

Dynamic Fuel Pricing in India: An Event Study Methodology

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ABSTRACT

The decision of daily changes in prices of petroleum products by the Government of India was implemented from June 16, 2017. The public-sector oil marketing companies started the system of daily price revision as against the previous system for auto fuel, where any revision was taken fortnightly. The central argument of this paper is to know the pre and post effect of petrol price changes in India. The study is done by taking the petrol prices of five major cities of India viz. Delhi, Mumbai, Chennai, Kolkata and Bangalore. The petrol prices are analyzed for the year 2017. The prices were changed in 122 days out of 365 days. The event study methodology is used to find out the Average Abnormal Price (AAP) by Mean Adjusted Method in petrol prices in five cities. The results as per the mean adjusted revealed that there was a significant impact of the dynamic fuel pricing from August 22, 2017 to October 3, 2017. The other days did not show any significant impact of the decision.

Keywords: Oil Marketing Companies, Dynamic fuel pricing, Administered Price Mechanism, Event study methodology, Average Abnormal Pricing, Return Generating Model.