

SUB THEME: FINANCE

**STOCK PRICE MOVEMENT BEFORE AND AFTER ASEAN
ECONOMIC COMMUNITY IMPLEMENTATION**

Lisa Kustina¹

¹Faculty of Management, STIE Pelita Bangsa, Indonesia

Email: Lisakustina188@gmail.com

Abstract

The examination of stock prices movements after implementing ASEAN Economic Community in Indonesia Stock Exchange had been evaluated in this research. The data were collected before and after ASEAN Economic Community during period July 2015 to June 2016. Samples were divided into several sectors such as infrastructure, utility and transportation; consumption goods; chemical industry; industry; finance; trade, service, and transportation; mining; agriculture; and real estate and property. Paired sample T-Test was used as analysis tool and showed a significant movement in the stock prices between both periods due to the ASEAN Economic Community applied on all sectors.

Keywords: ASEAN Economic Community, Stock Price

INTRODUCTION

2016 is new chapter for ASEAN members, such as Indonesia, Malaysia, Thailand, Philippines, Singapore, Brunei Darussalam, Vietnam, Laos, Myanmar, and Cambodia, to implement the ASEAN Economic Community. Actually, ASEAN Economic Community has been agreed since 2003 in Bali during ASEAN Summit 9 event by declaring Bali Concord II, to establish ASEAN strengthen integration (Wangke, 2014). Initially, ASEAN is politic corporation, then develop in economic area as Preferential Trade Arrangement (PTA) and Free Trade Area (FTA). Currently, it has been prepared to be a stable region, prosperous, high competitive power and also become a single market and production base area in 2020 (Nurhayati, 2012). By developing ASEAN Economic Community, it will be integrated the free flow of goods and capital, services, investment, and professional labor (Valentina, Putera, and Suherlan, 2016).

The competitiveness of ASEAN can be improved by free investment, because of new investment and reinvestment will encourage and ensure a more dynamic economic development. It is also able to strengthen development and integration in Indonesia stock market, while investment of investor will be impacted by movement on stock market prices and it is an indicator of the economy stability (Alam and Dawood, 2014). Several conditions such as economic event, politic issue or something related with the market are able to be influenced by stock price. Economic growth also will be influenced by stock market due to the stock price reduction or less investor. According to this situation, this research had been

aimed to evaluate stock price movement before and after implementation of ASEAN Economic Community while no previous study has been conducted about same case.

ASEAN ECONOMIC COMMUNITY

ASEAN Economic Community, a realization of economic integration in Southeast Asian region, has four majors which focus on market unity and production base, high competition level in the economic region, distribution of economic development, and global economy integration (Baskoro, 2014). Even Indonesia is one of the largest Asia's market and the richest natural resources in Asia, but has not ready faced ASEAN Economic Community yet (Hasiholan, 2015).

ASEAN Economic Community is a program for ASEAN countries to further improve their economy quality, especially in trade sector. ASEAN is supported by free flow of goods, services, investment, a professional labor, and capital flows which freely and integrated in the Southeast Asian region. The purpose of ASEAN Economic Community is to establish integrated ASEAN countries in developing internationally on ideology, political, social, cultural, as well as peacefulness (Malau, 2014).

There is a term of ASEAN CIS (Collective Investment Scheme) in the stock market. It is a framework which allows the participants countries to offer stock market products with same standards to different countries in the South East region. Currently, only Singapore, Malaysia, and Thailand who had participated in ASEAN CIS cause of their active funding higher or equivalent to USD 500 million dollar. However, Indonesia is not being able to participate due to operational constraints, taxation, and others (Rudianto, 2016). When ASEAN CIS is implemented in Indonesia, so it needs to prepare earlier for overseas stock market products are not well sell inside, but to do otherwise.

STOCK PRICE

Stock market is an important role of economic sector in the government because as a facilitator for company funding to develop, to expand, to invest, and to increase working capitals (Permana, 2009). Investor who wants to invest in the stock market need to have a deeply considerations, one other thing is stock price while it can be influenced by internal and external environment (Deitina, 2011).

Eventually, the company's performance will be influenced by the stock price movement in the stock exchange. Consequently, it will impact for investor to be more careful to invest after implementing the ASEAN Economic Community. Several investment will be able to choose by investor. This is certainly impact in stock market investment demand which will impact also in stock price movement

Several factors such as economics and politics changes, internal and external company's problem either national, regional, or international will influence on stock price movement (Setyawasih, 2007). In other way, the implementation of ASEAN Economic Community will certainly influence the stock price movements also in Indonesia Stock

Exchange. The market is able to respond positively or negatively to the ASEAN Economic Community. Stock market is usually influenced by fundamental factor of company such as ROA, ROE, Book Value, DER, etc.

HYPOTHESIS DEVELOPMENT

Hypothesis can be developed by following term:

1. Hypothesis 1: the stock price movement changes before and after implementing ASEAN Economic Community on infrastructure, utility and transportation sector
2. Hypothesis 2: the stock price movement changes before and after implementing ASEAN Economic Community on consumption goods sector
3. Hypothesis 3: the stock price movement changes before and after implementing ASEAN Economic Community on chemical industry sector
4. Hypothesis 4: the stock price movement changes before and after implementing ASEAN Economic Community on industry sector
5. Hypothesis 5: the stock price movement changes before and after implementing ASEAN Economic Community on finance sector
6. Hypothesis 6: the stock price movement changes before and after implementing ASEAN Economic Community on trade, service, and transportation sector
7. Hypothesis 7: the stock price movement changes before and after implementing ASEAN Economic Community on mining sector
8. Hypothesis 8: the stock price movement changes before and after implementing ASEAN Economic Community on agriculture sector
9. Hypothesis 9: the stock price movement changes before and after implementing ASEAN Economic Community on real estate and property sector

METHODOLOGY

The data from Indonesia Capital Market Data (ICMD), annual report, and financial statement had been collected for further analysis which were published in Indonesia Stock Exchange and yahoo finance website. The samples were from all listed firms in Indonesia Stock Exchange (IDX) during July to December 2015 (Before ASEAN Economic Community implemented) and January to June 2016 (After ASEAN Economic Community implemented). The total samples were 89 companies from 9 sector companies, and Paired sample T-Test was used as analysis tools.

RESULTS

Based on table 1, the result shows the stock price movement changes significantly before and after implementation of ASEAN Economic Community on variable infrastructure, utility and transportation sector because p value (0.01) was lower than 0.05. It means the hypothesis 1 can be accepted. Another variable such as consumption goods; chemical industry; industry; finance; trade, service, and transportation; mining; agriculture; and real

estate and property, shows same condition with variable infrastructure, utility and transportation sector by p value less than 0.05. In another way, the stock price movement changes significantly before and after implementation of ASEAN Economic Community on all variables. Therefore, hypothesis 2 to 9 can be accepted.

Table 1. Paired sample T-test, before and after ASEAN Economic Community

No.	Variable	N Sample	Correlation	Sig.
1	Infrastructure, utility and transportation	7	0.946	0.001
2	Consumption goods	7	0.990	0.000
3	Chemical industry	5	0.998	0.000
4	Industry	4	0.996	0.004
5	Finance	9	0.975	0.000
6	Trade, service, and transportation	17	0.994	0.000
7	Mining	6	0.983	0.000
8	Agriculture	8	0.999	0.000
9	Real estate and property	26	0.995	0.000

The correlation values shows tend to 1 which represents strong correlation between before and after implementation of ASEAN Economic Community because the probability value less than 0.05 on variable infrastructure, utility and transportation; consumption goods; chemical industry; industry; finance; trade, service, and transportation; mining; agriculture; and real estate and property.

CONCLUSION

According to the data analysis result, it shows stock price movement changes significantly before and after implementing ASEAN Economic Community on infrastructure, utility and transportation sector; consumption goods sector; chemical industry sector; industry sector; finance sector; trade, service, and transportation sector; mining sector; agriculture sector; real estate and property sector. For future research, the samples data and period analysis should be more quantities and longer respectively, for more accurate analysis.

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