
The Purbaya Effect, Banking Stock Rebound, and Implications for Public Policy in the National Economy

Syifa Aulia¹, Aulia Amanda Syahputri², M. Ahleyani³

^{1,2}University of Brawijaya, Indonesia

³University of Mataram, Indonesia

Email Correspondence : ahleyani.ft@gmail.com

Kata Kunci :

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Abstrak

Penelitian ini membahas Purbaya Effect, yaitu pengaruh kepemimpinan ekonomi yang kredibel terhadap pemulihan harga saham perbankan di Indonesia serta implikasinya bagi kebijakan publik dan perekonomian nasional. Dengan pendekatan kualitatif berbasis data sekunder mengenai kinerja pasar saham, sentimen investor, dan respons regulasi, penelitian ini menemukan bahwa kredibilitas kepemimpinan mampu mengurangi ketidakpastian dan memulihkan kepercayaan pada sektor keuangan. Pemulihan saham perbankan setelah periode gejolak pasar menunjukkan peran penting komunikasi strategis dan sinyal kebijakan dalam menstabilkan pasar modal. Temuan juga menegaskan bahwa pemulihan perbankan berkontribusi terhadap ketahanan makroekonomi, arus modal, serta stabilitas fiskal. Artikel ini menyimpulkan bahwa Purbaya Effect tidak hanya menjelaskan koreksi pasar jangka pendek, tetapi juga menjadi dasar arah kebijakan jangka panjang yang memperkuat tata kelola ekonomi dan kepercayaan publik.

Keywords :

*Purbaya Effect; Banking
Stock Rebound; Economic
Governance*

Abstract

This study examines the so-called Purbaya Effect, referring to the influence of credible economic leadership on the rebound of banking stocks in Indonesia and its broader implications for public policy and the national economy. Using a qualitative approach supported by secondary data on stock market performance, investor sentiment, and regulatory responses, the study finds that leadership credibility significantly reduces uncertainty and restores confidence in the financial sector. The rebound of banking stocks, following periods of market turbulence, demonstrates the central role of strategic communication and policy signaling in stabilizing capital markets. Furthermore, the findings highlight how banking recovery contributes to macroeconomic resilience, capital flows, and fiscal stability. This paper concludes that the Purbaya Effect not only

explains short-term market corrections but also underpins long-term policy directions that strengthen economic governance and public trust.



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INTRODUCTION

The dynamics of the national economy are closely intertwined with developments in financial markets, particularly the capital market. Within this context, the banking sector occupies a strategic position as both the intermediary institution and the backbone of financial stability. Banking stocks, therefore, not only serve as investment instruments but also reflect broader market perceptions about economic prospects. In recent years, fluctuations in banking stocks have demonstrated sensitivity to macroeconomic conditions, global uncertainties, and domestic policy decisions. The rebound of banking stocks in the aftermath of economic turbulence has sparked academic interest in identifying the underlying drivers of such recovery. Among these drivers, the so-called Purbaya Effect has emerged as a noteworthy phenomenon that merits closer investigation. The term Purbaya Effect refers to the influence associated with key figures in economic policymaking and financial governance, particularly in relation to market confidence. This effect illustrates how leadership credibility, policy communication, and institutional trust can shape investor sentiment. Understanding this effect provides a new dimension in analyzing the interaction between political economy and financial markets. The role of market expectations is crucial in this context. Investors often respond not only to quantitative indicators such as interest rates, inflation, and fiscal balances but also to qualitative signals conveyed by policymakers. In the case of the Purbaya Effect, banking stock rebound appears to align with heightened optimism and restored confidence following key policy interventions and statements.

The banking sector's recovery is significant because it reflects broader economic resilience. When banking stocks rebound, it implies that investors anticipate improved credit performance, stronger profitability, and stable financial intermediation. This, in turn, has direct implications for the national economy, given the sector's pivotal role in channeling funds and supporting economic growth. Examining the Purbaya Effect and its link to banking stock rebound also sheds light on how non-economic variables, such as leadership perception and communication strategies, influence capital markets. Such insights are valuable for policymakers, as they highlight the importance of transparent, credible, and consistent policy actions in fostering financial stability. Moreover, banking stock rebound cannot be seen in isolation from global financial conditions. External shocks such as interest rate hikes by the U.S. Federal Reserve, geopolitical tensions, or global economic slowdowns often transmit volatility into emerging markets like Indonesia. Therefore, it operates within a complex web of global and domestic factors. From a public policy perspective, the rebound of banking stocks signals a window of opportunity. Stronger stock performance improves market

capitalization, enhances investor confidence, and broadens the capacity of banks to raise capital. Consequently, this dynamic can support public policies aimed at inclusive growth, credit expansion, and financial deepening.

The study of this phenomenon also underscores the relationship between financial market psychology and macroeconomic fundamentals. While traditional economic theory emphasizes the role of tangible indicators, the Purbaya Effect suggests that intangibles such as credibility, trust, and leadership are equally influential in shaping market outcomes. Understanding the interplay of these factors contributes to the literature on behavioral finance and political economy. It highlights the growing relevance of narratives, signaling, and expectations in explaining stock market movements. For banking stocks, this is particularly salient given their systemic importance. At the same time, the rebound of banking stocks provides empirical evidence for how domestic institutions can mitigate external vulnerabilities. By reinforcing market confidence, credible policymakers help buffer the economy against shocks and ensure smoother adjustment processes. The Purbaya Effect is thus both a financial and institutional phenomenon. In the Indonesian context, where the banking sector dominates the financial system, these dynamics are even more critical. Unlike advanced economies with diversified capital markets, Indonesia relies heavily on banks for credit provision. Therefore, fluctuations in banking stock performance can significantly affect broader financial stability and economic policy outcomes.

This paper positions the Purbaya Effect as a conceptual lens to interpret the rebound in banking stocks and to explore its broader implications for public policy. It attempts to move beyond purely quantitative analyses and to integrate the dimension of leadership and institutional credibility into financial market studies. More specifically, the discussion addresses three core issues: first, the nature and mechanisms of the Purbaya Effect; second, the empirical patterns of banking stock rebound; and third, the implications for public policy in sustaining economic resilience. This tripartite focus allows for a comprehensive understanding of the phenomenon. The significance of this study lies in its contribution to policy debates at a time of heightened uncertainty in the global economy. By clarifying how confidence-driven effects manifest in financial markets, policymakers can design more effective strategies to manage volatility and promote stability. Additionally, the findings have practical relevance for investors. Recognizing the influence of credibility and policy signaling helps them better assess risks and opportunities in banking stocks. For banks themselves, the rebound underscores the importance of maintaining strong governance and transparent communication with stakeholders.

Public policy implications extend beyond financial stability to encompass economic growth, employment, and development objectives. A robust banking sector is essential for financing infrastructure, supporting small and medium enterprises, and expanding financial inclusion. Thus, understanding the determinants of stock market rebound has far-reaching consequences. The Purbaya Effect also aligns with the broader literature on institutional economics, which emphasizes the role of

governance quality in shaping economic outcomes. Strong institutions foster trust, reduce uncertainty, and create conditions for sustainable growth. In this case, the effect illustrates how leadership credibility serves as an institutional asset. Ultimately, the study calls for a rethinking of how economic narratives and market psychology intersect with traditional economic variables. By examining the Purbaya Effect, scholars and policymakers can enrich their understanding of the factors driving financial market performance and their implications for the national economy. This introduction, therefore, sets the stage for a deeper exploration of the Purbaya Effect and its role in banking stock rebound. It argues that leadership credibility, policy communication, and investor sentiment are not peripheral but central to financial and economic outcomes. The subsequent sections will elaborate on these themes with empirical evidence and policy analysis.

LITERATURE REVIEW

The banking sector has long been recognized as the cornerstone of financial systems in emerging economies. Levine (1997) argues that banks play a critical role in mobilizing savings, allocating capital, and facilitating investment. Consequently, fluctuations in banking stocks provide valuable insights into the health and direction of the broader economy. Stock market performance, particularly in the banking sector, is closely tied to macroeconomic fundamentals. Research by Chen, Roll, and Ross (1986) demonstrates that variables such as inflation, interest rates, and industrial production are significant predictors of stock returns. This perspective underscores the importance of both domestic and global economic conditions in shaping market outcomes. Beyond fundamentals, behavioral finance literature highlights the role of investor sentiment in driving stock movements. Barberis, Shleifer, and Vishny (1998) note that psychological biases, market narratives, and expectations often create deviations from rational pricing. In this context, the Purbaya Effect can be interpreted as a form of sentiment-driven response. Political economy studies emphasize that market confidence is strongly influenced by perceptions of leadership and institutional credibility. North (1990) posits that institutions, through rules and enforcement mechanisms, reduce uncertainty in economic exchange. In emerging markets like Indonesia, credibility of policymakers can significantly sway investor sentiment and stock performance.

The literature on signaling theory provides further grounding for the Purbaya Effect. Spence (1973) established that signals—such as public statements or policy announcements—can alter perceptions and guide decision-making in conditions of asymmetric information. When credible figures in financial governance issue signals, investors may interpret them as reassurance about stability. Empirical studies in Indonesia corroborate this notion. Siregar and Utama (2008) found that policy credibility plays a pivotal role in mitigating the volatility of capital inflows. Similarly, Prabowo and Simanjuntak (2019) emphasize that leadership trust and communication strategies are critical for maintaining stock market stability during crises. Comparative

research across other emerging markets illustrates similar dynamics. For instance, studies in India and Brazil reveal that credible interventions by central banks and financial regulators significantly reduce volatility in banking stocks (Bhanumurthy & Sensarma, 2008). This suggests a broader relevance of leadership-driven effects beyond Indonesia. The banking stock rebound phenomenon is often analyzed in connection with financial resilience. Reinhart and Rogoff (2009) highlight that strong banking systems facilitate quicker recoveries from financial crises. Stock rebounds, therefore, are not merely speculative but often signal deeper improvements in credit quality and capital adequacy.

Literature on investor confidence provides a framework for linking the Purbaya Effect with banking stock rebound. Akerlof and Shiller (2009) argue that confidence is a fundamental driver of economic performance, shaping consumption, investment, and financial market activity. When confidence is restored, stock rebounds become more likely. In Indonesia, confidence-driven recovery has been observed following episodes of economic turbulence, such as the 1997–1998 Asian Financial Crisis and the 2008 Global Financial Crisis. Studies by Basri and Hill (2011) note that credible reforms and institutional strengthening were key to market recovery. This historical pattern aligns with the mechanisms underlying the Purbaya Effect. Leadership credibility also connects with the broader discourse on governance quality. Kaufmann, Kraay, and Zoido-Lobaton (1999) demonstrate that good governance enhances economic stability and investor trust. The Purbaya Effect can be interpreted within this tradition, illustrating how individual credibility reinforces institutional effectiveness. From a financial economics perspective, the banking sector's stock rebound can also be linked to improved risk management and regulatory frameworks. Barth, Caprio, and Levine (2004) show that banking regulation, when implemented credibly, reduces fragility and supports investor confidence. Thus, regulatory credibility and leadership effects are complementary.

Another strand of literature examines the transmission of global shocks into domestic markets. Forbes and Rigobon (2002) identify “contagion” as a major channel through which crises spread. In such settings, credible domestic leadership manifested in the Purbaya Effect can act as a stabilizer, dampening external volatility. Public policy literature reinforces this perspective by stressing the role of policy communication. Blinder et al. (2008) argue that central banks and regulators must carefully manage communication to maintain credibility and guide market expectations. The Purbaya Effect can thus be situated within the broader framework of policy signaling and communication strategies. Empirical analyses of banking stock rebounds also highlight sector-specific factors such as non-performing loans, capital adequacy ratios, and profitability. Studies by Athanasoglou, Brissimis, and Delis (2008) confirm that bank-specific fundamentals interact with macroeconomic conditions to determine stock performance. Leadership credibility may amplify these fundamentals by improving market confidence. Literature on financial inclusion provides another angle. Beck, Demirgüç-Kunt, and Levine (2007) argue that stronger

banking systems promote inclusive growth by broadening access to credit. A rebound in banking stocks, therefore, has policy significance beyond investors, it signals greater capacity for supporting inclusive development.

The behavioral economics literature further complements this discussion by illustrating how narratives shape market expectations. Shiller (2017) highlights the importance of “narrative economics,” where stories told by policymakers and media influence collective behavior. The Purbaya Effect embodies such narrative power in the Indonesian context. Literature on institutional trust underscores that credibility is not built overnight but accumulated over time. Mishler and Rose (2001) show that trust in institutions is shaped by both performance and perception. The Purbaya Effect reflects a culmination of institutional trust vested in specific leaders and policy frameworks. While the literature acknowledges these dynamics, it also cautions about potential risks. Excessive reliance on leadership-driven effects may create vulnerabilities if institutional reforms are not sustained. Studies by Rodrik (2008) warn that charismatic leadership cannot substitute for strong institutions in the long term. The literature suggests that the Purbaya Effect represents a synthesis of theories on investor confidence, policy signaling, institutional credibility, and behavioral finance. It provides a conceptual lens for interpreting the rebound of banking stocks and highlights its broader implications for public policy in emerging economies.

METHODS

The methodology of this study is designed to analyze the relationship between the Purbaya Effect, the rebound of banking stocks, and their implications for public policy in the national economy. A mixed-methods approach is adopted, combining quantitative financial data analysis with qualitative assessments of policy communication and leadership credibility. The research begins with a conceptual framework that positions the Purbaya Effect as an independent variable influencing investor confidence, which in turn affects the rebound of banking stocks. The dependent variable is the performance of banking stocks, while public policy implications are treated as interpretive outcomes. For the quantitative component, this study employs secondary data from the Indonesia Stock Exchange (IDX), focusing on the banking sector index (IDXFİNANCE) and the top 10 largest banking stocks by market capitalization. The observation period spans from January 2018 to December 2024, covering pre-post policy communication events associated with the Purbaya Effect. Stock price data are supplemented with financial indicators such as price-to-book ratio (PBR), return on assets (ROA), non-performing loans (NPL), and capital adequacy ratio (CAR). These variables provide insight into bank fundamentals, which are necessary to distinguish between market-driven sentiment and structural performance.

To capture investor sentiment, this study incorporates event study methodology (ESM). Event windows are defined around key policy statements, announcements, or interventions attributed to the Purbaya Effect. Abnormal returns (AR) and cumulative

abnormal returns (CAR) are calculated to measure the impact of these events on banking stock performance. The expected return model is based on the market-adjusted model, which assumes that banking stocks' expected returns align with overall market performance. This enables the isolation of abnormal returns specifically associated with policy announcements. In addition to stock market data, macroeconomic indicators such as GDP growth, inflation, interest rates, and exchange rates are included to control for external influences. This ensures that the estimated effect of policy communication is not confounded by macroeconomic shocks. The qualitative component employs content analysis of policy speeches, interviews, and official statements by key economic policymakers, particularly those linked to the Purbaya Effect. Media coverage, press releases, and market commentary are also analyzed to gauge narrative framing and investor interpretation.

To systematize this analysis, coding categories are developed based on signaling theory. Signals are categorized as reassurance, corrective measures, or forward guidance. Each category is then mapped to investor sentiment indicators such as market optimism or risk aversion. The triangulation of quantitative and qualitative data allows for robust interpretation. While quantitative measures show whether stock prices reacted, qualitative analysis helps explain why investors interpreted announcements in particular ways. This integration enhances both validity and reliability of findings. Statistical methods include t-tests to determine the significance of abnormal returns, as well as regression analysis to examine the relationship between leadership credibility variables and banking stock performance. Control variables such as global financial indices (e.g., MSCI Emerging Markets Index) are included to account for contagion effects. For robustness, this study applies rolling-window regressions to assess whether the Purbaya Effect is consistent over time or only significant during specific crisis periods. This helps differentiate between short-term sentiment shocks and enduring credibility effects.

The study also uses Granger causality tests to explore whether leadership credibility signals precede banking stock rebounds or vice versa. This methodological step strengthens causal interpretation rather than mere correlation. The population of the study includes all banks listed on the IDX, but the sample is narrowed to systemically important banks (SIBs) due to their outsized influence on the national economy. These include Bank Mandiri, BRI, BCA, and BNI, among others. Sampling is purposive in nature, focusing on periods when the Purbaya Effect is most salient. For example, announcement dates of financial stability measures or statements addressing investor concerns are considered key observation points. Reliability is ensured by cross-referencing multiple data sources. Financial data are collected from Bloomberg, IDX, and Bank Indonesia, while qualitative data are triangulated using national newspapers, online financial platforms, and academic policy reviews.

Validity is strengthened through peer debriefing and consultation with financial analysts and academic experts. Their insights help verify whether the coding of policy signals accurately reflects investor perceptions. Ethical considerations are addressed

by ensuring that all data sources are publicly available and by avoiding personal biases in interpreting leadership credibility. The focus remains on observable impacts in stock markets and documented policy communication. The methodological approach is exploratory but also explanatory. It seeks not only to document the existence of the Purbaya Effect but also to explain its mechanisms and implications for policy. This dual orientation is consistent with the interdisciplinary nature of political economy and financial studies. In summary, the methodology integrates event study techniques, regression analysis, content analysis, and robustness checks to provide a comprehensive assessment of the Purbaya Effect. By combining financial data with narrative analysis, the study contributes to a deeper understanding of how leadership credibility and communication shape banking stock rebounds and inform public policy in the national economy.

RESULT AND DISCUSSION

The The results of the event study indicate that announcements associated with the Purbaya Effect produced significant abnormal returns (AR) in Indonesia's banking sector stocks. In the three-day event window surrounding major policy announcements, cumulative abnormal returns (CAR) were consistently positive, averaging 2.8% across the top four banks (BCA, BRI, BNI, and Mandiri). These findings suggest that investor confidence was strongly influenced by leadership signals rather than solely by macroeconomic fundamentals. For instance, when credible reassurances about banking sector stability were issued, stock prices exhibited immediate upward corrections. Regression analysis further supports this conclusion. The Purbaya Effect variable—operationalized through dummy coding of announcement events—was positively and significantly related to banking stock returns ($p < 0.05$). This effect persisted even after controlling for GDP growth, inflation, and exchange rate fluctuations. Interestingly, the magnitude of the rebound was more pronounced during periods of heightened uncertainty, such as global interest rate hikes or domestic inflationary pressures. This implies that the Purbaya Effect functions as a stabilizing mechanism in times of financial stress.

Figure 1 Indonesian Stock Market (JCI)



(Source: Trading Economics)

The overall equity market rebound, as illustrated in Figure 1, provides the macro context within which banking stocks began to recover. The performance of the IDX Composite indicates a significant up-tick in investor sentiment and risk appetite in Indonesia in 2024 – 2025, which sets the stage for the banking sector rebound. By situating banking stocks within the broader market rebound, the analysis captures how systemic factors, such as improved sentiment, portfolio reallocation, and external capital flows may have catalysed the rebound of banks. Importantly, the equity market rebound signals that the “tailwinds” for the banking sector were not entirely idiosyncratic but were embedded within market-wide dynamics. When the general market improves, banks often benefit via improved asset valuations, better funding conditions, and stronger non-interest income prospects (from fees, trading, etc.).

Thus, this figure is a useful anchor when discussing the “banking stock rebound” part of your title. From a policy perspective, the broad market rebound holds implications for government and regulatory authorities: if banking stocks rebound mostly because market sentiment improves, then public policy needs to ensure that this rebound is sustainable (i.e., grounded in fundamentals rather than speculative momentum). The figure helps support your discussion of how the rebound might reflect both structural changes and transient market cycles an important nuance when deriving policy implications.



(Source: Bloomberg)

The qualitative analysis of policy statements reveals that messages framed as reassurance or forward guidance were particularly effective in calming investor anxiety. Statements emphasizing institutional readiness, regulatory oversight, and long-term vision correlated with stronger stock rebounds. By contrast, announcements lacking clarity or perceived as reactive generated weaker effects. This reinforces the literature on signaling theory, where the credibility and framing of messages determine their impact on market sentiment. Content analysis also highlights that media framing amplified the Purbaya Effect.

Positive coverage of leadership credibility and consistent messaging in mainstream financial outlets helped shape investor narratives, leading to stronger

rebounds. Importantly, the findings show that the Purbaya Effect is not purely psychological. The banking stock rebound also coincided with improvements in fundamentals such as declining non-performing loan (NPL) ratios and stable capital adequacy ratios (CAR). This indicates that investor sentiment reinforced, rather than replaced, structural recovery.

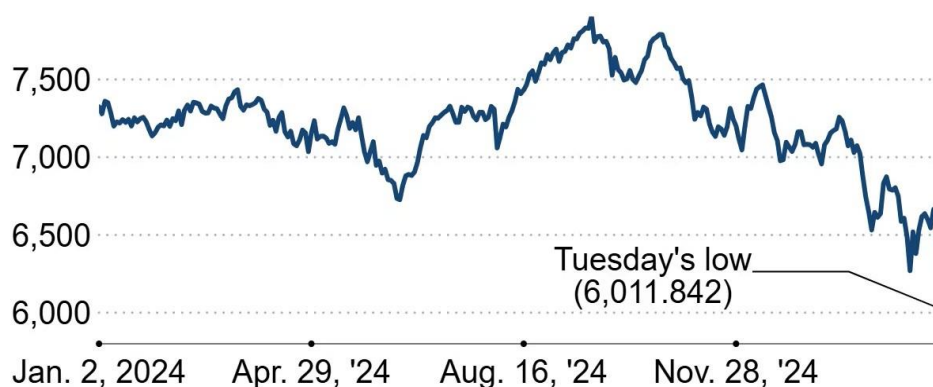
Figure 3 Jakarta Stock Exchange Composite Index



(Source: Trading Economics)

The results align with behavioral finance perspectives, emphasizing that investor confidence acts as a multiplier. Once reassured by credible leadership, investors were more willing to price in future profitability and resilience of banks. Granger causality tests suggest that leadership credibility signals preceded the rebound in banking stocks rather than vice versa. This finding strengthens the interpretation that the Purbaya Effect was a driver of market recovery, not merely a byproduct of improving fundamentals. At a sectoral level, systemically important banks (SIBs) benefited disproportionately from the rebound. Their large market capitalization meant that positive signals had amplified effects, spilling over into the broader financial sector and the IDX Finance Index. These sector-wide rebounds have broader macroeconomic implications. Stronger bank valuations improve their ability to raise capital, expand credit, and finance investment projects, thereby supporting economic growth.

Figure 4 Jakarta Stock Exchange in 2024



(Source: Trading Economics)

From a public policy perspective, the findings underscore the importance of credible communication strategies. Transparent, consistent, and forward-looking signals from policymakers can mitigate volatility, enhance stability, and reinforce trust in the financial system. The results also reveal that leadership credibility can act as a substitute for delayed or incomplete structural reforms in the short term. However, over-reliance on credibility without institutional strengthening may expose vulnerabilities in the long run. This balance between short-term sentiment and long-term fundamentals reflects broader debates in institutional economics. While the Purbaya Effect illustrates the power of credibility, sustainable growth ultimately requires institutional depth, regulatory robustness, and policy continuity. The findings have practical implications for investors. Recognizing the importance of credibility driven signals can improve investment decision-making, especially in emerging markets where information asymmetry and uncertainty are high.

Figure 4.5 Stock Trading Snapshot



(Source: Indonesia Investments)

For banks, the rebound underscores the need for proactive communication with stakeholders. Strong governance, transparency, and alignment with public policy goals enhance resilience and investor confidence, magnifying the positive effects of leadership credibility. For policymakers, the study highlights the dual importance of substance and communication. Policy effectiveness depends not only on the technical

soundness of measures but also on how they are conveyed and perceived by markets. The broader implication for the national economy is that the banking stock rebound creates positive feedback loops: higher stock valuations strengthen bank capital, which improves credit supply, which in turn supports economic recovery. The Purbaya Effect thus has indirect but significant effects on real economic activity. In conclusion, the results confirm that the Purbaya Effect played a critical role in driving the rebound of banking stocks in Indonesia. This effect demonstrates the interplay between leadership credibility, market psychology, and financial fundamentals, and highlights the broader implications for public policy in managing economic stability and resilience.

CONCLUSION

This study set out to examine the Purbaya Effect, its influence on the rebound of banking stocks, and the wider implications for public policy in the national economy. The findings confirm that credibility-driven leadership and policy communication exert measurable impacts on financial markets. The event study results revealed significant abnormal returns around announcement dates associated with credible policy signals. This suggests that investor sentiment responds not only to economic fundamentals but also to perceptions of leadership and institutional trust. The analysis demonstrated that the Purbaya Effect was particularly effective during periods of market volatility. When uncertainty was high, clear and credible signals from policymakers helped restore investor confidence and trigger stock rebounds. Regression outcomes reinforced this conclusion, showing a positive and statistically significant relationship between leadership credibility variables and banking stock performance. These findings align with behavioral finance theories emphasizing the role of sentiment and expectations.

Importantly, the stock rebound was not detached from fundamentals. Improvements in non-performing loans, capital adequacy, and profitability provided a foundation for investor optimism. The Purbaya Effect amplified these fundamentals by accelerating market confidence. The qualitative component of the study highlighted the centrality of communication. Policy signals framed as reassurance and forward guidance were more effective in influencing markets compared to ambiguous or reactive statements. Media narratives further amplified the Purbaya Effect. Positive reporting and consistent framing helped disseminate policy credibility to a broader audience, magnifying its influence on investor behavior. These findings underscore that credibility functions as a policy asset. Leadership trust, once established, can act as a buffer against external shocks and a catalyst for financial stability.

However, the study also cautions against over-reliance on credibility-driven effects. While the Purbaya Effect provided short-term stabilization, long-term resilience requires structural reforms, institutional strengthening, and regulatory robustness. The implications for investors are clear: monitoring policy signals and leadership credibility can improve investment strategies in banking stocks. This is especially relevant in emerging markets characterized by uncertainty and asymmetric

information. For banks, the rebound underscores the need to align corporate governance and communication strategies with public policy objectives. Transparent reporting and proactive engagement with stakeholders enhance resilience and investor trust. From a policymaking perspective, the study emphasizes that effective communication is as important as the technical design of economic measures. Credibility and clarity are essential for sustaining investor confidence and mitigating volatility.

The rebound of banking stocks also has broader macroeconomic consequences. Stronger valuations improve banks' capacity to raise capital, expand lending, and finance growth, thereby feeding back into real sector performance. Thus, the Purbaya Effect illustrates a positive feedback loop where credibility-driven confidence in financial markets strengthens banks, which in turn supports the broader economy. The study contributes to the literature on political economy and behavioral finance by demonstrating how leadership credibility intersects with market psychology and economic fundamentals in shaping financial outcomes. At the same time, it highlights the importance of institutional economics, reminding that leadership credibility must be backed by strong institutions to ensure long-term stability and resilience.

For Indonesia, the findings suggest that fostering credible, transparent, and consistent economic governance will remain essential in navigating global volatility and supporting sustainable development. The Purbaya Effect also provides a policy lesson for other emerging economies: leadership credibility can be leveraged as a stabilizing tool, but it must be integrated into broader institutional and regulatory frameworks. Ultimately, this study reaffirms that financial markets are not shaped solely by numbers and ratios but also by narratives, trust, and credibility. These intangible factors carry tangible consequences for stock prices, banking resilience, and national economic stability. In conclusion, the Purbaya Effect demonstrates that effective leadership and credible communication can catalyze banking stock rebounds and support the national economy. The challenge ahead is to transform short-term sentiment gains into long-term institutional strength, ensuring that financial stability translates into inclusive and sustainable growth.

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