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Stock Market Reaction to the Launch of the Indonesian Sovereign Wealth Fund: Evidence from Indonesian State-Owned Banks

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Abstract: This study aims to analyze the Indonesian capital market's response to the launch of Indonesian Wealth Fund (Danantara) as a strategic initiative of the government's fiscal digitalization on February 24, 2025, focusing on the shares of major state-owned banks, namely BBRI, BMRI, BBNI, and BBTN. This study examines five market indicators, including stock prices, abnormal returns (AR), cumulative abnormal returns (CAR), trading volume, and stock risk, to assess the information content of this public policy. The research method used is an event study with an event window (-7, +7), supported by statistical testing using the paired-sample t-test and the Wilcoxon Signed-Rank test to ensure the accuracy of the analysis on different data characteristics. The results show that the launch of Danantara did not result in statistically significant changes in all market indicators tested, indicating that the policy information has been internalized quickly and efficiently by the market. This finding supports the validity of the semi-strong form of the Efficient Market Hypothesis, where macro and non-proprietary public information does not create arbitrage opportunities. The novelty of this research lies in the empirical testing of the impact of the launch of a digital-based sovereign wealth fund on state-owned bank shares through a multi-indicator approach, thereby enriching the literature on event studies of public policy and fiscal digital transformation in developing countries.

Keywords: Abnormal Return, Cumulative Abnormal Return, Efficient Market Hypothesis, Event Study, Indonesian Wealth Fund (Danantara), State-Owned Bank Stocks.

INTRODUCTION

The banking sector plays a fundamental role in supporting a country's economic stability and growth through its financial intermediation function, monetary policy transmission, and liquidity provision for productive activities. In the modern financial system, banks function not only as collectors and distributors of funds but also as strategic institutions influencing the efficiency of resource allocation and macroeconomic resilience. Contemporary studies show that banking sector stability is positively correlated with long-term economic growth, particularly in developing countries that still rely on bank-based financial systems (Mishkin &

Eakins, 2024; Van der Beck, 2021). Therefore, the dynamics of bank performance, including market perceptions of bank value and risk, are relevant issues both scientifically and policy-wise.

In Indonesia, state-owned banks (SOEs) occupy a strategic position because they serve a dual function as commercial entities and public policy instruments. SOE banks play an active role in infrastructure financing, empowering micro, small, and medium enterprises (MSMEs), and expanding financial inclusion. Recent research confirms that SOE banks not only contribute to financial system stability but also serve as a primary channel for the realization of the national development agenda (Sukarame et al., 2022). Consequently, state-owned bank stock performance is often perceived by investors as a reflection of macroeconomic conditions and government policy direction.

In the capital market context, stock prices serve as an aggregate indicator reflecting investor expectations regarding an entity's performance, risk, and prospects. Modern financial literature states that stock price movements are influenced not only by a company's fundamentals but also by public policy information and macro-level institutional signals (Reilly, 2002). The Efficient Market Hypothesis (EMH), particularly its semi-strong form, asserts that relevant public information is quickly internalized into stock prices, thus preventing the creation of sustained abnormal returns (Ardia et al., 2022; Fama, 1970). Therefore, strategic government policy announcements are often studied using an event study approach to assess market efficiency and investor response.

Several empirical studies in the past five years have shown that market reactions to public policy are heterogeneous. Several studies have found abnormal returns and increased trading volume around policy announcement dates, indicating significant information content (Bacon & Reis, 2024; El Ghordaf & El Khamlichi, 2021). Conversely, other studies have shown limited or insignificant market responses, particularly when policy information is macro-level, anticipated, or has no direct impact on corporate cash flows (Bänziger et al., 2023). These differing findings suggest that market responses are highly dependent on the institutional context, signal credibility, and the characteristics of the affected sector.

Despite the growing literature on event studies related to macroeconomic policy announcements, empirical evidence examining the impact of sovereign wealth fund initiatives on capital markets remains limited. Most previous studies have focused on monetary policy, fiscal stimulus, or corporate announcements, while institutional policy innovations such as sovereign wealth fund launches have received relatively little attention. This limitation is particularly evident in emerging markets, including Indonesia, where the institutional and regulatory environment may influence how investors interpret public policy signals. Therefore, examining the capital market reaction to the launch of the Indonesian Wealth Fund provides an opportunity to fill this empirical gap and contribute to the literature on policy-related event studies.

Within this landscape, the launch of Danantara on February 24, 2025, represents a relevant institutional event worthy of study. Danantara was designed as a digital-based sovereign wealth fund aimed at consolidating and optimizing state asset management in a more transparent and professional manner. Unlike conventional fiscal or monetary policies, Danantara represents an institutional transformation in state investment governance, including government shareholding in state-owned banks. This transformation has the potential to impact investor perceptions of risk, governance, and the long-term prospects of state-owned banks.

However, to date, empirical studies specifically examining the capital market's response to the launch of Danantara remain very limited. Most previous research has focused on the impact of monetary policy, fiscal stimulus, or fundamental performance on bank stocks, without examining the implications of digital-based state asset management policies. This creates a research gap regarding how the capital market responds to strategic government institutional innovations that do not directly impact banks' operational financial variables.

Based on this description, this study aims to analyze the Indonesian capital market's response to the launch of Danantara, focusing on the shares of major state-owned banks before and after the event date. Specifically, this study aims to examine whether there are significant differences in stock prices, abnormal returns, cumulative abnormal returns, trading volume, and stock risk of state-owned banks in response to the launch of Danantara. Therefore, this study is expected to provide an empirical contribution to the public policy event study literature and enrich understanding of the efficiency of the Indonesian capital market in responding to digital-based fiscal institutional transformation.

Based on the background and research gap described above, this study aims to examine the capital market reaction to the launch of the Indonesian Wealth Fund (Danantara). Specifically, this research investigates whether there are significant differences in stock prices, abnormal returns, cumulative abnormal returns, trading volume, and stock risk of state-owned banks before and after the policy announcement.

METHOD

This research uses a quantitative explanatory approach with an event study design to analyze the Indonesian capital market's response to the launch of Danantara on February 24, 2025. The event study method was chosen because it is effective in measuring market reactions to public information through changes in stock prices, returns, trading volume, and stock risk (Ardia et al., 2022; MacKinlay, 1997). The analytical framework of this research is based on the semi-strong form of the Efficient Market Hypothesis (EMH), which states that stock prices immediately reflect all relevant public information, and Signaling Theory, which views government policies as institutional signals that influence investor expectations (Connelly et al., 2011; Fama, 1970).

Population, Sample, and Data

The study population included all State-Owned Enterprises (BUMN) banks listed and actively traded on the Indonesia Stock Exchange (IDX). Given the limited population size, this study employed saturated sampling (census), thus sampling all members of the population. The study sample consisted of PT Bank Rakyat Indonesia Tbk (BBRI), PT Bank Mandiri Tbk (BMRI), PT Bank Negara Indonesia Tbk (BBNI), and PT Bank Tabungan Negara Tbk (BBTN). The observation period was set for seven trading days before and seven trading days after the event (-7, +7), excluding the event day to avoid transition bias. Stocks experiencing trading suspensions or major corporate actions around the event date were excluded to maintain internal validity (Hair et al., 2022). The data used were secondary data in the form of closing stock prices, daily trading volume, and market index returns (IHSG) obtained from the IDX and verified through supporting sources such as Yahoo Finance and Investing.com.

Variables and Measurement

Stock risk is measured using the standard deviation of daily stock returns during the observation period. The independent variable in this study is the Danantara launch event, which is treated as a dummy variable to distinguish the periods before and after the event. The dependent variable represents stock market performance as measured by five key indicators. The operationalization of the variables is presented in Tabel 1.

Table 1. Variables Operationalization

Variables	Operationalizations	Scales
The launch of Danantara	Dummy: 0 = before, 1 = after 24 Februari 2025	Nominal
Stock price	Daily closing	Ratio
Abnormal Return (AR)	$AR = R_{i,t} - E(R_{i,t})$	Ratio

Variables	Operationalizations	Scales
Cumulative Return (CAR)	Abnormal Σ AR during event window	Ratio
Sales volume	Stock sales per day	Ratio
Stock risk	Deviation daily	Ratio

Source: Author's Data (2025)

Data Analysis

Daily stock returns are calculated using log-returns because they are additive over time and more suitable for short-term analysis in event studies (Dybro Liengard, 2024; MacKinlay, 1997). Normal returns are estimated using the Market Adjusted Model, with the JCI return as a proxy for market return, given its simplicity and relevance for relatively short observation periods (Grybauskas et al., 2021). Based on these estimates, abnormal returns (AR) and cumulative abnormal returns (CAR) are calculated as the main indicators of market reaction.

Data analysis was conducted in three stages. First, descriptive statistics were used to describe the characteristics of the data in the periods before and after the event. Second, normality tests (Shapiro–Wilk and Kolmogorov–Smirnov) were performed to determine the appropriate inferential test method. Third, differences in stock performance between periods were tested using the paired sample t-test if the data were normally distributed, or the Wilcoxon signed-rank test if the data were not normally distributed. All tests were conducted at a significance level of 5% ($\alpha = 0.05$) with the help of IBM SPSS, so that the research procedures are transparent and can be replicated by subsequent researchers.

RESULTS AND DISCUSSION

Results

This research uses an event study approach to evaluate the stock market reaction of state-owned banks to the launch of the Danantara platform on February 24, 2025. The analysis was conducted by comparing market conditions over two observation periods: seven trading days before and seven trading days after the event, with the launch day excluded from the calculation. The variables analyzed included stock price, daily return, normal return, abnormal return (AR), cumulative abnormal return (CAR), trading volume, and stock risk.

Initial observations indicate that all state-owned bank stocks analyzed (BBRI, BMRI, BBNI, and BBTN) experienced a decline in their average closing price in the period following the launch of Danantara. In addition to the price decline, several stocks also experienced an increase in standard deviation, indicating increased volatility post-event. This pattern reflects the market's initial adjustment to systemic public information.

Daily return analysis indicates that all four stocks experienced relatively high volatility during the observation period. A simultaneous decline in returns occurred at the end of February 2025, particularly on February 28th, followed by a surge in positive returns in early March 2025. The relatively unidirectional movement pattern among stocks indicates a collective market reaction to external information dynamics affecting the banking sector broadly. This phenomenon aligns with the event study concept, which states that markets tend to respond quickly to public information (MacKinlay, 1997).

Normal return estimates were calculated using the Market Adjusted Model, with the Jakarta Composite Index (JCI) as a market proxy. During the estimation period, JCI movements were relatively stable compared to individual stock volatility. This finding suggests that state-owned bank stocks are more sensitive to changes in market sentiment than to aggregate market movements.

The abnormal return (AR) calculation results show quite sharp fluctuations both before and after the launch of Danantara. The lowest AR value occurred simultaneously on February

28, 2025, while the highest AR value was recorded on March 3, 2025. However, the results of the paired sample t-test showed that there was no statistically significant difference in abnormal returns between the periods before and after the event for all state-owned bank shares.

Table 1. Abnormal Test of Bank BUMN Stocks

Stocks	p-value	t-value	Veridct
BBRI	0,9237	0,1008	Not significant
BMRI	0,7545	0,3273	Not significant
BBNI	0,7660	0,3017	Not significant
BBTN	0,7627	0,3176	Not significant

Source: Author's Data (2025)

The analysis of cumulative abnormal returns (CAR) reveals that, despite variations in the direction of CAR movements across the examined stocks, no statistically significant difference exists between the pre-event and post-event periods. This finding implies that, from a cumulative perspective, the launch of Danantara did not produce sustained abnormal returns for investors.

Table 2. Cumulative Abnormal Return (CAR) Saham Bank BUMN

Stocks	CAR Before	CAR After	Verdicts
BBRI	-0,015851	0,005760	Not significant
BMRI	0,034435	-0,025160	Not significant
BBNI	-0,017869	0,044277	Not significant
BBTN	0,029787	-0,016989	Not significant

Source: Author's Data (2025)

Analysis of stock trading volume using the Wilcoxon Signed-Rank test shows that changes in volume before and after the launch of Danantara are not statistically significant for all stocks. Similarly, stock risk, measured by the standard deviation of daily returns, indicates no significant change in risk between the two observation periods. The results indicate that none of the state-owned bank stocks experienced statistically significant abnormal returns during the event window. This finding suggests that the announcement of Danantara did not generate new information strong enough to trigger abnormal market reactions.

The selection of statistical test methods was based on the results of normality tests for each variable. A summary of the hypothesis mapping, data distribution, and test methods is presented in Table 3.

Table 3. Hipotesis, Variabel, Distribusi Data, dan Metode Uji Statistik

Hypoteses Tested Variables	Stock codes	Data distribution	Utilized tests
H ₁ Stock Price	BBRI	Normal	Paired Sample t-test
	BMRI	Normal	Paired Sample t-test
	BBNI	Normal	Paired Sample t-test
	BBTN	Normal	Paired Sample t-test
H ₂ Abnormal Return (AR)	BBRI	Normal	Paired Sample t-test
	BMRI	Normal	Paired Sample t-test
	BBNI	Normal	Paired Sample t-test

Hypoteses Tested Variables		Stock codes	Data distribution	Utilized tests	
H ₃	Cumulative Abnormal Return (CAR)	BBTN	Normal	Paired Sample t-test	
		BBRI	Normal	Paired Sample t-test	
		BMRI	Normal	Paired Sample t-test	
		BBNI	Normal	Paired Sample t-test	
		BBTN	Normal	Paired Sample t-test	
H ₄	Sales volume	BBRI	Not Normal	Wilcoxon Rank Test	Signed-
		BMRI	Not Normal	Wilcoxon Rank Test	Signed-
		BBNI	Not Normal	Wilcoxon Rank Test	Signed-
		BBTN	Not Normal	Wilcoxon Rank Test	Signed-
H ₅	Stock Risk	BBRI	Normal	Paired Sample t-test	
		BMRI	Not Normal	Wilcoxon Rank Test	Signed-
		BBNI	Normal	Paired Sample t-test	
		BBTN	Not Normal	Wilcoxon Rank Test	Signed-

Source: Author's Data (2025)

Overall, the empirical results show that the launch of Danantara did not result in significant changes in abnormal returns, cumulative abnormal returns, trading volume, or stock risk, despite daily price and return fluctuations around the event date.

Discussion

The results of this study indicate that the launch of Danantara as a strategic public policy for the digitalization of the national financial system triggered a limited market reaction. Although there were stock price adjustments and daily return fluctuations around the launch date, no statistical evidence was found to support significant abnormal returns or cumulative abnormal returns. This finding is consistent with the semi-strong form of the Efficient Market Hypothesis (EMH) as proposed by Fama (1970), which states that material public information is immediately reflected in stock prices.

The absence of significant abnormal returns indicates that the Indonesian capital market, particularly the shares of large-capitalization state-owned banks, is relatively efficient at absorbing public information. This aligns with the findings of Brown and Warner (1985) and MacKinlay (1997), which state that in an efficient market, the impact of public information on stock returns tends to be temporary and does not generate sustained abnormal returns.

From the perspective of signaling theory (Connelly et al., 2011; Spence, 1978), the launch of Danantara can be viewed as a signal of the government's commitment to digitalization and modernization of the financial system. However, the results of this study indicate that this signal did not create new information asymmetries strong enough to alter investor expectations in the short term. Investors appear to view Danantara as a policy with systemic impact and a long-term orientation, thus not directly affecting individual companies' cash flows or risks.

The insignificant changes in trading volume and stock risk further strengthens the interpretation that the launch of Danantara did not increase market uncertainty. Within the framework of the mixture of distributions hypothesis, increases in volatility and volume typically occur in response to strong information flows (Bhatia et al., 2024). However, because neither indicator showed significant changes, it can be concluded that the launch of Danantara did not trigger an increase in information flows large enough to change investor behavior collectively.

Overall, this study provides empirical evidence that national-scale financial system digitalization policies are not always followed by strong market reactions in the short term. The findings of this study are consistent with previous research indicating that macro-level policy announcements often generate limited short-term market reactions, particularly when the information is widely anticipated by investors. These findings add to the event study literature in emerging markets and indicate that the Indonesian capital market, particularly for state-owned banking stocks, exhibits characteristics of semi-strong efficiency with a relatively high level of information disclosure.

CONCLUSION

This study aims to analyze the stock market reaction of state-owned banks to the launch of the Danantara platform as a national digital initiative. Based on the results of an event study of stock prices, abnormal returns (AR), cumulative abnormal returns (CAR), trading volume, and stock risk, this study found that the Danantara launch did not cause statistically significant changes in any of the key variables during the event window. Stock prices moved stably, no significant abnormal returns or CARs were found, and there was no spike in transaction volume or return volatility. These findings indicate that information about the Danantara launch was quickly and efficiently internalized by the market, in line with the semi-strong form of the Efficient Market Hypothesis (Fama, 1970). Furthermore, these results reinforce the findings of Brown and Warner (1985) and MacKinlay (1997) that systemic and non-exclusive public policies tend not to generate short-term arbitrage opportunities, and support the view of signaling theory that the effectiveness of policy signals is highly dependent on perceived relevance and credibility at the firm level (Connelly et al., 2011).

The implications of this study indicate that a national-scale financial system digitalization policy can be implemented without disrupting price stability, liquidity, or stock market risk, particularly in the state-owned banking sector, which has a high level of information transparency. However, this study is limited by its relatively short observation time horizon, the use of a single-market return model, and its limited sectoral focus on state-owned banking. Therefore, further research is recommended to expand the event window, integrate investor sentiment variables and conditional volatility models, and conduct cross-sectoral and longitudinal studies of post-implementation fundamental indicators. This approach is expected to provide a more comprehensive understanding of the medium- and long-term impacts of national digital policies on capital market efficiency and stability.

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