at the time of the event, the recovery trend that emerged a few days later reflected a change in investors' perception of the MBG program. This change indicates a shift from an initial pessimistic response to a more optimistic one, as further information on the draft policy becomes available.

Meanwhile, the analysis of the CAAR chart shows the pattern of cumulative movement of abnormal *returns* which provides a broader picture of the aggregate impact of the policy on related companies during the observation period. The movement of CAAR showed significant dynamics, with a downward trend before the MBG policy announcement date, which signaled the anticipation or initial market reaction to the information that had been circulated previously. After the official announcement, CAAR experienced a gradual recovery and showed a positive direction, reflecting that the market reaction to the policy was not entirely negative. This pattern reflects a *mixed reaction*, as investors evaluate further information on the potential of the MBG policy for the future growth and sustainability of the food sector.

Impact of MBG

Based on the data analysis of *average abnormal return* (AAR) and *cumulative abnormal return* (CAAR) on stocks of food provider companies, especially palm oil companies, in the period of 30 days before to 30 days after the announcement of government policies related to the Free Meal Program (MBG), it was found that the market reaction was slow but statistically significant on certain days. Prior to the event date, there was a downward trend in AR and CAAR indicating investors' concern or uncertainty about the potential implications of the program.

However, a few days after the announcement (*event date*), there was an improvement in the value of AAR and a positive trend in CAAR which gradually indicated a shift in investor perceptions to be more optimistic. This can be interpreted that investors began to consider the long-term potential of the MBG policy, especially in terms of increasing national food

consumption. As for palm oil companies, as one of the suppliers of processed cooking oil that plays an important role in supplying the MBG program. Although there was no immediate and significant spike in share prices on the day of the announcement, the positive response that began to emerge afterward indicates that investors see prospects for future growth in demand for palm oil products. Thus, although the market reaction to the MBG was not instantaneous, it still showed a gradual positive direction towards palm oil companies.

CONCLUSION

This study aims to analyze how investors in the Indonesian capital market react to the government policy of president Prabowo's superior program, namely the Free Nutritious Meal (MBG) program. This program is shown to school students, toddlers, and pregnant women as a preventive measure in reducing *stunting* rates and educating future human resources. Market reaction is measured through stock abnormal *return* (AR). With a focus on companies engaged in the palm oil sector as one of the food providers. To identify the existence of a significant reaction from the market, this study estimates and tests abnormal *returns* using an *event study* with an observation period of 61 days, namely t-30 days before to t-30 days after the *event* (*event date*) announcement of the first *launch of the* MBG program on January 6, 2025. Statistical testing is done using *paired sample t-test* on the average abnormal return (AAR) value to evaluate the significance of differences that occur around the event.

The impact of the MBG policy on the palm oil subsector, as a provider of basic ingredients for cooking oil, has a strategic position in the food supply chain. Therefore, investors also consider the possibility of increased demand for palm oil products, especially if the MBG program increases national food consumption.

The results of this study indicate that investors' reaction to the free nutritious meal policy (MBG) is a slow and gradual response. Information about the policy is not immediately reflected in the stock price on the day of the announcement, but is spread over the following days. Although there are days with significant AR values, the significance pattern is not temporally consistent. This reinforces the conclusion that the Indonesian capital market is still developing towards better information efficiency. The findings also suggest that investors in the Indonesian market tend to be cautious in responding to government policies, especially if the policies have broad economic implications and have not been fully explained in the early stages of the announcement. Under conditions of uncertainty, investors are expected to apply the precautionary principle by adequately considering risks and using estimates that tend not to be optimistic about the value to be received or paid in the future.

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