

THE IMPACT OF THE INCREASE IN FUEL PRICES ON THE PEOPLE'S ECONOMY

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Abstract. The problem of rising fuel prices is a major problem for people all over the world, not only in Indonesia. The increase in fuel prices triggers other adverse impacts that can exacerbate the condition of a society. With this, this research is intended to explore what impacts are indeed the main triggers of rising fuel prices in Indonesia by using literature, namely discussing previous findings. With the increase in fuel, production costs will increase, with production costs rising, the needs of the community such as clothing, food, feed originating from the industrial sector will also increase. This is what makes inflation in a country last a long time and continuously. This increase in fuel prices does have a bad impact, but if the efforts of the government and the community both contribute to overcoming this problem, of course it is not impossible that this problem will be resolved properly.

Keywords: BBM, Increase in BBM, subsidized BBM

Introduction

With the increasing population (Mustika, 2011), it will certainly trigger some bad and good impacts on the lives of the community itself. The aspect that is often affected by the increasing population is the use of energy as a support for human life needs. The use of energy itself includes the household industry, transportation and so on. With the increasing population, the energy used also increases. Fuel oil holds a very dominant position in meeting domestic energy needs. (Kholiq, 2015). One of them is the use of fuel oil or BBM which is the energy most needed by the community, because with the existence of fuel oil or BBM, the community can carry out their work, both from transportation facilities and the driving force of a machine. Seeing that BBM is a need that must be met and not all people can afford to buy BBM, the government provides the community with subsidies for the purchase of BBM.

The government provides subsidies for the purchase of fuel oil or BBM, so that people feel helped, but from the policies given by the government there are several weaknesses. Among others, with subsidized prices, the selling price of the product will be cheaper for the community where many people can afford the price and are more economical in economic factors. If a good or service is given a subsidy, then it is not uncommon for the subsidy to be misdirected. Here, the intention is that the provision of subsidies is actually enjoyed by people who are well-off, not people who really need the subsidy. This also makes people start to question whether the subsidies given by the government are evenly distributed or not. In fact, the subsidies given are actually enjoyed by people who can afford to buy fuel at a higher price. If people's income is low but prices ranging from clothing, food, housing, and also energy use are increasingly expensive, this subsidy is used to ease the burden on the community because BBM is one of the basic needs of the community which is managed by the government so that there is no misuse and exploitation by private companies. However, with relatively cheap fuel prices, many people do not use fuel wisely so that consumption increases, which makes fuel oil increasingly depleted. With this, the government inevitably starts importing a lot of oil from abroad, even though Indonesia is one of the countries with the most petroleum (Suryadi, 2019).

With import prices getting more expensive due to inflation around the world, Indonesia is no longer importing as much fuel as before. This has led to a fuel crisis in

Indonesia. Many Indonesian people use fuel for both personal and industrial needs. So that there is a shortage and increasing fuel prices in Indonesia. (Target 4, 2012) This can be seen from the many people who find it difficult to buy fuel because the soaring fuel prices have made the subsidies provided by the government unable to be reached by people in need, because they feel that the current fuel prices are rising rapidly, causing many people to be strangled by their finances. The people are burdened by the fuel crisis, and also the increase in fuel prices, many people have started hoarding fuel to be on the safe side that there will be another increase in fuel prices. With this crisis, the economic conditions in Indonesia have weakened. The impact of this fuel crisis is the increasing number of poor people in Indonesia (Muhardi, 2005).

The rise and fall of fuel prices can affect economic sectors, both household and industrial sectors so that all elements in the country feel the impact of the increase in fuel prices. Indirectly, the increase in fuel prices can affect investment and investment decisions by market players, namely investors and issuers (companies), so that it can affect trading activities in the capital market and trigger market reactions. (liogu & saerang, 2015). With the increase in fuel prices, the purchasing power of the Indonesian people is getting lower. This is felt by people who are indeed

lacking and are classified as poor. Even though they are in urban areas, they also feel the impact of the increase in fuel prices. In this way, the increase in fuel prices will have an impact on the Indonesian economy in the future.

The role of fuel oil (BBM) is very important in people's lives. BBM is a basic need for rural and urban communities both as households and as entrepreneurs, as well as BBM is very important for the industrial and transportation sectors. This condition can be reflected in the role of BBM as an important factor in determining changes in the prices of basic commodities or inflation (ESDM, 2012).

The highest increase in fuel prices occurred in the transportation sector, this is estimated to be due to a fairly high increase in the number of vehicles, increased travel mobility due to the increasing distance of residence from the workplace, increasingly dense traffic jams, plus fuel prices that tend to still be cheap. The increase in fuel use also occurred in the power generation sector because there are still several power plants that should use gas still having difficulty obtaining gas fuel so they are forced to still use fuel (ESDM, 2012).

The most influential factor in increasing state expenditure due to rising oil prices is the price subsidy provided by the government for premium and diesel. The current fuel subsidy should have deviated from the true meaning of the subsidy when it was first launched. Initially, around 1968, fuel subsidies were only given to kerosene, considering that kerosene is a fuel for households, so that subsidies were expected to ease the burden of expenditure for low-income families. Furthermore, subsidies were given to diesel because diesel is a fuel for goods vehicles and public transportation. The subsidy for premium per liter at that time was relatively smaller than the subsidy for kerosene and diesel because premium was used more for private vehicles that had better economic conditions. What is currently happening is that most of those who enjoy fuel subsidies are not the poor but rather the community groups who have private vehicles with better economic conditions (ESDM, 2012)

Library Study / Theory Study

An increase in fuel prices is a significant economic event that affects various aspects of people's lives. This section discusses the theoretical foundation of the impacts of fuel price hikes, drawing insights from relevant studies and academic journals.

Research methods

The research method used in this article is library research with a descriptive approach. In this study, the author attempts to analyze current issues related to sustainability reports published by Islamic financial institutions. Data collected from books, articles, the internet, and the like that can help the author to analyze the topics discussed.

Results and Discussion

Impact of Fuel Price Increase

The increase in fuel prices is unknowingly a new threat felt by the Indonesian people. Because the impact of production costs and operations in many industrial sectors is affected because the industrial sector is a party that cannot be separated from the use of fuel, then with the increase in fuel, production costs will increase, with the increase in production costs, the needs of the community such as clothing, food, feed from the industrial sector will also increase. This is what makes inflation in a country last a long time and continuously. Both premium fuel, kerosene, diesel, and other fuels have all increased. Some people feel that this increase is an event that has caused the economy in Indonesia to decline, because the increasingly expensive prices have made many people reluctant to buy and feel that they are better off making th

Fuel usage
The largest use of fuel is in the transportation sector, where the entire implementation series uses fuel so that a pattern and characteristics of fuel use transportation can be seen. With the increasing use of fuel in the transportation sector, this will be related to the number of transportation facilities provided. The fuels commonly used by the transportation sector are premium fuel, diesel, and also avtur which are used for aircraft fuel. Premium itself is the final energy used as a road vehicle, while diesel is usually used for motor vehicles and also trains or ships. (Zulfikri & Maimunah, 2010)

Understanding BBM

The definition of BBM or fuel oil itself is a fuel that comes from refining crude oil in the bowels of the earth. There is crude oil that will later be processed first, so that it produces an oil product that is included in the category of fuel oil itself. However, crude oil from the bowels of the earth is not only processed into fuel oil, fuel oil is also processed into other products, namely gas, light sulfur wax residue, and asphalt. The use of BBM will continue to run along with the increase in the national economy, but the supply of BBM will also continue to decrease if there are no new sources of petroleum because BBM is a non-renewable energy.

Subsidized Fuel

In order for the common people to be able to afford the relatively expensive fuel prices, the government provides subsidies or aid funds so that the fuel prices themselves become cheaper. This continues to show that the payments made by the Indonesian government to Pertamina are usually quite unequal. This is quite positive because along with what the community has experienced, the government should apply the same price so that the applicable price does not differ throughout Indonesia, because there are oil providers who raise prices when in remote areas on the pretext of transportation costs. In this way, the community is also less able to buy fuel.

Non-subsidized fuel

The definition of BBM or non-subsidized fuel oil itself is fuel whose costs are not given a discount from the state treasury by the government, which means that the price of non-subsidized fuel is a price that is not bound by government regulations. Usually this non-subsidized fuel is regulated by private companies, so that the government gives them the ability to compete healthily and efficiently in the oil sector. There is a law regarding oil and natural gas which states that Pertamina is no longer the only company that controls the oil in Indonesia starting in 2005. With this, the government also allows private companies that of course have obtained permits related to the sale of non-subsidized oil in Indonesia.

Consumption by Sector

The dominant energy in Indonesia is fuel oil or BBM. The use of BBM or fuel oil is quite high in households because of the many needs that require the use of BBM as the main fuel. This includes the use of LPG gas for cooking. In remote areas, the use of BBM is the mainstay of life because there is no access to electricity provided by the government. The reduction in the share of BBM has its own purpose, namely to reduce dependence on the use of BBM because the price is indeed quite expensive. In this way, people will use gas and coal instead. The high share of BBM in the transportation sector has increased demand in this sector, but the penetration of alternative fuels is still low.

It can be said that fuel oil or BBM is a commodity that is indeed needed by most people, regardless of whether the country is a developed country or a developing country, BBM is still needed for the interests and continuation of its people's activities. All activities as previously explained require fuel oil because several sectors such as industry, transportation, and others cannot run without fuel oil. In this way, activities such as transportation and distribution will certainly be affected if there is an increase in fuel prices which has an exponential effect on many industrial sectors and society. In general, it can be understood that with the increase in fuel prices, it can have implications for the macro economy in Indonesia. Although Indonesia is a country that produces abundant petroleum, Indonesia actually imports petroleum from other countries because Indonesia's own human resources are still not qualified to produce its own fuel. In fact, Indonesia is able to become an exporter of petroleum to all countries because of the wealth it has, one of the triggers why Indonesia chooses to import fuel oil. In addition to the lack of qualified human resources, Indonesia is still unable to utilize and manage the petroleum it has optimally, both in terms of technology, management, human resources, and other factors that may indeed influence (Muhardi, 2005).

Currently, Indonesia is experiencing an increase in fuel prices which has caused fuel to become a crisis in the midst of Indonesian society. One of the causes is the increasing demand but the availability of fuel itself is also experiencing a shortage. With the increase in fuel prices, the lives of Indonesian people will be even harder, especially for the lower classes and also small entrepreneurs in Indonesia. The high price of fuel has reduced people's purchasing power so that previously smooth production has been hampered because Indonesia has not been able to provide subsidies to cover the increase in fuel prices. (Suryadi, 2019)

With the mechanism to determine the selling price of fuel oil which is influenced by subsidies provided by the government, the fiscal policy in Indonesia will also be affected because fiscal policy is related to the development budget. Judging from the data presented above, the price of fuel oil has been affected in recent years. Price fluctuations have occurred in premium and diesel, while the price of kerosene has stagnated and has not changed. The increase in fuel prices began with the increase in world oil which forced the government to spend APBN funds for subsidies for increasingly high fuel use.

With fuel subsidies increasing from year to year, state budget expenditures will also be increasingly burdensome. The inaccurate target of fuel subsidies carried out by the government means that people with low purchasing power or the poor have not been able to feel the subsidies provided or compensation funds for some affected communities. This is because the distribution of subsidies is still not evenly distributed to all levels of society, and only a few people in Java, especially in cities, people living on other islands such as Kalimantan, Papua, and Sulawesi have not felt the fuel subsidy in full. They still pay much more expensive fuel prices than the fuel prices on Java (Muhardi, 2005).

their own or buying goods from abroad which are relatively cheap, especially in China. Many platforms provide the necessary needs, because Indonesia sells them at high prices. Another impact felt by the increase in fuel prices is the increase in public transportation rates. People are starting to switch to using public transportation because they feel that public transportation is more efficient than using private vehicles, but with the increase in fuel prices, public transportation prices have also increased. People will also have difficulty in carrying out their mobility, especially people who do not have private vehicles to go to work or educational institutions. Thus, the increase in fuel prices can have an impact on all sectors of community life in Indonesia.

Efforts to Address the Increase in Fuel Prices

Of course, the problem will not end if there is no solution to address the increase in fuel prices, with fuel prices having an impact on inflation in Indonesia, it is necessary to adjust fuel prices. People do not need to panic too much about the increase in fuel prices because there are several efforts that can be done together to save fuel, namely people who do not really prioritize fuel use such as using motorbikes to travel fairly close distances and can be reached by walking, then people should do this by walking so that the fuel used does not run out quickly. In addition, people can also start implementing safe driving techniques to reduce the use of fuel in life. At first, this saving will feel contrasting with the use of fuel consumption in the past, but slowly of course this is a solution that can reduce spending on fuel purchases so that people do not feel too strangled by the inflation that often occurs in the economy in Indonesia.

Conclusions and Suggestions

BBM is a fuel that does have an important role for life in Indonesia, BBM itself is needed in various sectors ranging from industry to transportation. If the continuous increase in BBM is carried out without any preventive efforts, of course the community will have difficulty in meeting their daily needs. They will feel that the provision of government subsidies has not been evenly distributed. In fact, government subsidies are always given but the target of receipt is not in accordance with what is the main goal, namely the equalization of BBM prices. BBM subsidies often experience misappropriation because some parties have not succeeded in providing it to remote communities who live in areas that are difficult to reach by means of transportation. This increase in BBM does have a bad impact, but if efforts from the government and the community both take part in overcoming this problem, of course it is not impossible that this problem can be resolved properly.

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