

IMPACT OF THE COVID-19 PANDEMIC ON INDONESIAN CAPITAL MARKET (IDX COMPOSITE)

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ARTICLE INFORMATION	ABSTRACT
<p>Received: 14 May 2023 Revised: 18 May 2023 Accepted: 30 May 2023</p> <p><i>Keywords: : Capital Market, IDX Composite, Financial System, COVID 19.</i></p>	<p>The COVID-19 pandemic has caused many problems globally. Various sectors have been affected by this pandemic. In this study, we aim to determine the impact of the COVID-19 pandemic on the Indonesian capital market (IDX Composite). The method used in this study is the quantitative method of collecting data on COVID-19 cases in Indonesia in 2020 and 2020 IDX Composite data from the government's official website. We also use the Granger Causality Test to check the relationship between those two variables. The COVID-19 impact on Indonesian Capital Market can be seen from this study's result, where the 2020 COVID-19 cases in Indonesia had a quite large impact on Indonesian Capital Market (IDX Composite). When the COVID-19 cases started in Indonesia in March 2020, the IDX Composite experienced a significant decline.</p>

INTRODUCTION

In 2020, the world was shocked by the coronavirus, also called COVID-19, which started in Wuhan, China. This virus is very dangerous because it can cause death and spread very quickly. This virus is causing a health emergency for the entire world because many people have died from it. In March 2020, this virus was declared a global pandemic by the World Health Organization (WHO). In Indonesia, the first case of COVID-19 occurred in early March 2020. In December 2020, Indonesia reported 19,880 deaths due to the coronavirus or about 2,99%, above the world's average death rate (2,21%). Almost all human activities have been disrupted by this virus. The government responded by issuing various

rules to prevent the spread of this coronavirus, such as social distancing rules, lockdowns, and any other rules issued by each country's government. These regulations made people must adapt by changing their behavior to do their normal activities, such as school from home or work from home. This is called "The New Normal". This thing certainly disrupts various sectors of human life, from social sector to economic sectors.

In the economic sector, this pandemic has had a significant impact around the world, including Indonesia. In 2020, economic activity decreased significantly due to the pandemic. Many people have lost their jobs as companies laid

them off to survive the COVID-19 pandemic. Apart from large companies, it is also difficult for small and medium enterprises to earn income in the middle of the pandemic. Because of this pandemic, Indonesia's GDP decreased by 2,1%, the first annual decline since the Asian Financial Crisis in 1998. This pandemic disrupted supply chains and caused market volatility. These factors have had a significant impact on Indonesia's financial system, including its banking sector, capital markets, and government policies in Indonesia.

One of the financial systems in Indonesia is The Capital Market which is a financial market that conducts buying and selling transactions using instruments such as stocks, bonds, mutual funds, and others. This capital market aims to provide a place for companies and governments to obtain funds from investors through financial instruments. Capital market provides the possibility for investors to gain profit by buying and selling in the capital market but there's also risk known as "High Risk, High Return". The Capital Market has an important role for a country's economy because it can allocate the funds efficiently and can be an alternative funding for companies to increase company profits. Stocks are one of the most popular financial market instruments. Companies usually issue shares to fund the company activities because many people can invest their money in them. On the investor side, stocks are an attractive investment instrument because stocks are able to provide an attractive rate of return. IDX Composite is an index that measures the price performance of all the stocks on the Indonesia Stock Exchange. IDX Composite calculated using a market value weighted average index.

As the Corona pandemic continues in many areas of the world and governments continue to drastically reduce economic and financial operations, the entire and final effects of the

COVID-19 pandemic are yet unknown (Adnan, A. T. M., 2022). With the COVID- 19 pandemic and new regulation from the government such as large-scale social restrictions in Indonesia known as "Pembatasan Sosial Berskala Besar", many companies were unable to gain maximum profits, and some companies even had to suffer losses due to the COVID- 19 pandemic which caused many people to be laid off, causing the country's economy slowed down. In this study, we want to find out how this pandemic impacted the IDX Composite.

RESEARCH METHODOLOGY

The method used in this study is a quantitative method by using secondary data. The data we have collected is related to the impact of the COVID-19 pandemic on the Indonesian capital market. The sample that we collect for capital market data (IDX Composite 2020) is from the Central Bureau of Statistic in Jakarta and for COVID-19 2020 cases, we collect the data from the Indonesian government's official website for COVID- 19 updates (<https://covid19.go.id>). We choose the quantitative method because we can conduct research by using accurate and official data that already exists. We also use the Granger Causality Test to check the relationship between the COVID-19 cases in Indonesia and the IDX Composite.

In this study, we used two variables (dependent variable and an independent variable). The independent variable is COVID-19 cases in 2020, and the dependent variable is the Indonesia capital market (IDX Composite in 2020). The dependent variable is the variable that will be influenced by the independent variable. By looking at the changes in the dependent variable on the independent variable, we can get the results of the independent variable's (Indonesian COVID-19 cases in 2020) impact on the dependent variable (IDX Composite).

RESULT AND DISCUSSION

Monthly COVID-19 Cases in Indonesia For The Year 2020	
Month	Reported Cases
January	0
February	0
March	1.414
April	10.118
May	25.216
June	55.092
July	97.286
August	165.887
September	282.724
October	404.048
November	511.836
December	617.820

(Table 1) Source: <https://covid19.go.id>

IDX COMPOSITE IN 2020	
Month	IDX Composite
January	5.940
February	5.453
March	4.539
April	4.716
May	4.754
June	4.905
July	5.150
August	5.238
September	4.870
October	5.128
November	5.612
December	5.979

(Table 2) Source: <https://jakarta.bps.go.id/>

From the data above, at the beginning of 2020 in January and February, the IDX Composite was at 5.940 for January and 5.453 for February, which means that in these two months when the world was aware of the coronavirus, there had been a decrease of 8,2% at the IDX Composite. At that time, there were no reported cases of COVID-19 in Indonesia. Then in March, when COVID-19 started to enter Indonesia, where there were 1.414 cases of COVID-19 reported in Indonesia, the IDX Composite

decreased quite rapidly by 16,76% in this month. From table 1 and table 2, it can be seen clearly how IDX Composite in 2020 experienced a decline during the first month (March) of the COVID-19 cases entering

Indonesia. In the following month, the IDX Composite experienced a slight increase. In April through August, the average growth is 2,12%. And in September, there was another decline due to the many additional cases of COVID-19, which were almost 2 times of the total cases reported in the previous month.

Table 3
Granger Test Result

Pairwise Granger Causality Tests
Date: 03/26/23 Time: 18:45
Sample: 2020M01 2020M12
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
COVID19CASE does not Granger Cause IDXCOMPOSITE	10	10.8363	0.0152
IDXCOMPOSITE does not Granger Cause COVID19CASE		0.70142	0.5389

According to the Granger Causality Test, Indonesian COVID-19 cases in 2020 does not grange cause IDX Composite in 2020 (COVID-19 Cases to IDX Composite P value is $0.0152 < 0.05$) and the IDX Composite does not granger cause Indonesian COVID-19 cases in 2020 (IDX Composite to COVID-19 P value is $0.5389 > 0.05$). It means there is causality between COVID-19 Cases on IDX Composite. There is a unidirectional causality impact between the COVID-19 cases and IDX Composite.

From both results, we can see that the COVID-19 pandemic in Indonesia had an impact on the 2020 IDX Composite. The COVID-19 pandemic had quite a large impact on the IDX Composite. The existence of the pandemic caused the IDX Composite to experience such a large decline. When compared to the 2019 IDX Composite data, Indonesia has an index in the range of 6.000, and entering 2020, when the coronavirus began to spread widely throughout the world, including Indonesia, the IDX Composite was only in the range of 4.000-5.000. These results show that the COVID-19 pandemic had an impact on the capital market (IDX Composite).

CONCLUSION

From the results and discussion regarding the impact of the COVID-19 pandemic on the IDX Composite, it can be concluded that the COVID-19 pandemic in Indonesia had an impact on the IDX Composite. The COVID-19 cases and the IDX Composite have a one-way (unidirectional) relationship, where only the COVID-19 cases affect the IDX Composite, and the IDX Composite does not affect the COVID-19 cases. The impact of the COVID-19 cases will be seen when the coronavirus first entered Indonesia in March 2020.

The COVID-19 pandemic caused the IDX Composite to drop significantly. The IDX Composite dropped due to the decline in economic activity in Indonesia that has occurred as a result of the COVID-19 pandemic. Many companies have lost a lot of revenue, and other companies have even suffered losses. This result can show that the COVID-19 pandemic has had a significant impact on the IDX Composite. However, as time goes on and the government's efforts to restore economic activity during the COVID-19 pandemic, the IDX Composite can begin to recover. So, the government has an important role in rebuilding the country's economy by making the right policies so that the Indonesian financial system can return after the pandemic.

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