

CHAPTER V

CONCLUSION

The reduction and removal of fuel oil subsidies has been done by government because it has been a financial burden and potentially continues to give heavier burden to country's finance in the future. Moreover, subsidies on fuel oil right now are not effective and tend to be obtained by society which are not targeted (the poor). Reduction and subsidy elimination on fuel oil is needed, considering that the condition of petroleum in Indonesia and the world today which tends to rise.⁷⁵ And the intervening of OPEC in the price of crude oil and Rupiah exchange rate to stabilize the economic growth and control the deficit budget. The decision taken by Mr. Joko Widodo as the president of Republic of Indonesia has been correct.

A. The effect of the subsidy

In the decision making process reduction and removal of fuel oil subsidies and follow the fluctuation of world oil price policy there is will be a positive and negative impact.

⁷⁵Kusuma, H. (2015, Agustus 14). Kurangi Subsidi BBM, Jokowi: Saya Harus Hentikan Praktik yang Tidak Benar. Retrieved from BisnisOkezone: <http://economy.okezone.com/read/2015/08/14/19/1196259/kurangi-subsidi-bbm-jokowi-saya-harus-hentikan-praktik-yang-tidak-benar>

1. Positive effect:

The government had more budget from the removal of the fuel, and maybe transferred to another country shopping budget which is more productive and help Indonesia's economical growth.

By decreasing and removing the fuel oil subsidies, inflation will be under control. This policy also can press the deficit budget by decreasing the subsidies of fuel oil, the deficit budget will decrease for around 109,8 billion or 2.23% from gross domestic product. High deficit budget is not good for the health of finance. Example the crisis in Europe as one of the main reason is the high deficit state budget.

Reduction in the use of private vehicles, with the decreasing of fuel oil subsidies will affect the driver of the private vehicles because of the expensive price of fuel oil. In this case, the consumption of fuel oil shall be controlled.⁷⁶

2. Negative effect:

Increasing price of fuel oil not will only affect in the drivers of private vehicles but also affect in another commodity as we know fuel oil has an important role in economy sector such as production and distribution that need much fuel oil. In that

⁷⁶Pangarso, N. (2015). Dampak pengurangan subsidi BBM bagi perekonomian Indonesia. Retrieved from Academia.edu Web site: https://www.academia.edu/4814943/Dampak_pengurangan_subsidii_BBM_bagi_perekonomian_Indonesia

case the high price of fuel oil it will affect the price of the goods that are selling in the market.

The rise of the commodity and goods make society spending also rise, if the income of the society is big it would be no problem. However, to achieving a big income is not an instant matter. Meanwhile, the needs of the basic needs cannot be suspended.

In that case, people want an increase the wage (if they work in the corporation or in the agency) which will be affecting for the corporation, the most vulnerable is small and medium business which has low capital and has limited financial that eventually make the small and medium business have financial trouble that is could make the business bankrupt. Ironically, around 90% industry businessman in Indonesia are from small and medium business.⁷⁷

⁷⁷Agustian, W. (2015, January 9). DampakNegatifPenguranganSubsidi BBM oleh Jokowi. Retrieved from BisnisOkezone:
<http://economy.okezone.com/read/2015/01/08/19/1089774/dampak-negatif-pengurangan-subsidi-bbm-oleh-jokowi>