The Effect Of Inflation Levels And Oil Prices On Stock Return Food And Beverage

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ABSTRACT

This study aims to synthesize to see the consequences of inflation and oil prices on stock returns. The shares observed in this study are stocks that are included in the food and beverage section listed on the Indonesia Stock Exchange (IDX) during the year 2010-2015. To determine the sample sorted in this study is to use Purposive Sampling techniques to obtain samples that match the parameters that have been used as a benchmark. The number of food and beverage industry samples that meet the criteria are 13 listed on the Indonesia Stock Exchange in 2010-2015. Regression analysis using the EViews program was chosen as the method used in analyzing the data. The results confirm that inflation has a negative and significant effect on stock returns and oil prices have a positive and significant effect on the return of food and beverage stocks listed on the IDX in 2010-2015.

Keywords: Inflation Rate; Oil Price; Stock Return.
INTRODUCTION

BPS data shows, over the past 10 years, the average monthly expenditure per capita for food and beverages amounted to 51% of total expenditure. While the AC Nielsen study shows 48% of the total middle class income expenditure in Indonesia is for fast moving consumer goods (FMCG), especially food and beverages (Mariam, 2016). The food and beverage industry has many product differentiations (Ramli, 2010; Mariam & Ramli 2017). The increasing middle class income population will have a significant impact on the development of industries in Indonesia (Ramli, 2012b; Ramli, 2013). Healthy, convenience and lifestyle food products are expected to grow rapidly along with the increase in people's welfare and lifestyle changes (Ramli & Sjahruddin, 2015, Ramli, 2016a; Puteri & Ramli, 2017).

Graph 1: Food and Beverage Sales Chart

The food and beverages sector is a sector that can be said to be dynamic (Ramli, 2012a), as evidenced by the many companies listed on the IDX and the existence of several companies listed and delisted from the IDX. The food and beverages sector is one of the strong sectors in surviving during the crisis period of 2008, as evidenced by the many companies that can survive in the midst of a crisis while many companies from other sectors experience bankruptcy, so this industry will be more interesting as an object of research.

The choice of food and beverage companies as the object of this research is one form of company that is quite rapidly developing. In addition, food and beverage companies are one of the companies that play an important role in the needs of the community. With
the high interest in consumer needs, the greater the competition in the business world (Ramli, 2016b). Although Indonesia’s economic conditions are not too good, the food and beverage sector is not too affected. We can see the graph of the stock returns of the food and beverage sector below.

Table 1: Comparison of Stock Return Data from 2010 – 2015

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Stock Return</td>
<td>0.6033</td>
</tr>
</tbody>
</table>

*Source*: Data processed by yourself

From the data above, it also shows that there is still an average stock return that has a negative value which indicates that the company suffered a loss in 2015 with an average return on company shares of -0.1671. Therefore it is necessary to hold further research to find out how the effect of stock returns on investor interest in investing or not in the company.

From table 1 it can be seen that overall, stock return movements from 2010 to 2015 fluctuate. Stock returns reached the highest peak in 2010 and 2012 where the nominal value did not differ greatly by 0.6033 and 0.6038. In 2015 reached the lowest peak, namely -0.1671. From the table it can be concluded that stock returns can experience a drastic increase or even a decrease. Seeing the fact that there is no certainty about the return that investors will get when making a stock investment, of course an investor does not want to make mistakes in making investment decisions, as well as the existence of several conflicting previous research. Therefore, it is necessary to know the factors that influence stock returns, so that the expectation to obtain a maximum return can be achieved.

Based on this background, the authors are interested in conducting research on whether there is an effect of the inflation rate and oil price on the Stock Return of the Food and Beverage Sector on the Indonesia Stock Exchange.
LITERATURE REVIEW

Definition of Shares / Stock

Shares (stock or share) can be defined as a sign of participation or ownership of a person or entity in a company or limited liability company. A tangible piece of paper that explains that the paper owner is the owner of the company that issued the securities. The portion of ownership is determined by how much investment is invested in the company (Darmadji and Fakhruddin, 2006). Shares can be traded on the stock exchange, which is a place used to trade securities after the primary market.

Investors in buying shares mean they buy company prospects. If the company’s prospects are good, the stock price will increase. Shares are proof of ownership that provides irregular income because it depends on market mechanisms (Sutrisno, 2001). Shares are the most popular securities and are widely known in the community. In terms of ability in claim or claim rights, the shares are divided into (Darmadji and Fakhruddin, 2006):

1. Common stock, which is a stock that places the owner in the junior position in dividend distribution and corporate property rights if the company is liquidated after the company repays its debt obligations.
2. Preferred stock (preferred stock), which is a stock that has the characteristics of a combination of bonds and ordinary shares, because it can generate fixed income (such as bond interest), but it can also not bring results as desired by investors.

Inflation

Inflation is a form of economic disease that often recurs and is experienced by almost all countries. Steps to fight inflation are one of the focuses of economic policy. Policies related to inflation are usually known as price stability policies or policies to achieve internal balance. The simple definition of inflation states that inflation is a tendency to increase prices in general and continuously. From this definition it can be concluded that the price increase of one or several items at a certain time and only temporarily does not necessarily cause inflation.
High inflation rates are usually associated with overheated economic conditions. That is, economic conditions experience demand for products that exceed the capacity of their product offerings, so prices tend to increase. High inflation will also cause a decrease in purchasing power of money. In addition, high inflation can also reduce the level of real income that investors get from their investments. Conversely, if the inflation rate of a country decreases, this will be a positive signal for investors as the risk of purchasing power of money decreases and the risk of decreasing real income (Tandelilin, 2003). So high inflation causes a company to decrease profits, thus causing the equity effect to be less competitive.

**Oil Price**

Crude oil is one of the most vital energies today. This is because the processed crude oil is an energy source. These types of oils are like West Texas Intermediate (WTI) or better known as light-sweet, Brent Bland, OPEC Basket price and Russian Export Blend. Crude oil or also known as Crude Oil is a major commodity and need of the world today. Even Indonesia is experiencing an oil crisis at this time.

The output of crude oil used daily is diesel, gasoline, pertamax, etc. 84% of crude oil will be processed into vehicle fuel (gasoline), aircraft and jet fuel (diesel), heating material (heating), other fuels, and liquefied gas (liquefied petroleum gas). The price of world crude oil is measured by the spot price of the world oil market. Currently the standard price of crude oil commonly used is West Texas Intermediate (WTI) or light-sweet.

Crude oil traded at West Texas Intermediate (WTI) is high quality crude oil. This is because the crude oil has a low sulfur content and is very suitable for fuel, so this oil price is used as a benchmark for the oil trade in the world. The price of crude oil at WTI is generally five to six dollars higher than OPEC oil prices and one to two dollars higher than Brent oil prices (useconomy.about.com). This is the reason for the price of WTI oil being a standard measure for the oil trade in America.

Brent crude is a mark of oil produced in the north sea. The name comes from a mine in the north sea which opened in 1970. Actually it is called brent, oseberg and forties which are located on the coast of Norway and Scotland. Brent is one of the many brands of oil, which is being sold in the world's major oil stores. Brent oil prices are a benchmark price since 1971 for around 40% of oil levels around the world, especially for Russian-Ural oil. That is why it is used as a benchmark for oil. The price of oil is
usually 1 dollar / barrel lower than the price of WTI. However, it was revamped in 2007 and my store is a box with WTI premium. (www.instafx.asia/trading/tentang-oil).

Research Hypothesis
Some studies that are empirical evidence to support the hypothesis in this study, such as the findings from Yasmiandi (2011), show that inflation has no effect on stock returns, while oil prices and gold prices have a significant influence on stock returns. While the research conducted by Kusumo, et al. (2011) stated the opposite where oil prices have a negative effect on stock returns. Another thing with Benakovic and Posedel (2010), the results of his research show that oil prices have a positive effect but inflation has a negative stock return.
Research conducted by Suyanto (2007), the result is that inflation has a positive effect on stock returns. Movahedizadeh et al (2014) obtained research results that the oil supply had a negative influence, and inflation did not have a significant relationship to stock returns.
With the results of the empirical research above, the hypotheses used in this study are:

**H1:** Inflation rate has a negative and significant effect on stock returns in food and beverage companies listed on the Indonesia Stock Exchange for the period of 2010 - 2015

**H2:** Oil prices have a negative and significant effect on stock returns in food and beverage companies listed on the Indonesia Stock Exchange for the period of 2010 - 2015

**RESEARCH METHODS**

This research is associative research, namely research that aims to determine the influence or also the relationship between two or more variables (Sugiyono, 2005). Therefore this study aims to determine the effect of independent variables on the dependent variable and how strong the influence is. Based on the type of data, this research is a quantitative research, namely research in the form of numbers.

**Population and Sample Research**
The study population was a number of shares that entered the food and beverage sector listed on the Indonesia Stock Exchange (IDX) during 2010 - 2015.
The selection of samples in this study was conducted by Purposive Sampling with the aim of getting a representative sample according to predetermined criteria. The criteria used are as follows:
Food and beverage companies listed on the Indonesia Stock Exchange and publish financial statements with the book period ending December 31 each year.
The company issues annual reports and notes on financial statements for 2010-2015 respectively.
The company did not experience delisting from the Indonesia Stock Exchange during the study period.
Having data needed in research
The number of food and beverage industry samples that meet the criteria are 13 listed on the Indonesia Stock Exchange in 2010-2015. The sample in this study can be seen in Table 2 following:

Table 2: Research Samples

<table>
<thead>
<tr>
<th>No</th>
<th>Names of Company</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Akasha Wira International Tbk</td>
<td>ADES</td>
</tr>
<tr>
<td>2</td>
<td>Tiga Pilar Sejahtera Food Tbk</td>
<td>AISA</td>
</tr>
<tr>
<td>3</td>
<td>Wilmar Cahaya Indonesia Tbk</td>
<td>CEKA</td>
</tr>
<tr>
<td>4</td>
<td>Delta Djakarta Tbk</td>
<td>DLTA</td>
</tr>
<tr>
<td>5</td>
<td>Indofood CBP Sukses Makmur Tbk</td>
<td>ICBP</td>
</tr>
<tr>
<td>6</td>
<td>Indofood Sukses Makmur Tbk</td>
<td>INDF</td>
</tr>
<tr>
<td>7</td>
<td>Mayora Indah Tbk</td>
<td>MYRO</td>
</tr>
<tr>
<td>8</td>
<td>Multi Bintang Indonesia Tbk</td>
<td>MLBI</td>
</tr>
<tr>
<td>9</td>
<td>Prasidha Aneka Niaga Tbk</td>
<td>PSDN</td>
</tr>
<tr>
<td>10</td>
<td>Sekar Laut Tbk</td>
<td>SKLT</td>
</tr>
<tr>
<td>11</td>
<td>Siantar Top Tbk</td>
<td>STTP</td>
</tr>
<tr>
<td>12</td>
<td>Nippon Indosari Corpindo Tbk</td>
<td>ROTI</td>
</tr>
<tr>
<td>13</td>
<td>Ultrajaya Milk Industry &amp; Trading Co Tbk</td>
<td>ULTJ</td>
</tr>
</tbody>
</table>

Source: [www.idx.co.id](http://www.idx.co.id)
RESULTS AND DISCUSSION

Hypothesis testing
Hypothesis testing is a test in the form of steps to prove the researcher or hypothesis. This step is to test the truth of the hypothesis proposed by the researcher linearly. The hypothesis testing is carried out by the researcher as follows:

Partial Statistical Test (t-Test)
The t-test is conducted to see the significance of the effect of individual independent variables on the dependent variable assuming the other independent variables are constant. The t test uses the following hypotheses (Gujarati, 2003):

\[ H_0: \beta_i = 0 \]
\[ H_a: \beta_i \neq 0 \]

Where \( \beta_i \) is the coefficient of the independent variable - i as the hypothetical parameter value. The value of \( \beta \) is usually considered zero, meaning that there is no effect of the \( X_i \) variable on \( Y \). From the results of the t test, the conclusions that may be obtained are:

a) If the statistical Sig is \( \alpha \), then \( H_0 \) is rejected and \( H_a \) is accepted
b) If the statistical Sig > Sig \( \alpha \), then \( H_0 \) is accepted and \( H_a \) is rejected

or

a) If tstatistik > ttabel, then \( H_0 \) is rejected and \( H_a \) is accepted
b) If tstatistik < ttabel, then \( H_0 \) is accepted and \( H_a \) is rejected

\( \alpha = 1\%, 5\% \) and \( 10\% \).

CONCLUSION

The conclusion obtained from this research is that it can be detailed according to the findings obtained as follows:
Inflation has a negative and significant effect on the return of food and beverage stocks listed on the Stock Exchange in 2010-2015 with a coefficient of -0.102169 and a significance of 0.0366.

Oil Price has a positive and significant effect on the return of food and beverage stocks listed on the Stock Exchange in 2010-2015 with a coefficient of 0.856026 and a significance of 0.0159.
So that the implications of the findings described in the conclusions above and added to the limitations of this study, can be explained as follows:
The results of this study indicate to investors that inflation that occurs in the economy in Indonesia, will have a negative and significant effect on the ability and stock returns of food and beverage companies. So that the results of this research explain to stakeholders to pay attention to the rate of inflation that has occurred.
The findings of this study indicate that oil prices have a positive and significant effect on food and beverage stock returns, the implication is that this variable can be a priority and concern for investors in making judgments in evaluating the performance of food and beverage companies.

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