

THE EFFECT OF THE 2023 CIGARETTE EXCISE POLICY ON GUDANG GARAM'S STOCK MOVEMENT

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Abstract

The Directorate General of Customs and Excise (DGCE) under the Ministry of Finance implemented an average 10 percent increase in the Tobacco Excise Tax (CHT), effective at the beginning of 2023. This fiscal measure directly influenced the retail selling prices (RSP) of cigarettes in the domestic market. The purpose of this study is to examine the variation in PT Gudang Garam Tbk's stock performance before and after the official announcement of the excise tax adjustment on January 1, 2023. Employing a quantitative comparative research design, this study utilizes daily stock price data of PT Gudang Garam Tbk for the periods preceding and following the policy implementation. The analysis applies a paired sample t-test to assess whether a statistically significant difference exists between stock prices before and after the tax policy announcement. The empirical findings reveal that PT Gudang Garam Tbk's stock price exhibited notable changes subsequent to the excise tax increase. In the immediate aftermath of the announcement, stock prices declined as a result of negative market sentiment, but gradually stabilized over the following period. These results indicate that the excise tax adjustment exerted a measurable influence on the company's stock price dynamics, implying the necessity for strategic adaptation through cost efficiency and prudent pricing mechanisms to sustain stock value stability.

Keywords:

Cigarette Excise, Stock Price, Gudang Garam, *Paired Sample t-Test*, Government Policy

Introduction

The Government of Indonesia, through the Ministry of Finance (Kemenkeu), introduced a new adjustment to the Tobacco Excise Tax (CHT) rates, which came into force at the beginning of 2023. This adjustment is regulated under the Minister of Finance Regulation (PMK) No. 191/PMK.010/2022 concerning Tobacco Excise Tariffs. According to this regulation, the average increase in cigarette excise tax rates was determined at 10 percent, effective as of January 1, 2023. The Directorate General of Customs and Excise (DGCE) under the Ministry of Finance stated that the formulation of this policy took into account several considerations, including public health

concerns, consumption control, enhancement of state revenue, and the sustainability of the tobacco industry along with its labor force.

This decision was made after comprehensive consideration of various aspects, including cigarette consumption control, state revenue enhancement, public health protection, and industrial sustainability. The Minister of Finance emphasized that the decision underwent in-depth review, taking into account the condition of the industry, labor, and tobacco farmers. The government targeted a significant increase in tobacco excise revenue for 2023, in line with its efforts to control consumption.

Nevertheless, the excise tax increase also generated significant repercussions for the domestic cigarette industry. The higher excise burden exerted financial pressure on cigarette producers, including PT Gudang Garam Tbk (GGRM), by elevating production costs and diminishing consumers' purchasing power. As a result, the company's financial performance and stock price exhibited considerable volatility. Notably, PT Gudang Garam Tbk's stock responded promptly to the enforcement of the new excise rate. The observed changes are presented in Table 1 below.

Table 1. PT Gudang Garam (GGRM) Stock Prices in January 2023

Tanggal	Terakhir	Pembukaan	Tertinggi	Terendah	Vol.	Perubahan%			
06/01/2023	17.775	16.600	17.900	16.550	1,23M	+7.08%			
05/01/2023	16.600	17.650	17.650	16.500	2,32M	-5.82%			
04/01/2023	17.625	18.025	18.050	17.500	1,40M	-2.08%			
03/01/2023	18.000	18.050	18.075	18.000	320,30K	-0.14%			
02/01/2023	18.025	18.000	18.150	18.000	219,80K	+0.14%			
Tertinggi: 18.150		Terendah: 16.500		Selisih: 1.650		Rata-Rata: 17.605		Perubahan%: +1	

Source: Investing.com, 2023

During the early trading days of January 2023, the stock price and trading volume of PT Gudang Garam Tbk showed significant volatility. From January 2 to January 5, 2023, the stock price continuously declined, reflecting a negative investor response to the excise tax hike policy. However, on January 6, 2023, the stock price sharply rebounded by 7.08%, indicating an early recovery of market sentiment toward the company's stock.

The stock price serves as a crucial indicator of a company's performance, representing the level of investor confidence and functioning as a key foundation for investment decision-making. For corporations, shareholder investments constitute an essential source of capital that underpins operational continuity and facilitates business expansion.

A company's stock price naturally experiences movements, either upward or

downward. Such fluctuations can generate both profits and losses for investors. Therefore, investors need accurate information about the factors influencing stock price movements, whether directly or indirectly.

This research aims to analyze the difference in PT Gudang Garam Tbk's stock price before and after the announcement of the cigarette excise tax increase implemented in early January 2023. A prior study by Laila (2017), titled "*Abnormal Return and Trading Volume Activity Before and After the Announcement of the Cigarette Excise Increase in 2016 (A Case Study on the Cigarette Industry Listed on the Indonesia Stock Exchange)*," revealed variations in the average abnormal return and trading volume activity between the pre- and post-announcement periods, although these differences were not statistically

significant. Building upon previous findings, the present study seeks to offer a fresh perspective on market responses to fiscal policy changes, particularly the 2023 cigarette excise tax adjustment, and to assess its influence on the stock performance of PT Gudang Garam Tbk.

Theoretical Framework

Stock

Stocks are among the most widely recognized instruments in the financial market. Issuing stocks serves as one of the strategic alternatives for companies seeking to raise capital. A stock represents a form of equity ownership held by an individual or institutional entity within a limited liability company. By possessing stocks, shareholders obtain rights over a portion of the company's profits, assets, and are entitled to participate and vote in the General Meeting of Shareholders (GMS). According to Sapto (2006:31), stocks are valuable securities that provide evidence of ownership of a company's equity by individual or institutional investors. Meanwhile, Darmadji and Fakhruddin (2012:6) classify stocks into the following categories:

- a. **Common Stock**, which represents a type of equity that positions its holders subordinate to debt holders in terms of claims on the company's assets, granting them ownership rights to the remaining assets in the event of corporate liquidation.
- b. **Preferred Stock**, which represents a class of equity securities that combines the characteristics of both bonds and common stock, as it provides a fixed income similar to bonds while still carrying investment risks inherent to equity instruments.

Concept of Stock Price

Stock price is the amount of money issued to obtain ownership or participation in a company. In the secondary market, daily trading activities of stock prices often experience fluctuations, both in price increases and decreases. The formation of stock prices occurs due to the existence of demand and supply for the stock. Demand and supply occur because of many factors, both specific to the company and external factors such as the industry sector in which the company operates, as well as macro

factors like national economic conditions, social and political situations, or emerging rumors.

Jogiyanto (2008:167) defines stock price as the stock value formed in the capital market based on the forces of demand and supply of stock traded in the market. The expected

result is the return from the stock, according to Samsul (2006:291), return is the income received expressed as a percentage of the initial investment capital. Investment income in stock means the profit obtained from selling stock, which is called capital gain, and if it incurs a loss, it is called capital loss.

Empirical Review and Conceptual Framework

This research serves as a replication and extension of a prior study conducted by Dedy Natanael Baramuli (2020), titled "*Comparison of Stock Prices of PT H.M. Sampoerna Tbk Before and After the Announcement of the Cigarette Excise Tax Increase on January 1, 2020.*" In his research, Baramuli identified variations in the stock price of PT H.M. Sampoerna Tbk before and after the announcement of the cigarette excise tax adjustment, where the stock price initially declined during the early announcement period but subsequently rose in the following days.

This current study adapts the research design and methodology used by Baramuli (2020) but replicates it with a different object and period, namely PT Gudang Garam Tbk (GGRM) during the implementation of the tobacco excise tax increase at the beginning of 2023, as stipulated in *Minister of Finance Regulation No. 191/PMK.010/2022*. This replication aims to determine whether the market's reaction pattern toward government fiscal policy specifically, the increase in cigarette excise tax remains consistent across different time periods and companies.

Furthermore, a prior study conducted by Laila (2017), titled "*Abnormal Return and Trading Volume Activity Before and After the Announcement of the Cigarette Excise Tax Increase in 2016 (A Case Study on the Cigarette Industry Listed on the Indonesia Stock Exchange)*," revealed that both abnormal return and trading volume activity exhibited variations in their average values between the pre-announcement and post-announcement periods. Nevertheless, the statistical analysis indicated that these differences were not significant.

Another study conducted by Asri (2004), entitled "*The Effect of the Announcement of the Increase in Tobacco Excise Rates and Base Prices on the Stock Prices of Cigarette Industry Companies Listed on the Jakarta Stock Exchange*," revealed that the announcement of the excise tax hike initially led to a decline in stock prices. However, over time, the prices showed a recovery trend as investors gradually adjusted their expectations regarding the companies' long-term performance and growth prospects.

Drawing from the findings of previous research, it can be inferred that the market's response to cigarette excise tax increases generally exhibits a short-term pattern. Stock

prices tend to decline following the initial announcement but gradually recover as the market adjusts to the new policy. This observation forms the basis of the present study, which aims to examine and compare the stock price movements of PT Gudang Garam Tbk before and after the announcement of the 2023 cigarette excise tax adjustment.

Conceptual Framework

The conceptual framework of this research depicts the linkage between the government's fiscal policy specifically the increase in cigarette excise tax and the stock price fluctuations of PT Gudang Garam Tbk before and after the announcement of the policy. The adjustment of excise tax rates, which took effect on January 1, 2023, as stipulated in the Minister of Finance Regulation (PMK) No. 191/PMK.010/2022, is anticipated to shape investor perceptions and affect the overall performance of Indonesia's tobacco industry.

In this context, the stock price serves as an indicator of market response to the government's policy. When the excise tax increase was announced, it was anticipated that the stock price of PT Gudang Garam Tbk might experience short-term volatility due to market uncertainty and investor sentiment. However, as the market adjusts and investors reassess the company's long-term prospects, the stock price may stabilize or recover.

Therefore, the conceptual framework of this research can be summarized as follows:

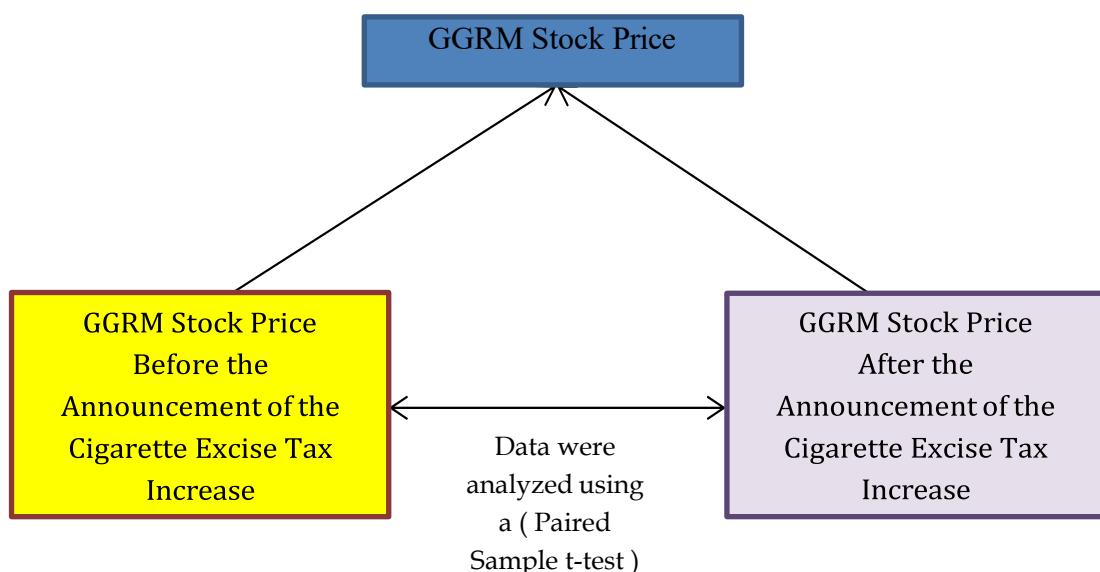


Figure 1. Conceptual Framework

Research Hypothesis

H₀: It is assumed that there is no difference in the stock prices of PT Gudang Garam Tbk (GGRM) prior to and following the announcement of the cigarette excise tax adjustment enacted in early January 2023.

H₁: It is assumed that there is a difference in the stock prices of PT Gudang Garam Tbk (GGRM) before and after the announcement of the cigarette excise tax increase in early January 2023.

Method

Type of Research

The type of research used in this study is comparative research. Comparative research according to Sugiyono (2014:54) is research that compares the condition of one or more variables in two or more different samples, or at two different times. The application of comparative research in this study is the comparison of the stock prices of PT Gudang Garam Tbk (GGRM) prior to and following the announcement of the adjustment in cigarette excise tax rates effective January 1, 2023.

Data and Data Sources

The data used in this study are quantitative data. Quantitative data are types of data that can be measured or calculated directly, expressed in numbers or numerical values. The data source used in this research is secondary data.

Secondary data refer to information collected from existing sources. These include company records or documentation, government publications, industry analyses by the media, websites, the internet, and other relevant sources (*Uma Sekaran, 2011*).

The data used in this study are as follows:

1. Stock price data of PT Gudang Garam Tbk before the public announcement of the cigarette excise tax rate revision
The data were taken from the period prior to the implementation of the tobacco excise tax policy, which took effect on January 1, 2023, namely from December 26, 27, 28, 29, and 30, 2022. (Data for December 31, 2022, and January 1, 2023, were excluded due to their occurrence on weekends and official public holidays.)
2. Stock price data of PT Gudang Garam Tbk following the announcement of the cigarette excise tax adjustment.
The data were taken from the period following the announcement, namely January 2, 3, 4, 5, and 6, 2023. (January 7 and 8, 2023, were excluded as they were Saturday and Sunday.)

Data Analysis Method

Normality Test

The normality test is used to determine whether the data are normally distributed or not. This is conducted to determine which statistical method will be used in data analysis whether parametric or non-parametric statistics. In order to ensure the reliability and validity of subsequent analytical stages, this study applies the Kolmogorov-Smirnov parametric statistical test to assess the normality of the data

distribution.

The normality test criteria are as follows: if the significance level is 0.05, the data can be said to be normally distributed. The criteria are:

1. If the significance value > 0.05 , the data are normally distributed.
2. If the significance value < 0.05 , the data are not normally distributed.

Difference Test - Paired Sample t-test

The analytical method used in this study is the difference test – Paired Sample t-test. The Paired Sample t-test is used to test differences between two paired samples. Paired samples are defined as the same subjects that experience two different treatments in a situation before and after a process. The Paired Sample t-test is used when the data are normally distributed. The Paired Sample t-test is one of the testing methods used to examine the effectiveness of a treatment, indicated by differences in the average values before and after the treatment is applied.

Hypothesis Test

Hypothesis testing is conducted to examine the validity of a statement statistically and to draw conclusions on whether to accept or reject the stated hypothesis. The hypothesis testing used in this study employs the **t-test**. The t-test used in this research is the **paired t-test**, which is utilized to determine whether there is a difference between the mean values of two related or paired samples (groups).

The guidelines for decision-making in the Paired Sample t-test are as follows:

1. If the probability value or Sig. (2-tailed) < 0.05 , then H_1 is accepted.
2. If the probability value or Sig. (2-tailed) > 0.05 , then H_1 is rejected.

Results and Discussion

Trend of PT Gudang Garam Tbk Stock Price

Table 2. Stock Prices of PT Gudang Garam Tbk Prior to and Following the Announcement of the Cigarette Excise Tax Adjustment

Stock Prices Before the Announcement of the Cigarette Excise Tax Increase (t ₋₅₋₁)		Stock Prices After the Announcement of the Cigarette Excise Tax Increase (t ₊₂₋₆)	
Day/Date	Stock Price	Day/Date	Stock Price
30/12/2022	18.000	2/1/2023	18.025
29/12/2022	18.400	3/1/2023	18.000
28/12/2022	18.325	4/1/2023	17.625
27/12/2022	18.550	5/1/2023	16.600
26/12/2022	18.975	6/1/2023	17.775

Source: Investing.com, 2022 dan 2023

The graph below illustrates the trend of stock prices prior to and following the announcement of the cigarette excise tax adjustment:

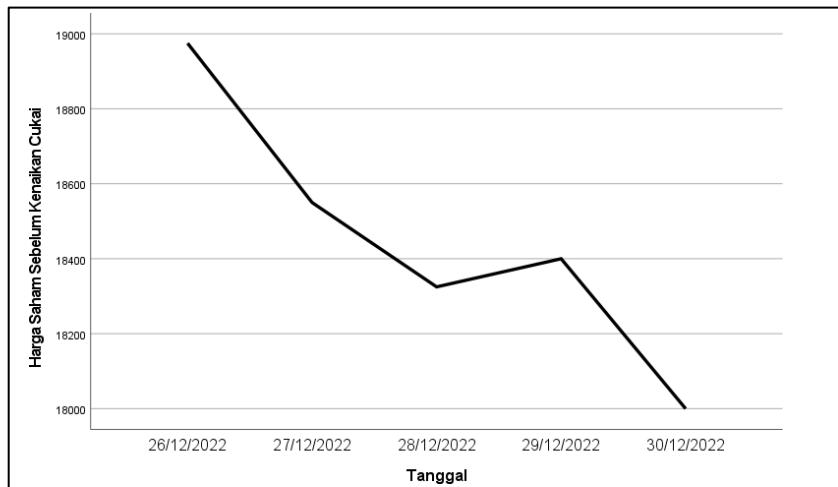


Figure 2. Stock Prices Before the Announcement of the Cigarette Excise Tax Adjustment

The graph shows a downward trend over the five trading days observed before the announcement of the cigarette excise tax increase.

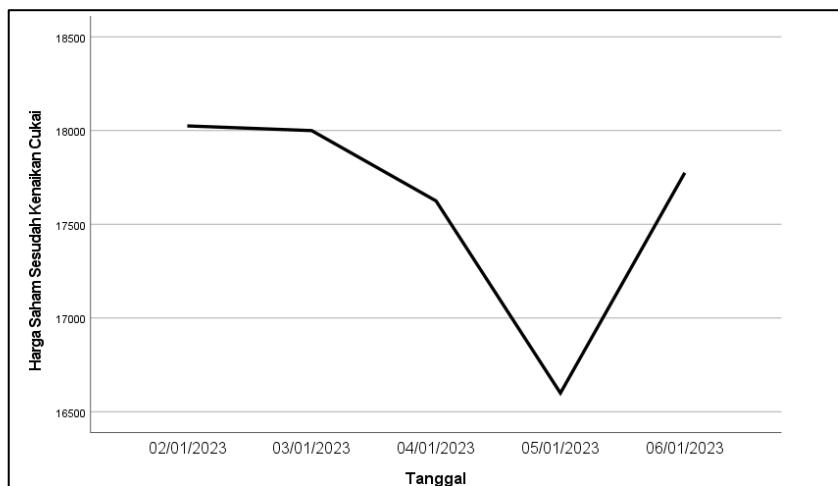


Figure 3. Stock Prices After the Announcement of the Cigarette Excise Tax Adjustment

It can be observed that stock prices experienced notable fluctuations during the five-day observation period following the announcement of the cigarette excise tax adjustment. The stock price reached its lowest level on January 5, 2023, before showing a significant increase on January 6, 2023.

Data Normality Test

Table 3. One-Sample Kolmogorov-Smirnov Test

		Harga sebelum	Harga sesudah
N		5	5
Normal Parameters ^{a,b}	Mean	18450.00	17605.00
	Std. Deviation	355.756	585.609
Most Extreme Differences	Absolute	.189	.314
	Positive	.189	.237
	Negative	-.163	-.314
Test Statistic		.189	.314
Asymp. Sig. (2-tailed) ^c		.200 ^d	.121
Monte Carlo Sig. (2-tailed) ^e	Sig.	.842	.118
	99% Confidence Interval	Lower Bound	.833
		Upper Bound	.851
			.127

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 92208573.

It can be seen that the data are normally distributed since the Asymp. Sig. (2-tailed) value for the stock prices before the announcement is **0.200** and for the stock prices after the announcement is **0.121**, both of which are greater than 0.05. Therefore, the data can be considered normally distributed and meet the assumption required to perform the subsequent parametric statistical test.

The results section should present the research findings clearly and systematically. Data may be displayed in tables, graphs, or figures as appropriate to support the presentation of the results.

Paired Sample t-test and Hypothesis Testing

Table 4. Paired Sample t-test and Hypothesis Testing

Paired Samples Test								
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
Pair 1 Harga sebelum - Harga sesudah	845.000	762.070	340.808	-101.234	1791.234	2.479	4	.068

It can be seen that the Sig. (2-tailed) value is **0.068**, which is greater than 0.05, indicating that **H₀ is accepted and H₁ is rejected**. This means that there is **no**

statistically significant difference between the stock prices before and after the announcement of the cigarette excise tax increase in early January 2023. However, there is an average difference of **845 points**, suggesting a nominal change in stock prices that is not statistically significant.

Discussion

The Central Statistics Agency (BPS) stated that the government's policy to increase cigarette excise taxes, which took effect at the beginning of 2023, had an impact on the national inflation rate. One of the direct effects of this policy is the rise in retail cigarette prices. The increase in excise tax rates also affects the sales performance of tobacco products, prompting cigarette producers to implement appropriate strategies to maintain their sales stability and company profitability.

Starting January 1, 2023, the government officially increased the excise rates on tobacco products as stipulated in Minister of Finance Regulation (PMK) No. 191 of 2022 concerning Tobacco Product Excise Rates. This policy is part of the government's efforts to control cigarette consumption, protect public health, and increase state revenue from the excise sector.

The cigarette excise increase in 2023 was expected to put pressure on the performance of the domestic tobacco industry, including major issuers such as PT Gudang Garam Tbk (GGRM). However, this impact did not necessarily reduce consumer demand for cigarettes, considering that cigarette consumption tends to be inelastic due to its addictive nature.

The results of this study indicate that there is no statistically significant difference between the stock prices of PT Gudang Garam Tbk before and after the announcement of the cigarette excise tax increase in early January 2023. Nevertheless, there was a nominal difference in the average stock price, where the stock price declined shortly after the announcement of the policy and then increased again toward the end of the observation period. This suggests that the market initially reacted negatively to the policy announcement, but investor expectations gradually recovered as market conditions stabilized.

Conclusion

Based on the results of the study comparing the stock prices of PT Gudang Garam Tbk (GGRM) before and after the announcement of the cigarette excise tax increase in early January 2023, it can be concluded that there is no statistically significant difference between the stock prices before and after the policy announcement. Nevertheless, there is a nominal difference in the average stock prices, where the prices declined in the initial period following the announcement and gradually increased toward the end of the observation period. This indicates a short-term market reaction to the government's fiscal policy, followed by an adjustment phase among investors.

This study contributes to the academic field, particularly in understanding **market**

reactions to government fiscal policies, and serves as a reference for future research exploring the relationship between excise tax policies, the tobacco industry, and the capital market. In practical terms, the findings of this study can be utilized by cigarette companies and investors as a basis for strategic decision-making, especially in responding to government policy changes that affect the tobacco industry.

The limitation of this study lies in the relatively short observation period, which only covers five days before and after the announcement of the cigarette excise tax increase. Therefore, it may not fully capture the long-term impact on stock performance. Hence, future research is recommended to extend the observation period and include additional variables such as trading volume, abnormal return, or macroeconomic factors to obtain a more comprehensive analysis.

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