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CAPITAL MARKET REACTION TO GOVERNMENT REGULATION NO.19 OF 2025: EVIDENCE FROM NICKEL COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

This study analyses the capital market's response to the publication of Government Regulation No. 19 of 2025 concerning non-tax state revenues and royalty rates in Indonesia's mineral sector. It specifically evaluates whether the regulation resulted in abnormal returns and changes in return volatility for nickel companies listed on the Indonesia Stock Exchange. The research adopts an event study approach, utilising a sample of nine nickel companies selected through saturated sampling. The event window encompasses eleven trading days (t-5 to t+5), and a 100-day estimation window is used to estimate expected returns via the Market Model. Return volatility is measured over the 35-day periods preceding and following the event. Data analysis involves descriptive statistics and a one-sample t-test. A Wilcoxon signed-rank test is employed to assess changes in return volatility. The results indicate that average abnormal returns were negative during the event window, and no significant changes occurred in either abnormal returns or volatility returns following the policy announcement. These findings suggest that the regulation did not provide sufficient information to alter investor expectations.

Keywords: market reaction; event study; abnormal return; volatility return.

INTRODUCTION

Capital markets are essential for raising capital and facilitating the asset pricing mechanism. Investors rely on market information to assess a company's prospects and risks, taking into account macroeconomic conditions, government policies, and industry trends. Stock prices reflect changes in investors' expectations regarding a company's value; therefore, the introduction of new information can prompt price adjustments in the market. Investor reactions to such information are typically observed through changes in stock returns and volatility levels around the announcement date of an event, which forms the basis for studies on capital market reactions in financial literature.

Nickel occupies a strategic position in Indonesia's economy. Indonesia possesses the world's largest nickel reserves, estimated at approximately 55 million metric tons, representing about 42% of global reserves. Nickel plays a vital role in the global supply