

# The effect of the Covid-19 pandemic on the stock market reaction to companies in the Consumer Goods Industry sector on the Indonesia Stock Exchange

Muhamad Fadia Adika Purnama  
Lovianda Pratiwi  
Robby Azemy  
Vanesa Berliani Nugraha  
Yunnita sari  
Ignatius Oki Dewa Brata

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**Muhamad Fadia Adika Purnama**

Email: [muhamad.fadia@widyatama.ac.id](mailto:muhamad.fadia@widyatama.ac.id)

**Lovianda Pratiwi**

Email: [lovianda.pratiwi@widyatama.ac.id](mailto:lovianda.pratiwi@widyatama.ac.id)

**Robby Azemy**

Email: [robby.azemy@widyatama.ac.id](mailto:robby.azemy@widyatama.ac.id)

**Vanesa Berliani Nugraha**

Email: [vanesa.berliani@widyatama.ac.id](mailto:vanesa.berliani@widyatama.ac.id)

**Yunnita sari**

Email: [yunnita.sari@widyatama.ac.id](mailto:yunnita.sari@widyatama.ac.id)

**Ignatius Oki Dewa Brata**

Email: [ignatius.oki@widyatama.ac.id](mailto:ignatius.oki@widyatama.ac.id)

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## **ABSTRACT**

*This study discusses whether there are differences in stock prices in consumer goods sector companies before and after the Covid19 pandemic. This is done whether there is a significant shock in this industry during the pandemic. In Indonesia the first case of COVID-19 was announced by the government on March 2, 2020. With the Covid-19 starting to spread, the government urges the public to stay at home, isolate themselves and reduce gathering activities or maintain distance and enforce the Government Policy, namely social restrictions on a scale large (PSBB). With the appeal and the enactment of the PSBB, it has an impact on many sectors of people's lives, especially in the economic sector. The test was carried out with a sample of 56 companies listed on the Indonesia Stock Exchange, which from 2019 to 2020 were active on the Exchange. Hypothesis testing uses the T test or different tests to see how significant the shocks that occur in the industry are. The test results prove that from the existing financial report data and accounting records, it can be concluded that there is no*

*significant change to the consumer goods sector industry, this is because government policies during the pandemic have actually made this industry sustainable.*

**Keyword ;** Accounting, Industry, Stock Prices, Sustainability, Government Policy, PSBB

## **BACKGROUND**

In Indonesia, the first case of COVID-19 was announced by President Joko Widodo at the Presidential Palace on March 2, 2020. With the Covid-19 starting to spread, the government urges the public to stay at home, isolate themselves and reduce gatherings or maintain distance and impose restrictions. large-scale social network (PSBB). With the appeal and the enactment of the PSBB, it has an impact on many sectors of people's lives, especially in the economic sector.

Many have been harmed by this pandemic, several companies, both small and large companies, have been forced to temporarily close their businesses, places of worship are closed and schools are closed. This precautionary measure made the Indonesian economy and even the world economy decline. This happened because the people's purchasing power was weakening, causing the company's income to decrease so that the company reduced the number of workers to balance the declining activities.

The rapid spread of the COVID-19 outbreak in Indonesia has had a major impact on the Indonesian economy. This epidemic also eroded the global economy and spread to Indonesia. In addition to affecting the exchange rate, Covid-19 also had an impact on the decline in the Composite Stock Price Index (JCI) which finally fell into free fall ([www.idxchannel.com](http://www.idxchannel.com)). The economic slowdown in various sectors, for example industry, tourism, transportation, and investment in the capital market in Indonesia[1, 2].

The capital market is influenced by events that occur in a country. Events containing information can cause the market to react upon receiving the information. Events that occur can contain information that is absorbed by the market and will be used by investors and it can affect strategy making or investment decisions, the information can be in the form of non-economic and economic[3].

Investors are required to know important events, both economic and non-economic, which include political, social, cultural events, and those that can disrupt national stability such as floods and the spread of the COVID-19 virus that is happening in countries around the world. Indonesia as one of the countries affected by the covid-19 virus has made state apparatus to urge the public to do physical distancing, work, study, and worship at home, to the prohibition of gathering together to avoid the virus from spreading further ([www.cnbc.com](http://www.cnbc.com)) . The spread of covid 19 and the policies taken by the government as an effort to prevent the corona virus have had an impact on Indonesia's investment climate. On March 3, 2020, the JCI is predicted to continue its 8-day streak of weakness. This is because the JCI failed to rebound after the announcement of the first case of the corona virus in Indonesia. The index fell 91.46 points or 1.68% to 5,361.25 ([www.ekbis.sindonews.com](http://www.ekbis.sindonews.com))[4].

Research conducted by [5] explains the negative impact of the corona virus on stock market performance in China, the United States, Italy, South Korea, Spain, and Japan. The results across the different estimates show that a 1% increase in people catches the virus, reducing stock market returns by 2.3% on a daily basis.

This prompted our interest in conducting this research to identify the impact of the COVID-19 outbreak on the stock market reaction in the Consumer Good Industry Sector. As explained by the Financial Services Authority, Consumer Good Industry or Consumer Goods can be interpreted as goods that are used directly or indirectly by consumers for

personal or household purposes that are disposable; the goods are different from the goods used in the production process ([www.kamus.tokopedia.com](http://www.kamus.tokopedia.com)). Within the Consumer Good Industry Sector, there are 5 sub-sectors, namely: Food and Beverages, Cigarettes (Tobacco Manufacturers), Pharmaceuticals (Pharmaceuticals), Cosmetics and Household and Houseware.

### ***The research problem***

Is there a Turbulance the Stock Price Index of consumer goods manufacturing companies before and after the announcement of Pandemic Covid-19 in Indonesia?

## **LITERATURE**

### ***Financial statements***

Financial statements are the result of recording all financial transactions in the company. Financial transactions are all kinds of activities that can affect the company's financial condition, such as sales and purchases. The financial accounting department in the company will process the transaction data, both manually and with the ERP (enterprise resource planning) system, which they are used to.

### ***Technical Analysis***

The purpose of technical analysis is to take into account the supply and demand of a stock so that it can be predicted. This understanding provides a statement that technical analysis is an analytical method that looks for patterns of price movements, so that future price movement patterns can be predicted.

### ***Fundamental Analysis***

Fundamental analysis is a branch of science that examines how issues related to economics, politics and natural disasters affect making decisions to Invested or perhaps stay away from the market.

### ***Market Share Price Reaction to New Information***

The stock market is said to be efficient when the stock price formed in the market reflects all the information that enters the market, both accounting and non-accounting information. Various information will enter the stock market without any obstacles [6]. This information can be related to many things, both information originating from companies such as profit announcements and dividend announcements, or other information such as political, security, and economic conditions of a country. The stock market can react to various news spread over the internet [7, 8]. If new relevant information enters the market relating to an asset, this information will be used to analyze and interpret the value of the asset against one another. The result is a change in market prices. This market equilibrium price will last until some other new information changes it back to a new equilibrium or equilibrium price.

### ***Covid-19 and Market Reaction***

A pandemic affects a large number of people and causes devastation in various aspects of life. Many people are falling ill, the death toll is rising and the health care

system is struggling. To contain the spread of the virus, social distancing and lockdown measures were implemented, which caused economic decline[9]. As a result, many businesses reduce their production, unemployment increases and consumption decreases due to shrinking income. This means that the company experienced a decline in profits, growth expectations were revised negatively and so on[10]

Information regarding the Covid-19 outbreak that began to enter Indonesia on March 2, 2020 is news that has the potential to affect overall economic conditions, as has happened in many countries. Various reports from study institutions that analyze the impact of Covid-19 state that there will be a slowdown in the world economy in the year the Covid-19 outbreak spreads, and Indonesia is no exception.

### ***Covid-19 and the Food and Beverage Industry Market Reaction***

The development of the COVID-19 virus is external information that can indirectly have an impact on buying shares, especially on Stock market, especially in the Consumer Good Industry Companies. [11]. Companies in the Consumer Good Industry Sector have high growth and transaction values, but with the pandemic, purchase of the Consumer Good Industry Sector has also decreased, for example in the first semester of 2019 to the first semester of 2020, KINO shares recorded a significant decline in comprehensive income. significant, which is 65.8%.

### ***Thinking Framework and Research Hypotheses***

#### ***Framework***

In this research, it is explained that President Joko Widodo's announcement regarding the first Covid-19 case in Indonesia is suspected to be an explanation of the market reaction of consumer goods sector companies during, before, and after the presidential announcement. This market reaction can be seen from changes in stock prices and stock trading volumes around the presidential announcement made on March 2, 2020[12].

#### ***Research Hypothesis***

H1: There was a reaction in the stock market for the Consumer Goods sector before and after the Covid-19 pandemic took place in Indonesia

### ***METHOD***

#### ***Types of research***

The type of research used in this research is quantitative research. according to [13] quantitative research is as follows:

"Quantitative research can be defined as research based on the philosophy of positivism, used to examine a particular population or sample, data collection using research instruments, quantitative/statistical data analysis, with the aim of testing the established hypothesis."

### ***Population***

The population in this study are companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2019 and 2020. The reason for choosing a consumer goods industry company is because these companies have more complex financial statement information and are more sensitive to economic changes.

### ***Sample***

The sample selection in this study was based on the purposive sampling method, which is a non-random sampling technique whose information was obtained using certain considerations [14]. The criteria for the companies used as samples in this study are as follows:

1. Consumer goods industry companies listed on the Indonesia Stock Exchange during 2019-2020.
2. Manufacturing companies that report complete and consecutive information about the company during 2019-2020, especially information on the company's stock price.
3. Manufacturing companies that publish their financial statements in rupiah during 2019-2020, especially for the first quarter of each year.

Based on the criteria above, 56 companies in the consumer goods industry were obtained.

### ***Method of collecting data***

The data collection method according to [14] can be carried out in various settings, sources and methods.

Data were collected using the literature study and documentation method. In this documentation method, research studies and retrieves data in the form of documents from several sources such as the internet, journals, books, journals and other sources both in printed paper format and in electronic format related to the title of this research.

This data collection also aims to obtain data on the company's financial statements related to the needs of this research, namely in the form of historical data on stock prices of manufacturing companies listed on the Indonesia Stock Exchange (IDX) taken from [www.idx.com](http://www.idx.com).

### ***Data analysis technique***

#### ***Descriptive statistics***

Descriptive statistics are used to describe the main variables of stock prices disclosed by the company in the financial statements for the period of the research period. The analytical tools used are the average, maximum, minimum, and standard deviation to describe the research variables.

#### ***Different Test***

The qualitative independent variables in this study have two categories. Therefore, the test was carried out using the method of using the average difference test for two paired samples (paired sample t-test).

This different test model is used to analyze the pre-post research model or before and after. Different tests are used to evaluate certain treatments on the same sample in two different observation periods [15].

According to, [16] paired sample t-test is one of the testing methods used to assess the effectiveness of the treatment, marked by the difference between the average before and after being given treatment. Pick-up basis

## ***DISCUSSION***

### ***Descriptive Statistical Analysis***

the descriptive test conducted by researchers on the average stock price of consumer goods companies, which were carried out before and after the Covid-19 pandemic occurred. Based on the table below, the average stock price was taken during the first quarter of 2019 (Q1 2019) before the Covid-19 pandemic in Consumer Goods companies was 4079.96, the minimum value was 50 and the maximum value was 84,083. Then the average share price taken during the first quarter of 2020 (Q1 2020) has an average value of 2785.72, a minimum value of 50 and a maximum value of 49,292.

### ***Hypothesis Test Results with Paired-Sample T-test***

In testing the hypothesis with a paired sample T-test under the variables taken from the first quarter of 2019 (Q1 2019) before and the first quarter of 2020 (Q1 2020) after the Covid-19 pandemic occurred in Indonesia. The results obtained that  $t$  of 1.807 is smaller than  $t$  table  $(0.05;49) = 2.010$  with a value of Sig. of  $0.077 > 0.05$ . Thus it can be concluded that  $H_0$  is accepted and  $H_a$  is rejected ( $H_0 =$  No difference).

### ***Hypothesis Discussion***

the results of the hypothesis test using the Paired Sample T-test, it is known that the average share price of consumer goods companies during the Covid-19 pandemic has changed significantly. The value generated from  $t$  1.807 is smaller than  $t$  table  $(0.05; 49)$  of 2.010 and the significant value is 0.077 which is greater than 0.05. So the hypothesis is not accepted which means there is no significant change in the average stock price before and after the pandemic hit Indonesia. This is in line with the Government's policy of not imposing Lockdown like other countries, instead the Government's policy is to make Large-Scale Social Restrictions, the leveling of which is adjusted to the conditions in each region. So that the prevention of community mobility can be muted, so that the economic cycle can continue even though it is not as fast as it was before the pandemic. And public consumption products are the main products needed by the community, especially those related to health. In contrast to other consumer goods that do not sell or stop their circulation, such as the automotive industry.

## ***CONCLUSION***

### ***Conclusion***

This study analyze the difference in stock prices in consumer goods sector companies before and after the Covid19 pandemic. Based on the analysis of data testing in previous chapter, it can be concluded that there is no difference between before and after the announcement of Covid-19 on the Stock Price Index in consumer goods sector companies.



## Benefit

With this research, it can be seen that the Government's policies have a positive impact on the consumer goods sector industry, which during the pandemic did not experience significant shocks like other industries.

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