

## THE REACTION OF THE INDONESIAN CAPITAL MARKET TO THE INCREASING FUEL PRICES (BBM) IN INDONESIAN COMPOSITE INDEX (IHSG)

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### Abstract

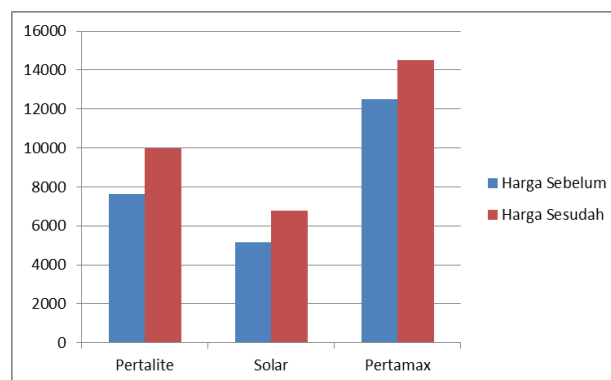
*The purpose of this study was to test the capital market's reaction to the announcement of an increase in fuel prices on the composite stock price index through testing differences in returns and trading volume before and after the fuel price increase on September 3, 2022. This research uses an event study approach, the sample in this study is the stock price index combination during the event period. The results of this study show that the capital market reacted to the fuel price hike event on September 3 2022. There are differences in market returns and trading volume on the composite stock price index before and after the fuel price increase, which indicates that the fuel price increase has an influence on market movements capital in Indonesia, this is due to the significant increase in fuel prices at the time of the observation event.*

**Keywords:** Capital Market, Return, Stocks, Event Study

### Introduction

The increase in the price of fuel oil (BBM) which occurred on September 3, 2022 caused a lot of rejection from various parties (Azizah, 2022). Because almost all daily activities, from households, micro businesses, small and medium businesses to large companies all need fuel oil. With the increase in oil prices carried out by the government, it will certainly have an impact on operations and costs incurred in producing products and services. Fuel is used in a variety of machines, including motor vehicles. Fuel can also impact price and supply reliability, and can have economic, environmental and political implications.

The impact of this increase in fuel prices can be viewed from two factors, namely microeconomic factors and macroeconomic factor (Safitri, 2012). The impact on the micro-economy of small entrepreneurs will make efficiency by reducing production to reduce the impact of the increase in fuel prices (Anita & Veronica, 2016). The impact of the increase in fuel prices made investors hesitate to invest their capital. Because there are investors' concerns about the performance of a company if there is a change in the price of fuel oil.



**Figure 1. Fuel Prices Before and After the Price Increase**

Source: Author processed data

Based on Figure 1, the price of fuel oil that I got from various sources, the price of pertalite has increased by 30.72%, the price of diesel has increased by 32.04%, while the price of Pertamax has increased by 16.00%. If you look at the fuel that experienced the highest increase in the price of diesel, namely 32%, of course the use of fuel is a special concern for the company's operations, which increased significantly from the previous price. Fuel is one of the factors that can affect a company's stock price, especially companies engaged in the energy or transportation sector. In addition, changes in fuel prices can also affect overall economic activity, which can affect the stock performance of other companies. Therefore,

The capital market is a place where the process of buying and selling long-term financial instruments such as stocks, bonds and mutual funds, while the place where buying and selling of securities occurs is called the stock exchange. The existence of a capital market in a country can be a reference to see how excited or dynamic the country's business is in driving various economic policies such as fiscal and monetary policies (Širuček & Galečka, 2017) . The capital market can also act as an intermediary institution. This function shows the important role of the capital market in supporting the economy, because the capital market can connect those who need funds with those who have excess funds. In addition, the capital market can encourage the creation of an efficient allocation of capital, because with the capital market, excess capital (investors) can choose investment options that provide optimal returns. Investment is an accumulation of savings owned by someone used to obtain more productive assets (real assets and financial assets) than savings (Tandelilin, 2017).

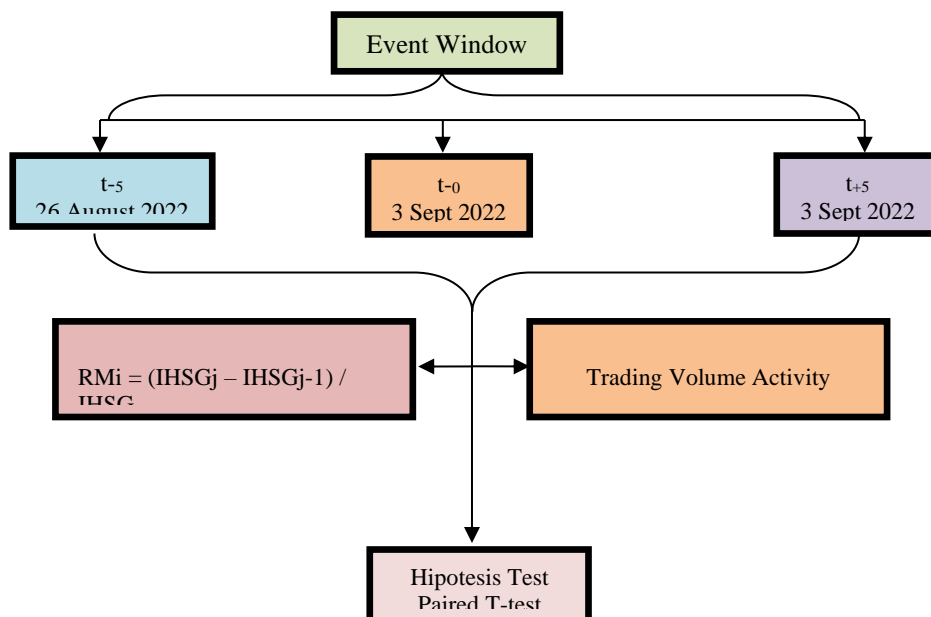
Research conducted by (Chorilayah et al., 2016) examining the announcement of the reduction in fuel prices for transportation sub-sector companies, the results show that it has information content that can be an indicator of investor decisions in investing in the capital market, especially in transportation sub-sector companies. In terms of events, the announcement of the fuel reduction played a major role in the condition of the Indonesian market (Susanto, 2015) (Fitriaty et al., 2022) . This can lead to investors' decisions, both domestic investors and foreign investors, to invest in Indonesia by looking at the current situation in Indonesia. While research conducted by Research (Saputra, 2017) (Anita & Veronica, 2016; Dirga et al., 2022; Saputra, 2017) researching the effect of rising fuel prices on the capital market found that there was no significant difference in the average positive abnormal return before and after the fuel price increase, indicating that the events that occurred did not have information content, so that the fuel price increase had no effect significant.

The inconsistency of the results of previous studies made researchers interested in conducting further research with different research subjects, previous research only focused on the transportation sector and manufacturing companies did not represent all companies listed on the Indonesian stock exchange, so researchers used the composite stock price index as a research subject. The composite stock price index is a reflection or indicator of the reaction of the capital market in Indonesia.

**METHOD**

This type of research is an event study research that has been carried out by(Chorilayah et al., 2016)and (Fitriaty & Saputra, 2021) which examines the reaction of the capital market when there was a decrease in fuel prices in 2016 and the reaction of the capital market during the presidential election. According to(Hartono, 2017) Event study is a study that studies the market reaction to an event (event) whose information is published as an announcement. This research was conducted during the event of an increase in the price of fuel oil (BBM) on September 3, 2022.

The sample in this study uses composite stock price index (IHSG) data because it is an index that measures the price performance of all stocks listed on the Indonesian Stock Exchange. The data used (close price) and the volume of transactions that occurred during the 10 trading day event period, namely five days before the event date (t-5), at the moment the event occurred/event t0, and five days after the event counted after the moment was announced (t+5). The announcement of the fuel price increase that occurred on September 3 2022, Saturday at 14.30 WIB, is assumed to be a moment day t0 and is calculated as the period after the announcement in the study. In summary it can be described as follows:



**Figure 1. Research Framework**

## Results and Discussions

### Normality Test

Before testing the hypothesis, the first step the authors take is to test the normality of the data. The normality test is carried out to test whether in a regression model, an independent variable and a dependent variable or both have a normal or abnormal distribution. If a variable is not normally distributed, then the statistical test results will get inaccurate results (Ghozali, 2017). The results of the data normality test are presented as follows:

One-Sample Kolmogorov-Smirnov Test					
		Return Before	Return After	TVA Before	TVA after
Normal Parameters, b	Means	-0.005	0.001	-.01	.000
	std. Deviation	0.003	0.005	.134	.110
Most Extreme Differences	absolute	.195	.258	.309	.189
	Positive	.174	.238	.309	.142
	Negative	-.195	-.258	-.160	-.189
Kolmogorov-Smirnov Z		.435	.578	.692	.424
asympt. Sig. (2-tailed)		.991	.892	.725	.994

The data normality test used the One-Sample Kolmogorov-Smirnov Test, the results obtained a significance level above 0.05 which indicates that all data in this study is normally distributed. So that it can carry out statistical tests to answer research objectives.

### Return Before and After the announcement of the fuel increase

This study uses a paired T-test to test the difference between before and after the increase in fuel prices.

**Table 1. Paired Samples Correlations**

		N	Correlation	Sig.
Pair 1	Return Before & Return After	5	-.858	.063

Based on the Paired t-test in Table 1, it shows that the relationship between returns before and after the fuel price increase is negative and significant at the p-value level of 0.10. This indicates that the increase in fuel prices made the capital market react in a more negative direction, because the information on the increase in fuel prices made investors doubt the performance of companies related to the increase in fuel prices.

### Trading Volume Activity Before and After the announcement of the increase in fuel prices

Testing trading activity before and after the announcement of the increase in fuel prices uses a paired T-test to see the differences and the relationship between stock trading activities during the period before and after the increase in fuel prices.

**Table 2. Paired T-Test Trading Volume Activity Before And After The Announcement Of The Increase In Fuel Prices**

		Paired Differences		t	df	Sig. (2-tailed)
		95% Confidence Interval of the Difference				
		Lower	Upper			
Pair 1	TVA Before - TVA After	-0.077	-0.025	-2,795	4	.049

Based on the Paired t-test in Table 1, it shows that the relationship between trading volume activity or stock trading transactions before and after the fuel price increase is negative and significant at the p-value level of 0.10. Judging from the Lower value of -0.077 and the Upper value of -0.025, this indicates that the increase in fuel prices has made the capital market react in a more negative direction, due to information on rising fuel prices.

### Discussion

The results of this study found that there were differences between returns and stock trading transactions in the Indonesian capital market before and after the fuel price increase. Research conducted by (Chorilayah et al., 2016) examining the announcement of the reduction in fuel prices for transportation sub-sector companies, the results show that it has information content that can be an indicator of investor decisions in investing in the capital market, especially in transportation sub-sector companies. In terms of events, the announcement of the fuel reduction played a major role in the condition of the Indonesian market. This can lead to investors' decisions, both domestic investors and foreign investors, to invest in Indonesia by looking at the current situation in Indonesia.

The results of this study are different from the findings conducted by (Anita & Veronica, 2016) abnormal returns exist on each event. For every event that occurs, neither abnormal return nor trading volume activity (TVA) has a significant difference in abnormal return. Study (Saputra, 2017) researching the effect of rising fuel prices on the capital market found that there was no significant difference in the average positive abnormal return before and after the fuel price increase, indicating that the events that occurred did not have information content, so that the fuel price increase had no effect which is significant to the difference in the acquisition of abnormal returns for investors, in other words the event of an increase in fuel prices is not able to influence investors to obtain abnormal returns before and after the announcement of the increase in fuel prices.

Study (Utami & Purbawangsa, 2021) researching the companies included in the IDX30 using the census method obtained a total sample of 15 companies. found results that there were no significant abnormal returns during the event period so that there was no market reaction around the announcement period while the research (Dirga et al., 2022) There is no significant difference in average abnormal return between the period before and after the announcement of the fuel price increase, there is no significant difference in the average trading volume activity between before and after the announcement of the fuel price increase.

The results of this study found different results because the increase in fuel prices that occurred on September 3, 2022 reached a significant 30% from the previous price. Of course, this is a consideration for investors to assess the performance of companies affected. The results of this study also have implications that a significant increase in fuel prices will contain negative information for investors, it is important for financial players, especially the capital market or investors in Indonesia, to consider information related to a policy that has been set by the government.

### Conclusion and Recommendation

Based on the results of research tests conducted the reaction of the Indonesian capital market to the increasing fuel prices (BBM) in Indonesian composite index (IHSG), concluded that : Capital market reacted to the fuel price increase on September 3 2022; There are differences in market returns before and after the fuel price increase; There are differences in trading volume on the composite stock price index before and after the fuel price increase; The fuel price increase has an influence on market movements capital in Indonesia

Based on the results obtained, the recommendation given in this study is that investors should consider information related to fuel price increases because information on fuel price increases can provide negative information content so that the market reacts negatively.

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