

EU Export Ban on CPO: Implications for the Stock Value of Indonesian Palm Oil Companies

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Abstract

European Union (EU) issued a Renewable Economic Directive (RED), namely a policy to ban the export of Indonesian Crude Palm Oil (CPO). Various efforts were made by Indonesia to solve the problem. This research aims to determine the effect of European Union's export ban of Indonesian Crude Palm Oil (CPO) on share prices of palm oil companies listed on Indonesia Share Exchange. This examines the share price differences when European Union prohibits the export of Indonesian Crude Palm Oil (CPO) in 2020 and 2021. The share price used is the daily closing price. This research was conducted using quantitative methods with a time span of one year in 2020 and one year in 2021 when the European Union banned the Export of Indonesian Crude Palm Oil (CPO). The purposive sampling method obtained 10 companies. This research uses a parametric test, namely Paired Sample t-Test to answer the hypotheses. Data processing uses SPSS Version 26. The results showed significant differences in share prices in 2020 and 2021. This is indicated by a significance value of $0.000 < 0.05$. It can be interpreted a difference in share prices in 2020 and 2021 when the European Union export ban of Indonesian Crude Palm Oil (CPO).

Keywords: Crude Palm Oil (CPO), Renewable Economic Directive (RED), Share Price

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1. Introduction

Higher domestic CPO exports will give positive effect for economy growth in society, particularly in management coconut palm, especially in parts industry such as Sumatra and Kalimantan. However, this becomes other threat for Indonesia. Many countries feel intimidated on the success from this CPO oil and try doing various type methods to decrease Indonesian CPO export. One of them that considered discrimination towards Indonesian CPO is the European Union. Discrimination is done by the European Union in policy of Renewable Energy Directive (RED), a policy to ban the export of Indonesian Crude Palm Oil (CPO) to the European Union. The European Union is one of trading partners as biggest importer for product coconut palm from Indonesia (Alen, Hidayat, & Rizki, 2021).

European Union is area with the majority of developed countries and feels responsible to society as well as the environment. This makes European Union stop use palm usage for biodiesel as stated in document Delegated Regulation Supplementing Directive of EU Renewable Energy Directive II (Red II) (European Union, 2019, pp. 1-2). Additionally, the European Union also implements the European Union Emission Trading Scheme (EU-ETS), or policies to support a product of countries that have sector industry with low carbon (Sally, 2016).

Export ban of coconut palm oil (CPO) from Indonesian to the European Union is caused by industry palm destroy environmental and vulnerable to human rights violations. Season European Union parliament

declare aimpor ban policy of CPO and its products derivatives because industry palm create deforestation, degradation of animal habitats, corruption, employment of children and violation of human rights human (HAM).

European Union Parliament considers Indonesian palm oil creates the problems. The Indonesian government took action to overcome the export ban of CPO by creating downstream industry of palm oil. It will become product worth add, like cosmetics, butter, and biodiesel (Sidik, 2018).

Share price values illustrate the company assets. The investors can sell the share because the fluctuation is largely determined by strength supply and demand in share exchange (secondary market). Jogyanto (2013) stated that share price at share exchange market was determined by market participants and the supply share and demand in capital market. Brigham & Houston (2013) argued that share price determine assets of share holder.

This research purpose is to examine the effect of export ban of Indonesian Crude Palm Oil (CPO) by the European Union on company share prices listed in Indonesian Share Exchange.

HumalaSitumorang (2021) stated that prohibition export of ore nickel had negative effect on the gross profit margin from 2015 to 2017. However, it did not have negative effect on the gross profit margin of 2018 to June 2020.

2. Conceptual Framework

Sugiyono (2017) stated that conceptual framework is a conceptual model about how theory relate with various factors identified as important problem. The conceptual framework is synthesis about the connection of studied variables arranged from various descriptive theories. Figure 1 shows the systematic conceptual framework.

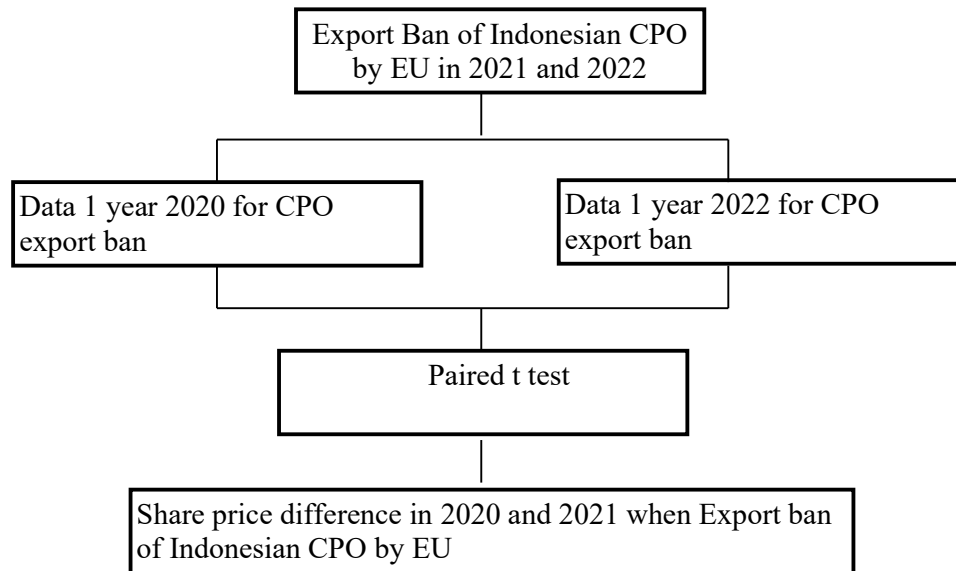


Figure 2, Conceptual Framework

Sugiyono (2015) stated that hypothesis was temporary answer to research problem formulation. It was stated in sentence statement. Allegedly the answer the truth in nature that will be tested the truth with the research data collected.

Hypothesis is called temporarily because the answer will be given based on theory. These research hypotheses are stated below

H_a: Allegedly the export ban of Indonesian Crude Palm Oil (CPO) by the European Union affects on Share Prices of Coconut Palm Oil Company.

H₀: Allegedly export ban of Indonesian Crude Palm Oil (CPO) by the European Union does not affect on Share Prices of Coconut Palm Oil Company.

3. Methodology

The researcher uses quantitative descriptive research. Quantitative descriptive method provides description of actual situation from the researched object based on facts that collected, processed and analyzed to make conclusions (Rori, 2013). The data was collected from company's samples in IDX plantation sub-sector coconut palm oil. The research population was Indonesia Company of coconut palm oil in sector plantations listed on Indonesian Share Exchange. The research samples were closing shares price of Indonesia Company of coconut palm oil for 2020-2021.

Data analysis technique

Sugiyono (2017) stated that data analysis was a process to search and compiling the systematic data from interview, field notes and documentation in order it can be understood and the findings can be notified to other people.

Normality test

Data normality test was done by the Kolmogorov test smirnov (Tuhuleley, 2015). Basis for taking decision in normality test were below.

If significant value was smaller than 0.05 then the data normally distributed.

If significant value was larger than 0.05 then the data was not normally distributed.

Paired Sample T-Test

Widiyanto (2013) stated that paired sample t-test was one method test used for the research effectiveness treatment. It was marked by the difference between the average before and average after treatment. Basis to accept or reject H_0 in were below.

If probability (Asymp.Sig) < 0.05 then H_0 rejected and H_a accepted.

If probability (Asymp.Sig) > 0.05 then H_0 accepted and H_a rejected.

Paired sample t-test is a different test parametric on two paired data. It can be explained in more detail that this test intended for different tests or comparative test. It means compare the difference in mean or average of two paired groups. The pair means the data source come from the same subject.

4. Research Results

4.1. Normality test

The value Kolmogrov Smirnov showed that export ban in 2020 had significant value of 0.200 was larger than 0.095. it can be interpreted that the data was normally distributed. Table 1 shows the test results.

Table 1. Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistics	df	Sig.	Statistics	df	Sig.
Export ban in 2020	.113	40	.200 *	.944	40	.049
Export ban in 2021	.128	40	.095	.956	40	.121

4.2. Statistics Descriptive

The results of statistics descriptive showed that average shares price of coconut palm company at the time of export ban in 2020 the was 539.95. Whereas average shares price in 2021 was 646.20. Table 2 showed the test results.

Table 2. Paired Sample Test

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Export ban 2020	539.95	40	320,359	50,653
	Export ban 2021	646.20	40	278,683	44,064

Table 2 showed that the significance of paired sample t-test was 0.000 smaller than 0.05. This showed that H_a accepted and H_0 rejected. It can be interpreted that there is a difference in share prices in 2020 and 2021. Table 3 showed the results of paired samples test.

Table 3. Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of Difference				
					Lower	Upper			
Pair 1	Prohibition Export ban 2020 - 2021	-106,250	158,413	25,047	-156,913	-55,587	-4,242	39	,000

Table 3 showed results that export ban of Indonesian Crude Palm Oil (CPO) by the European Union has a significant effect on shares price of coconut palm oil company. It means that export ban of Indonesian Crude Palm Oil (CPO) by the European Union has a significant effect on share price of Indonesian Palm Oil company. The export ban of Indonesian Crude Palm Oil (CPO) by the European Union make shares price missed down from year to year.

The paired sample t –test showed the value significance (sig.) comparison between shares price 2020 and 2021 the export ban of Indonesian Crude Palm Oil (CPO) has 0.000 significance value that smaller than 0.05. The H_a accepted and H_0 rejected. This showed a significant difference in share prices in 2020 period and 2021 period, where the average share price of Indonesian palm oil companies increase significantly during the export ban of Indonesian Crude Palm Oil (CPO) from 2020 to 2021.

5. Conclusion

Based on analysis results and discussion for the effect of export ban of Indonesian Crude Palm Oil (CPO) by the European Union on share price of Coconut palm oil company listed on Indonesian Stock Exchange), it can concluded that paired sample t-test showed a significant difference. This was showed with significance value $0.000 < 0.05$. It shows a difference in shares price of for export ban of Indonesian Crude Palm Oil (CPO) in 2020 and 2021.

6. Suggestion

- Indonesia government should makes diplomacy to overcome the negative stigma about Indonesian palm oil by promoting oil Indonesian palm oil to potential markets.
- Indonesia government should makes regulation to simulate environment friendly energy development by providing a developmental stimulus technology to produce biofuel.
- Indonesia government should look for excess or other potential that can replace the oil palm commodity.

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