State-Owned Enterprises' Stock Market Reaction to Danantara Inauguration: An Event Study Analysis

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ABSTRACT

Danantara (Daya Anagata Nusantara) is a strategic initiative of the Indonesian government that has generated various reactions among the public and capital market. Public concerns and distrust were reflected in massive withdrawals from state-owned banks and the decline in state-owned bank stock prices. Nevertheless, empirical findings have not yet captured this reaction. This study aims to analyze the market reaction to the inauguration of Danantara by examining the differences in abnormal return and trading volume activity (TVA) of state-owned enterprises (SOEs). We use data of 22 SOEs listed on the Indonesia Stock Exchange. It were analyzed using an *event study* approach with paired sample t-tests to compare the average abnormal return and TVA before and after the event. The event window was set for 21 days, including 10 days before, 1 event day, and 10 days after the inauguration. The results indicate that, in aggregate, there were no significant differences in the average abnormal return and before and after the initiation of Danantara. However, a notable finding emerged from sectoral analysis: state-owned banks experienced a sharper decline in abnormal return and TVA compared to SOEs in other sectors. This suggests that negative public reactions, as reflected in withdrawals from state-owned banks, were also captured in the capital market, although the effect was not strong enough to influence the overall test results. This study provides insights into the sensitivity of the banking sector to public sentiment, which is an important consideration for the government when designing similar initiatives in the future.

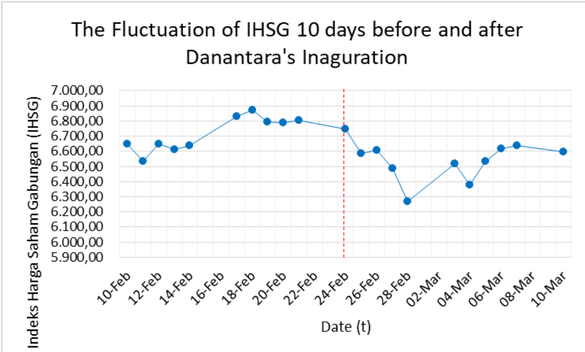
Keywords : Danantara; state-owned enterprises; SOEs; event study; Stock market reaction.

I. INTRODUCTION

The launch of Daya Anagata Nusantara (Danantara), Indonesia's newly established sovereign wealth fund (SWF), marks an important milestone in the government's effort to optimize the management of state-owned enterprises (SOEs) and strategic national assets. This initiative is expected to channel investment more effectively, attract global capital, and enhance the competitiveness of Indonesian companies in key sectors (Ahyulindo et al., 2025; Danang et al., 2025; Ningtyas, 2025). As a result, the official inauguration of Danantara has captured significant public and market attention.

The establishment of a sovereign wealth fund can have profound implications for financial markets. On the one hand, it signals stronger government commitment to restructuring and consolidating SOEs, potentially improving their efficiency, governance, and long-term value (Lie, 2025; Ramadhani, 2017). On the other hand, such policy shifts may also generate uncertainty among investors, especially in relation to dividend policies, future investment priorities, and possible risks of political intervention (Ichsandi & Silalahi, 2025; Sun & Hesse, 2021). These contrasting perspectives make the capital market reaction to Danantara's inauguration a compelling subject of investigation.

Understanding how investors perceive the Danantara's inauguration is particularly important for Indonesia, where SOEs play a critical role in the economy. Stock price reactions provide a direct reflection of investor sentiment and expectations regarding the potential benefits or risks of this new institutional framework. At the same time, trading volume activity can serve as an indicator of changes in investor attention, information flow, and market participation during the event period. Figure 1 below is a summary of the movement of the Jakarta Composite Index (IHSG) for 10 days before and after the inauguration of Danantara on February 24, 2025.



Graph 1. The Fluctuation of IHSG 10 days before and after Danantara's Inauguration

The graph illustrates the fluctuation of the Jakarta Composite Index (IHSG) within a 21-day event window, covering ten days before and after the inauguration of Danantara on February 24, 2025 (marked by the red dashed line). The IHSG showed a relatively stable upward trend prior to the event, peaking around February

16–20. However, shortly after the inauguration date, the index experienced a noticeable decline, reaching its lowest point around February 27, before recovering slightly in early March. This pattern suggests that the market responded to the inauguration with increased uncertainty or profit-taking behavior, reflected in a short-term drop in the index. Thus, we suspect that Danantara's inauguration may have had a significant short-term impact on investor sentiment and stock market performance. In our study, this justifies testing whether the event generated abnormal returns and changes in trading volume activity (TVA).

Another public response to the inauguration of Danantara was the large number of people withdrawing funds from state-owned banks. These withdrawals stemmed from public concerns about the formation of the Danantara. It fueled by the perceived risk of misuse and the unclear legal basis and accountability of Danantara for public funds, similar to the 1MDB scandal in Malaysia (Diah Ayu et al., 2025). Furthermore, the public was concerned that their daily funds would be used to finance Danantara's investment. Therefore, this study also specifically examined market reactions to state-owned banks. We hypothesized that market reactions to these banks would differ from those to state-owned enterprises in general.

Prior studies have widely documented how financial markets respond to government announcements (Floros et al., 2024; Gursida & Indrayono, 2019; Ningtyas, 2025; Rahim et al., 2021), privatization programs, and major policy shifts involving state-owned enterprises. Specific research in Danantara's Inauguration, Danang et al. (2025) reveals a statistically significant difference in mean returns before and after the event, and indicating a negative trend. On the contrary, Ningtyas (2025) finds that there is no significant difference in abnormal return and trading volume activity before and after the inauguration of the policy. These inconsistent research findings provide a gap for current research to be further explored.

Our current study differs from previous studies in several ways. First, it offers novelty by providing a more comprehensive analysis by specifically focusing on state-owned bank stocks. This is important because the state-owned banking sector plays a central role in Indonesia's financial system and is often a key indicator of government policy responses. Therefore, this study not only measures the general market reaction to state-owned bank stocks but also explores whether there are significant differences in the impact on state-owned bank stocks compared to those in other sectors.

Second, from both a practical and academic perspective, examining the short-term stock market impact of Danantara's inauguration can generate valuable insights. For practitioners, such knowledge helps guide investment strategies around major policy announcements. For policymakers, it reveals how capital markets evaluate the credibility and implications of new institutional arrangements. For researchers, it enriches the literature on event studies in emerging markets, particularly within the context of government-led reforms and sovereign wealth fund establishments.

II. RESEARCH METHOD

This study is designed to address the following research questions: (1) How do Danantara's inauguration impact the stock prices of the State-Owned Enterprises, (2) Is there any difference effect of the Danantara's inauguration on the stocks of state-owned banks? To answer these questions, we test two primary hypotheses stated in the introduction using an event study approach.

The event study methodology is widely applied to explain how stock markets react to information disclosure or specific events (Aldhamari et al., 2023; Gursida & Indrayono, 2019; Pietrzak, 2025). In this case, the information received aims to determine market reaction to the trading halt change policy due to the impact of the Danantara's inauguration, which was marked by abnormal returns and significant changes in trading volume activity during the event period. Furthermore, MacKinlay (1997) said that this method involves analyzing the stock price movements around the time of an event such as mergers and acquisitions, issues of new debt or equity, and announcements of earnings or something about macroeconomic variables.

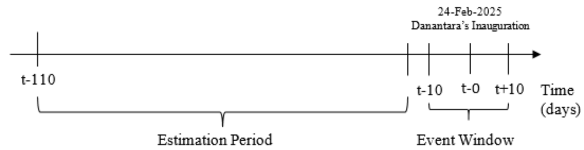
The event study methodology is a viable option because it is a well-established and widely used approach for analyzing the financial impact of specific events (Pietrzak, 2025). Event studies can be also used to assess the impact of non-financial news on asset prices such as spread of disease like Covid-19 (Aldhamari et al., 2023; Haliza Shabila et al., 2022), president election (Katti, 2018; Utami & Qoyum, 2020), IT services (Costa et al., 2025) and implementation of new accounting policies, like IFRS (Murhaban et al., 2019).

The population in this study is all state-owned enterprises listed on the Indonesia Stock Exchange, whose data is available in the Yahoo Finance database. This study excludes companies with incomplete data for calculating abnormal returns, as well as companies that have been delisted during the analysis period. Therefore, this study has a final sample of 22 state-owned enterprises (SOEs), detailed in Table 1. Stock price and market return data were obtained from the Yahoo Finance database, while total outstanding shares data for calculating Trading Volume Activity (TVA) were obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id).

The event study consists of a few steps. First, we choose estimation sample and observation sample. Estimation sample is used to model the daily returns of a stock before the news, while observation sample is used to compare the actual returns Rit and returns predicted R̂t based on a model ran on estimation sample. Following the related previous studies (Aldhamari et al., 2023; Koch & Fenili, 2013; Ningtyas, 2025; Park, 2004; Pietrzak, 2025; Sun & Hesse, 2021), we use the market model. Therefore, predicted returns are given by:

$$Rit = \alpha i \ + \beta i \ Rmt + \ \varepsilon it$$

Rit is a stock return of firm i on day t, Rmt is the market return on day t, which is represented by the return on Indeks Harga Saham Gabungan (IHSG), and εit is the error term. An estimated period covering 120 trading days prior to the event day are used to estimate the expected returns. An abnormal return is a difference between the actual return and the estimated expected return. The abnormal returns are analyzed in the 21-day event window from day -10 to day +10. The declaration or inauguration of the Danantara is set to day 0 (see Figure 1). The abnormal return is computed as follows:



Source: The authors

where ARit is the abnormal return of stock i on day t, and aˆi and bˆi are the estimates of a and b generated from ordinary least square regressions. Average abnormal returns (AARs) of t days are calculated as:

$$AARt = \frac{\sum_{i=1}^{t} ARit}{N}$$

where t = -10, -9, -8, ...,0,...,8 , 9, 10, and N is total observations. Average abnormal return can be accumulated as follows:

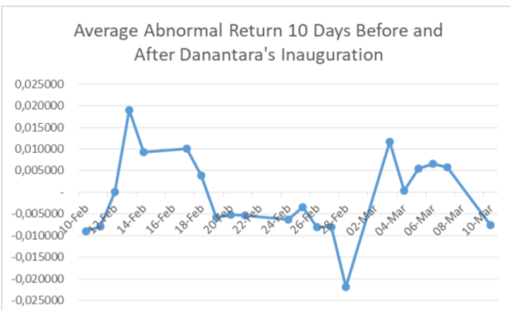
$$CAAR(t0, t1) = \sum_{t=t0}^{t1} AARt$$

CAAR is the cumulative average abnormal return of all firms. Then, the conventional t-test is applied to analyze if the abnormal returns are statistically significant. Furthermore, Trading Volume Activity (TVA) is an instrument that can be used to see the capital market's reaction to information through the parameters of the movement of trading volume activities in the market. We use computation:

$$TVA: \frac{The\ number\ of\ shares\ traded\ at\ time\ t}{The\ number\ of\ shares\ outstanding\ at\ time\ t}$$

III. RESULTS AND DISCUSSION

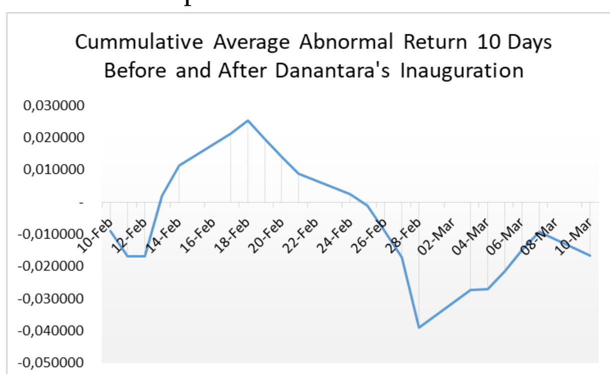
The launch of Danantara as a new policy in the Indonesian capital market has elicited various reactions from investors and society, like influenced the movement of the Composite Stock Price Index (IHSG) (Ahyulindo et al., 2025). Danantara was first introduced by President Prabowo during a virtual event at the 2025 World Governments Summit in Dubai, United Arab Emirates, on February 13, 2025. He explained that the launch of Danantara, Indonesia's newest sovereign wealth fund, would take place on February 24, 2025. Based on the research that has been carried out, the following results were obtained:



Grapic 2. AAR 10 days before and after Danantara's Inauguration

Graphic 2 show that the stock price movements of 22 state-owned enterprises (SOEs) surrounding the inauguration of Danantara. The overall pattern shows noticeable fluctuations in share prices both before and after the event, indicating that the market did not respond uniformly across all companies. Some SOEs experienced upward movements in their stock prices following the inauguration, while others remained relatively stable or showed declines. This variation suggests that investors interpreted the event differently depending on the company, reflecting heterogeneous market perceptions. Such dynamics underline the importance of conducting a deeper event study to capture whether the inauguration generated significant abnormal returns and shifts in trading behavior across the broader SOE sector.

Furthermore, from the Graphic 3, the CAAR showed a positive trend in the days leading up to the inauguration, peaking around February 18. Following the launch on February 24, the CAAR experienced a sharp decline, indicating a negative market reaction. It reached its lowest point in late February, before finally showing signs of recovery. However, the CAAR remained in negative territory for the remainder of the observation period.



Graphic 3. CAAR 10 days before and after Danantara's Inauguration

The AARs and CAARs for the event period from before (day -1 to -10) and (day +1 to day +10) of the inauguration of Danantara are presented in Table 1. The results suggest that investors anticipate the potential impact of Danantara, 10 days before the announcement or inauguration of the Danantara and react negatively (mean after CAAR = -0,00193). However, the results of the average abnormal return test showed no significant difference.

Table 1. Paired Samples t-Test Results for AAR and CAAR

Condition	Mean Before	Mean After	Sig
AAR	0,00088	-0,00193	0,57265
CAAR	0,00595	-0,01828	0,00683***

Source: Author processed data, 2025

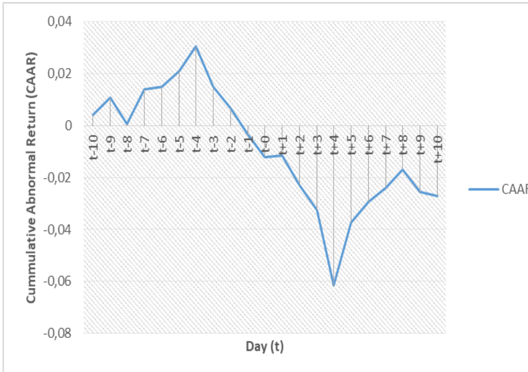
Based on the results of testing in Table 1 and Chart 3, the increase in the CAAR in the days leading up to the inauguration could be interpreted as positive sentiment or market speculation driven by initial optimism. However, after the inauguration on February 24, the CAAR dropped sharply into negative territory, reflecting growing concerns among investors. The decline was influenced by many factors. For example, investor concerns regarding changes in the dividend policy of the state-owned company currently managed by Danantara, potential bureaucratic inefficiencies and political intervention that are feared to hamper performance, as well as negative sentiment on social media, including misinformation regarding the use of state-owned bank customer funds; so the chart reflects a market response that tends to be skeptical in the short term due to this uncertainty.

Furthermore, Table 1 shows that Trading Volume Activity (TVA) increase following the inauguration of Danantara. It indicates significant market interest and a strong investor response. This increase in trading volume indicates that market participants are actively buying or selling state-owned enterprise stocks in response to newly released information. This reflects a strong divergence of views; some investors may be selling due to concerns about governance or dividend policy, while others see it as an investment opportunity. Thus, the increase in TVA signals a period of intense market re-evaluation and adjustment as the news is digested. Overall, the increased volume demonstrates that the inauguration of Danantara is a significant and market-moving event.

Those findings are consistent with our prediction and supported the previous study (Danang et al., 2025). To provide more comprehensive findings, this study conducted separate tests for state-owned bank stocks. Similar tests were conducted as for the aggregate test. The results indicated negative sentiment toward the inauguration of the intermediary. The test results can be seen in Table 2 and Graph 4 below.

Table 2. CAAR and TVA SEO Bank Stocks before and after Inauguration

Condition	Mean Before	Mean After	Sig
CAAR	0,01143	-0,02887	0,00039
TVA	0,00128	0,00196	0,03839



Graphic 4. CAAR and TVA SEO Bank Stocks

Table 2 test results and graph. 4 show that the inauguration of Danantara triggered a significant negative market response in state-owned banking stocks. Despite positive sentiment and an increase in the CAAR in the days leading up to the announcement, the data statistically show that the average CAAR changed from positive to strongly negative after the inauguration, indicating an unfavorable market reaction. Conversely, the significant increase in the average TVA demonstrates that the inauguration was a significant market event that triggered high trading activity, reflecting strong divergence of views among investors.

This finding is consistent with previous analysis showing that this negative sentiment was driven by specific investor concerns about governance and dividend policy changes, leading to price corrections in state-owned banking stocks/shares. We used 7 state-owned banks in this additional analysis, namely PT Bank Tabungan Negara (Persero) Tbk – BBTN, PT Bank Rakyat Indonesia (Persero) Tbk – BBRI, PT BPD West Java and Banten Tbk – BJBR, PT Bank Negara Indonesia (Persero) Tbk – BBNI, PT Bank Mandiri (Persero) Tbk – BMRI, PT Bank Pembangunan Daerah Banten Tbk – BEKS, PT Bank Pembangunan Daerah Jawa Timur Tbk – BJTM. Overall, these data confirm that while the market is generally resilient, the state-owned banking stocks that Danantara focuses on specifically experienced a period of significant distrust.

These findings also confirm the public and market reactions to the Danantara initiative. Public withdrawals of funds from state-owned banks following the Danantara initiative negatively impacted stock prices, resulting in declines in prices and expected returns.

IV. CONCLUSION

The findings show that the inauguration of Danantara was followed by a notable short-term decline in stock prices across 22 state-owned enterprises (SOEs). This reaction indicates that the market responded with skepticism rather than optimism. Key factors driving this decline include investor concerns about changes in dividend policies, fears of inefficiency and political intervention, and the spread of negative sentiment and misinformation in social media. These results suggest that while the establishment of Danantara aims to improve SOE management and investment effectiveness, the market perceives higher uncertainty in the short run. These findings are also reinforced by findings on state-owned enterprise shares.

The results highlight the importance of transparent communication and effective governance in policy implementation related to SOEs. For policymakers, this implies that strengthening investor confidence requires clear guidelines on dividend distribution, assurance of independence from political interference, and proactive handling of misinformation. For investors, the findings underline the need to evaluate both potential risks and opportunities that accompany structural changes in SOE management.

This study is limited by its short observation window, which captures only immediate market reactions and not long-term outcomes. It also focuses exclusively on stock price responses, without integrating broader financial performance indicators or qualitative investor perceptions. Future research should extend the observation period to capture long-term effects, incorporate additional financial and operational variables to enrich analysis, and include survey or interview data to better understand investor sentiment. Comparative studies across different sectors or countries may also provide valuable insights into how structural reforms in SOEs affect market responses.

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