

# Do International Football Match and Host Country Impact Stock Return in Indonesia?

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**Abstract.** This research is an analysis to find out about effect of football match and Host Country on Stock Return in Indonesia Stock Exchange. This study focuses on the specific football championship including ASIAN Football Cup, ASIAN GAMES, SEA GAMES, and AFF CUP for the period from 1996 until 2019. The tool used in this research is EVIEWS data analytics software and its multiple regression analysis specially. Variable included in the regression model are football match, host country, and stock price. The result of this study showed that stock return in Indonesia does not influenced by football match and host country.

**Keywords:** Football Match, Host Country, Stock Return

## 1 Introduction

The big capacity of football stadium in Indonesia caused the number of football's supporter in Indonesia more than other sport. Based on the result of Indonesia Survey Scale, the football is number one most popular sport in Indonesia after Badminton and Volleyball. The football can attract more people come to the stadium to support their clubs and national team. More people come to football event or other sports will add economic value of the event. The effect of sport including football in increasing economy of the country can be explained by the sport expenditure from government and households. it summarize the amount spent by households in sporting goods and services with state government sport budget, sport expenditure by sport local authorities, sport sponsorship expenses, and TV Broadcasting rights raised by sport event organizers [3].

Considering football has an economic impact on a country, and also stock market is an economic indicator, and in the recent year there is one club of Indonesian Football League is listed in the stock exchange; therefore there is discussion about team's performance impact on stock return. Beside this, according to international football event which take place in Indonesia can attract more people including domestic and international supporters; therefore there is discussion about host country impact on stock return.

Previous studies reported that the results about impact of team's performance on stock return are different. Some studies explained the effect of team's performance was positive. It is refer to [8], there is positive effect of draws on Benfica's and Ajax's stock return. The other empirical evidence presented here suggests that Besiktas's win against foreign rivals in the Winner's Cup increases stock market return [4]. As well as research carried out by [15], the sport sentiment is effective in Turkish Market and sport as determinant variable of individual moods. Additionally, related to the championship of the Portugal League, we found that whenever the team wins the national championship share prices always presented a positive return [6]. Some studies described the effect was negative. It is related to [8] that is negative effect of draws and losses on

Juventus stock return. While in the research of [7], there is significant decline of market after soccer loses. While other studies described there is no significant effect between team's performance and stock return. According to [12] sport result might not affect investors enough to induce higher return than normal. The result of studies from [2], there is not significant effects on the Brazilian stock market following football matches, while the result from [8] no effects reported for Porto Club on stock return. With the same result found in Zagreb Stock Exchange [16], which is no significant effects of winning or losing a football match, even when controlling for game being friendly, competitive tournament or qualification one. And also that no profitable trading strategies could be obtained around the football match day. Indeed, a result from [9] that a most European club's stock return are influenced by the financial context such as profit, but according to [14] that in English Football the financial performance correlated to sporting performance. Even the World Cup's effect on the United States Market is probably unknown at the present time and it is possible that investor will find understanding this phenomenon by exploiting some financial devices [10].

About the correlation between host country and stock return, there some studies explaining the different result. The summer games represent a larger event and then more likely to have a significant impact [5]. The another result showed well performance of stock market for the Greece regarding the Summer Olympic Games, South Korea regarding the 2002 FIFA World Cup, Portugal regarding the 2004 European Football Championships and United States regarding 1996 Summer Olympic Games. On the other hand, in the following countries the stock market performed badly in the year when they hosted the particular event: Japan regarding 1998 Winter Olympic Games and 2002 FIFA world cup, German regarding 1988 European Football Championship, Belgium regarding the 2000 European Football Championship, and United States regarding the 2002 Winter Olympic Games [11]. While the announcement impact of hosting FIFA World Cup on the stock market of the host country is founded that positive trend in stock return for South Africa while Japan showed a decline stock return. It is founded also that most countries show insignificant negative cumulative abnormal stock return. There are however few example where stock markets show positive cumulative abnormal stock return, with significant result [13].

This research is different from other studies where nobody has ever analyzed Indonesia about correlation between sporting performance, host country and stock return. This research focused on international football event where Indonesia joined there such as ASEAN Football Championship, ASIAN GAMES, SEA GAMES, and ASEAN Football Federation (AFF) Championship for the period 1996 to 2019.

## **2 Methodology**

This research is based on secondary data which collected from various sourced such as journals and websites. The discussion in this research indicates that stock return should be influenced by football match and host country. The football match mentioned before means the result of the match including win, lose, and draw. When a team won a match, it will be scored 3 (three) + number goal scored by the team. When a team drew a match, it will be scored 2 (two) + number goal scored by the team. When a team loose a match, it will be scored 1 (one) + number goal scored by the team.

While host country mentioned above means when Indonesia became host of ASIAN Football Championship, ASIAN GAMES, SEA GAMES, and ASEAN Football Federation (AFF)

Championship. When Indonesia became host of international football event, it will be valued at 1(one). When Indonesia did not become host of international football event, it will be valued at 0 (zero). This research is analyzed by multiple regression with stock return as independent variable, team's performance and host country as dependent variable. Then the formulation to be fitted is :

$$R_t = \beta_1 FM + \beta_3 DHC + \varepsilon_t \quad (1)$$

Where R is the stock return, FM is variable for Football Match that takes, and DHC is dummy variable for Host Country that take value 1 when Indonesia was a host country of International Football Event.

### 3 Empirical Research

Dependent Variable: Y1  
 Method: Least Squares  
 Date: 07/12/20 Time: 11:30  
 Sample: 1 82  
 Included observations: 81

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.441895	0.216170	6.670179	0.0000
X1	-0.055698	0.044411	-1.254132	0.2135
X2D	0.132613	0.288278	0.460018	0.6468
R-squared	0.021707	Mean dependent var		1.245988
Adjusted R-squared	-0.003377	S.D. dependent var		1.029918
S.E. of regression	1.031655	Akaike info criterion		2.936540
Sum squared resid	83.01637	Schwarz criterion		3.025223
Log likelihood	-115.9299	Hannan-Quinn criter.		2.972121
F-statistic	0.865371	Durbin-Watson stat		1.646193
Prob(F-statistic)	0.424897			

Based on the result we can conclude that stock return in Indonesia does not influenced by football match and host country. Then there is no effective investment strategy based on sport variable regarding the Indonesian Stock Market.

### 4 Limitation

This study needs to be further explored and investigated because this study still has no relationship between stock return, football match and host country. In addition, the financial performance of Indonesia Football Federation can also be a mediator variable between host country variable and stock return. On the other hand, the financial performance can be added as an independent variable in this research.

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