

The Determinants Indonesia Composite Index on the Indonesia Stock Exchange

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Article Information:

Received: December 13, 2023, Accepted: December 29, 2023, Published: February 03, 2023

Abstract

This study aimed to determine and analyze the movement of the composite stock price index by observing the variables of inflation, exchange rates, interest rates, and the amount of money circulating in companies listed on the Indonesia Stock Exchange. The population in this study is all monthly time series data, including the Composite Stock Price Index (CSPI) for the period January 2019 to December 2020, with as many as 24 months of observation for each variable. The sample selection method uses a saturated sample because the Composite Stock Price Index includes the average stock price of all companies listed on the Indonesia Stock Exchange. The data were processed by quantitative descriptive techniques using multiple linear regression statistical tests. The results of this study indicate that inflation and interest rates positively affect the Composite Stock Price Index. Meanwhile, the Exchange Rate and the Money Supply have no effect on the Composite Stock Price Index on the Indonesia Stock Exchange. In the Covid-19 pandemic, economic growth slowed, causing the Indonesian economy to decline.

Keywords: Indonesia Composite Index, Inflation, Exchange Rates, Interest Rates and Money Supply.

How to Cite:

Wahasusmiah, R. (2024). The Determinants Indonesia Composite Index on the Indonesia Stock Exchange. *International Journal of Business, Management, and Economics*, 5(1). pp. 1 – 14. DOI:<https://doi.org/10.47747/ijbme.v5i1.1585>

JEL classification: M1, M3, M5

1. Introduction

The local financial sector performed well at the end of 2018, but 2019 will be a difficult year for the stock market due to high global issues. Throughout the year, the JCI has demonstrated dynamic movement. The JCI reached its peak of 6,500 in February 2019 and fell to its lowest point of 5,826 in mid-May. The stock market experienced a fairly good rally in December, as

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evidenced by an increase in transaction activity in terms of miles, volume, and frequency, which was also accompanied by a very good increase in the JCI, so that the JCI closing has entered the positive zone again, approaching 3 percent growth in 2019.

The global financial market experienced a sharp decline or correction in 2020, caused by the COVID-19 pandemic in all parts of the world and exacerbated by the world oil price dropping sharply to US \$30/barrel in the market, among others, domestic and foreign investors stayed away from risky assets and moved funds into cash or a safe haven in the form of dollars or US Treasury. Foreign investors withdrew their funds, putting pressure on the stock market, which has dropped 26 percent since the start of the year. The JCI sank 37% to its lowest level at the end of March before rebounding 17% to its current level of 4600. Furthermore, foreign investors withdrew significant amounts of money from the bond market, causing bond values to collapse. The total withdrawn foreign portfolio exceeded Rp130 trillion, causing the rupiah exchange rate (exchange rate) to fall 15% to Rp16,300/dollar.

An infectious disease produced by a type of coronavirus is caused by a type of coronavirus. A coronavirus is a type of virus that can infect both animals and humans. The outbreak of the coronavirus, or COVID-19, has shook the country's stock market and financial markets, breaking new records. As a result, the Composite Stock Price Index (JCI) plummeted and reached a rather low level (Nastiti, 2020).

Every day, whether in electronic or print media, they report on the most recent Composite Stock Price Index (JCI) number. JCI is an abbreviation for the Composite Stock Price Index. The Composite Stock Price Index (JCI) is the figure used to calculate the overall performance of all stocks traded on the Indonesia Stock Exchange. The JCI, on the other hand, reflects overall capital market activity. A rise in the JCI suggests that the stock market is on the upswing. If, on the other hand, it falls, it implies a bearish capital market (Manurung, 2016). JCI fluctuations in the stock market offer investors with useful information. Changes in numerous macroeconomic variables will cause capital market swings. Changes in macroeconomic variables are a type of risk in investment.

The Composite Stock Price Index reached a final value of 6,468,755 in March 2019, representing a percentage of 0.39 percent, then fell by -0.21 percent in April 2019 to 6,455,352. Until the end of December 2019, the development of the Composite Stock Price Index (JCI) was quite constant. The JCI then fell significantly again at the end of January 2020, with a final result of 5,940,048 or a -5.71 percent drop. The Composite Stock Price Index (JCI) then fell precipitously again at the end of February 2020, this time by -13.44 percent to a final result of 5,452,704. The fall continued in March 2020, with a final result of 4,538,930, or -22.10 percent.

The capital market's stock price index is extremely subject to changes in macroeconomic conditions both inside and outside the country. Changes in macroeconomic factors such as inflation, interest rates, currency exchange rates, and the money supply will be reacted to by the capital market, potentially influencing the creation of stock values.

2. Literatur Review

2.1. Portfolio Theory

The definition of portfolio according to Hadi (2013: 207) is a collection of investment instruments formed to fulfill a general investment target. According to Sunariyah (2011), a

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portfolio is a series of combinations of several assets invested and held by investors, both individuals and institutions. "Realized returns and expected returns from a portfolio are the weighted average of the returns of all single securities (Jogiyanto, 2014)." The optimal portfolio formed based on a single index model has several inputs. The analysis input includes the following Excess Return to Beta (ERB), Cut Off Point, Proportion of Funds for Each Security.

2.2. Capital market

The capital market is a meeting place between buyers and sellers with the risk of profit and loss, a means for companies to increase long-term funding needs by selling shares or issuing bonds" (Jogiyanto, 2014: 29). Funds obtained from the capital market can be used for business development, expansion, additional working capital and so on. Second, the capital market is a means for people to invest in financial instruments such as shares, bonds, mutual funds, etc. In this way, people can place their funds according to the profit and risk characteristics of each financial instrument (Amin, 2012).

According to Tandelilin (2010) capital market instruments are all securities traded on the stock exchange. These instruments are generally long-term, and consist of various types, including shares, bonds, derivatives and mutual funds.

2.3. Composite Stock Price Index (IHSG)

According to Martalena and Malinda (2011) the stock price index is an indicator that shows stock price movements. The stock price index is an indicator or measure that measures price changes in a stock market or part of the market. When the index moves up, the stocks included in the index move up. According to the IDX, a stock index is a statistical measure that can describe the overall movement of a group of shares that have been selected based on certain criteria and methodology. This stock index continues to be evaluated periodically and the formation of this set of shares can be changed based on the evaluation results. For example, last year XXXX shares were included in the LQ45 index, but this year the shares may no longer be included in the index. On the other hand, stock YYYY, which was not included in the index last year, could be included in one of the stock indexes this year.

Currently, the Indonesian Stock Exchange (BEI) has 37 stock indexes. Each stock index measures the performance of selected stocks on certain criteria. For example, shares with the highest liquidity, highest dividends, most liquid sharia shares, and other criteria. The most famous stock price index is of course the IHSG, namely the Composite Stock Price Index or in English called the Indonesia Composite Index (ICI). This index is a reflection of measuring the performance of all shares listed on the Indonesian Stock Exchange.

According to Sunariyah (2011:140) the Composite Stock Price Index is a value used to measure the combined performance of all shares listed on a stock exchange. This share price index is issued on the relevant stock exchange officially and is also issued by certain institutions such as financial mass media, electronic media and other financial institutions, so the combination of the IHSG depicts the stock performance of all listed companies. The Composite Stock Price Index (IHSG) is divided into two, namely all shares and group share price indexes. The composite stock price index for all shares depicts a series of historical information up to a certain date regarding price movements of all shares. Meanwhile, the group share price index depicts a series of historical information up to a certain date regarding group share price

movements. The composite stock price index for all shares and the composite stock price index are presented every day based on the closing price on that day (Sunariyah, 2011).

The Composite Stock Price Index is a stock price index number that has been compiled and calculated by producing a trend, where the index number is a number that is processed in such a way that it can be used to compare events which can be changes in stock prices from time to time (Jogiyanto, 2014).

2.4. Inflation

According to Bodie Kane Marcus, inflation is the general rate of increase in prices.. An increase in production costs that is greater than an increase in prices will result in investor profits and investment returns decreasing so that investment is less attractive as a result of which share prices will decrease. High inflation is usually associated with overheated economic conditions. This means that economic conditions experience demand for products that exceeds the capacity of product supply, so prices tend to increase. Inflation that is too high will also cause a decrease in the purchasing power of money.

Inflation is the main factor that influences the stock market (Patel, 2012). Inflation will tend to increase the company's production costs, so that the company's profit margin becomes lower. The further impact of this is to cause share prices on the stock exchange to fall. If this is experienced by many companies in the capital market, the JCI performance will also decline. Determining the inflation rate can be seen from the Central Statistics Agency (BPS) which conducts the Cost of Living Survey (SBH) and produces the Consumer Price Index (CPI). The CPI measurement includes general expenditures made by society such as clothing, food, shelter, health, education and transportation.

$$\text{Inflation rate} = (\text{CPI} - \text{CPI}_{-1}) / (\text{CPI}_{-1}) \times 100\%$$

The results of research conducted by Setiawan (2012) and Sangmi (2013) in their research show that inflation has a positive and significant effect on the IHSG, however Appa (2014) in his research shows that inflation does not have a significant effect on the IHSG. The research results of Ria Astuti, Apriatni E.P and Hari Susanta (2013) reveal that inflation has a negative and insignificant effect on the Composite Stock Price Index (IHSG). In contrast to research conducted by Agus Jumadil Akbar, Saadah Yuliana and Taufiq Marwa (2016), inflation does not have a significant influence on the composite stock price index.

2.5. Exchange Rate (Rupiah Exchange Rate)

According to Ilmi (2017) the exchange rate or exchange rate is the price of one currency against another currency or the value of one currency against the value of another currency. The exchange rate (exchange rate) is a macroeconomic factor which has been empirically proven to have an influence on economic development in various countries. The strengthening of the US dollar exchange rate against the rupiah will have a negative impact on issuers who have debt in dollars while the 4 issuers' products are sold locally. This means that the share prices of issuers that are negatively impacted will experience a decline on the Stock Exchange (Apriansyah: 2014).

The exchange rate (exchange rate) can be a picture of economic stability a country. A country that has good economic stability can be expressed by a currency that has stable movements.

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Country with poor economic stability, the currency tends to move erratically and tends to weaken.

The results of research conducted by Ria Astuti, Apriatni E.P and Hari Susanta (2013) revealed that the Rupiah Exchange Rate had a negative and significant effect on the Composite Stock Price Index (IHSG). And research conducted by Suramaya Suci Kewal (2012) revealed that the exchange rate had a significant influence on the IHSG.

2.6. Interest Rate

According to Tendelilil (2010:343), "an interest rate that is too high is a negative signal for shares. Interest rate is the ratio of returns on a number of investments as a form of reward given to investors. The interest rate varies according to the debtor's ability to provide a rate of return to the creditor. This interest rate can be a guide for investors in making investment decisions in the capital market. As an alternative investment vehicle, the capital market offers a rate of return at a certain level of risk.

In Indonesia, the central bank interest rate is proxied by the interest rate on Bank Indonesia Certificates or SBI. Bank Indonesia Certificates (SBI) based on Bank Indonesia Circular Letter No.8/13/DPM concerning the Issuance of Bank Indonesia Certificates through Auction are securities in Rupiah currency issued by Bank Indonesia (BI) as recognition of short-term debt. The purpose of issuing SBI is to maintain monetary stability, namely BI is obliged to maintain the stability of the value of the rupiah.

Interest rates are also a variable that can influence stock prices. An aggressive increase in interest rates could strengthen the rupiah, but the Composite Stock Price Index (IHSG) will fall because investors will choose to save in banks. If interest rates increase, share prices will decrease.

The results of research conducted by Ria Astuti, Apriatni E.P and Hari Susanta (2013) revealed that interest rates have a negative and significant effect on the Composite Stock Price Index (IHSG). This is in line with research conducted by Ahmad Zulfa and Juhono Tan (2009) which states that interest rates have a negative and significant effect.

2.7. Money Supply

The money supply (JUB) is M1 (money in the narrow sense), consisting of currency and demand deposits, and (money in the broad sense) which consisting of plus power of attorney money. According to Prasetyo (2009), size the most commonly used in studying the types of money circulating in almost all countries in the world, including Indonesia, are the M1 and M2 types. The money supply is the entire supply of money in an economy. The development of the money supply reflects or is in line with economic development. Usually when the economy grows and develops, the money supply also increases, while its composition changes. As the economy becomes more advanced, the portion of currency used becomes smaller, replaced by demand deposits. Usually, if the economy improves, the composition of M₁ in money circulation becomes smaller, because the portion of quasi money becomes larger (Rahardja, 2012).

The results of research conducted by Mone Otorima and Ali Kesuma (2016) revealed that the decline in money supply and The global crisis has a negative effect on the IHSG. And research

conducted by Diah Anggadewi Kusharfitri (2016) revealed that the amount of money circulating in the long term and short term it shows positive and significant.

3. Research Methods

This is a quantitative descriptive study using a hypothetical deductive procedure. This study's population consists of all monthly time series data, including the Composite Stock Price Index, over the period January 2019 to December 2020, with a 24-month observation period. In this study, a saturated sample technique was used, which means that all individuals of the population were sampled. As a result, the sample in this study is the Jakarta Composite Index's financial statements for the 2019 to 2020 fiscal year, which spans 24 months.

This quantitative research study is utilized to assess the strength of the link between the dependent variable and the independent variable in a population. Multiple regression analysis with panel data was employed as the data analysis technique in this investigation. Before performing multiple linear analysis, the collected data must be checked for the presence of the required classical assumptions. Following the examination of the classical assumptions, testing is carried out to assess the effect of variables on each other simultaneously and partially. Multiple linear equations used are as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots\dots\dots (1)$$

Notes :

- Y = Composite Stock Price Index
- X1 = Inflation
- X2 = Exchange Rate
- X3 = Interest Rate
- X4 = Amount of Money Supply
- α = Constant
- ε = Confounding variable
- $\beta_1 \beta_2 \beta_3 \beta_4$ = Regression coefficient

4. Results And Discussion

4.1. Results

4.1.1. Classic Assumption Test.

The classical assumption test is performed first before starting multiple regression analysis. Normality, multicollinearity, and heteroscedasticity tests are all part of the classical assumption test. The Kolmogorov-Smirnov test was used to determine the normality of the data in this study by examining the significance of the residuals generated.

Table 2. Normality Test Results.

		Inflation	Exchange Rate	Interest Rate	Money Supply	Composite Stock Price Index
N		24	24	24	24	24
Normal Parameters ^{a,b}	Mean	.0253	9988.966	.1125625	6183686.76093	8690
	Std.	.00710	435.8568	.0654141	392204.8935	12.42273
	Deviation					

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Most Extreme Absolute	.160	.110	.191	.157	.169
Differences Positive	.135	.110	.191	.157	.122
Negative	-.160	-.104	-.109	-.119	-.169
Test Statistic	.160	.110	.191	.157	.169
Asymp. Sig. (2-tailed)	.114 ^c	.200 ^{c,d}	.023 ^c	.129 ^c	.074 ^c

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Source: Data processed by SPSS (2021)

According to the table above, a significance value of 0.074 is obtained, which is greater than 0.05. It denotes that the residual data is regularly distributed. The multicollinearity test determines whether the model is Regression discovered a correlation between the independent variables. The Variance Inflation Factor (VIF) and the tolerance (T) value represent the regression model. There is no multicollinearity if VIF is 10 and T is 0.10.

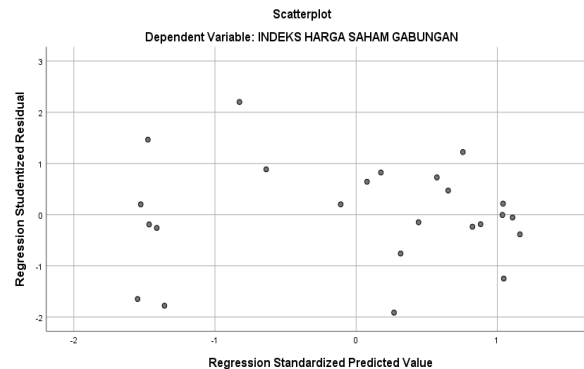
Table 3. Multicollinearity Test Result

Model (Constant)	Collinearity Statistics	
	Tolerance	VIF
Inflation	.214	4.675
Exchange Rate	.322	3.102
Interest Rate	.542	1.844
Money Supply	.680	1.471

Source: Data processed

Based on the tolerance value calculation results, it can be determined that there is no independent variable with a tolerance value of 0.10 and no VIF value of 10. It may be inferred that the regression model in this study does not display multicollinearity and that the regression model is usable.

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another observation. Heteroscedasticity test using graphic analysis, specifically a scatterplot graph, in which the points formed must be randomly distributed, spread both above and below the number 0 on the Y axis. If this condition is met, the regression model can be used. There is no heteroscedasticity, and the model is safe to use.



Source: Data processed

Figure 1. Heteroscedasticity Test Results

The image's heteroscedasticity test results demonstrate that the scatterplot image exhibits a distribution pattern where the points are scattered above and below 0 on the Y axis without clumping or forming a pattern, implying that the data in this study does not have a heteroscedasticity problem.

The test method uses the Durbin-Watson test (DW-Test) (Priyatno, 2018:144). Decision making on the Durbin Watson test is as follows: a) $DU < DW < 4-DU$ Then H_0 is accepted, meaning that there is no autocorrelation. b) $DW < DL$ or $DW > 4-DL$ then H_0 is rejected, meaning an autocorrelation. c) $DL < DW < DU$ or $4-DU < DW < 4-DL$, meaning that there is no certainty or definite conclusion. The autocorrelation test can be seen in Table 8 below:

Table 4. Autocorrelation Test Results.

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate	Durbin-Watson
1	.835 ^a	.697	.633	7.52694	1.983

a. Predictors: (Constant), Amount of Money Supply, Exchange Rate, Interest Rate, Inflation.

b. Dependent Variable: Composite Stock Price Index

Source: Data processed by SPSS, 2021.

The Durbin-Watson (DW) column, it can be seen that the DW value is 1.983. Decision making does not occur autocorrelation can be seen if $du < d < 4-du$. The value of du can be seen in the DW table according to the number of samples and the number of variables. Based on the DW table with a significance value of 5%, the number of samples (n) 24, and the number of independent variables (k) 4, the du value for this study is 1.7753. Thus, the DW value of 1.983 is greater than the upper limit (du) 1.7753 and less than $4 - 1.7753$ ($4-du$) so it can be concluded that there is no autocorrelation.

Coefficient of Determination Test (R^2)

The coefficient of determination (R^2) essentially measures how far the model's ability to explain the dependent variable is. The value of the coefficient of determination is between zero and

one. A smaller (R^2) value means the ability of the independent variables to explain the variance of the dependent variable is very high limited (Ghozali, 2018).

Table 5. Coefficient of Determination Test Results.

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.835 ^a	.697	.633	7.52694

a. Predictors: (Constant), Amount of Money Supply, Exchange Rate, Interest Rate, Inflation.

b. Dependent Variable: Composite Stock Price Index

Source: Data processed.

The known coefficient of determination (R^2) is 0.633 or in percentage it is 63.3%. This shows that the influence of the variable Amount of Money Supply, Exchange Rate, Interest Rate, Inflation on composite stock price index is 63.3% while other variables or other factors influence the remaining 36.7%.

Multiple linear regression analysis was employed in this investigation. The following table shows the results of multiple linear analysis:

Table 6. Multiple Linear Regression Analysis.

Model	Unstandardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	t
1 (Constant)	1.906	9.776		.195
Inflation	16.479	7.860	.583	2.097
Exchange Rate	.006	.069	.021	.094
Interest Rate	2.351	1.104	.372	2.129
Money Supply	.002	.001	.179	1.147

a. Dependent Variable: Composite Stock Price Index

Source: Data processed

After doing multiple regression analysis using the table above, the regression coefficient values can be entered into the regression equation, which is set up in the multiple linear regression equation as follows:

$$Y = 1.906 + 16.479(X_1) + 0.006(X_2) + 2.351(X_3) + 0.002(X_4) + e$$

4.2. Discussion

The Impact of Inflation on the Composite Stock Price Index

The findings of the first hypothesis testing demonstrate that the first hypothesis is accepted. The test findings reveal that inflation has a positive effect on the composite stock price index with a significance of 0.050, where 0.05 (= 5%) is the value and the regression coefficient value is 0. It came to 16,479. As a result of the hypothesis's findings, it is stated that inflation has a positive effect on the composite stock price index.

The findings of this study support the hypothesis proposed by Ahmad Zulfa and Juhono Tan (2009), which claims that inflation has a positive and significant effect on the Composite Stock

Price Index. While Agus Jumadil Akbar, Saadah Yuliana, and Taufiq Marwa (2016) found that inflation had no significant effect on the composite stock price index,

This is conceivable because, theoretically, the findings of this study show that the inflation variable has a considerable positive effect on the Indonesia Stock Exchange's Composite Stock Price Index (IHSG). This can demonstrate that with a high inflation rate, the rate of return on investment is likewise predicted to be high. This could be because of the positive association between inflation and real economic activity in many developing nations, as well as the prospect of a close relationship between monetary and real sector policies in these countries. This occurred because inflation had no negative influence on the company, therefore the stock price did not fall, and hence the stock price index did not fall. Based on the existing concept and the results of the testing, inflation appears to have a beneficial effect on the composite stock price index.

The Effect of Exchange Rate on the Composite Stock Price Index

The findings of testing the second hypothesis indicate that it was rejected. The results of the test demonstrate that the exchange rate has no effect on the composite stock price index, with a significance of 0.926, which is greater than 0.05 (= 5%), and the regression coefficient value is 0.006. According to the hypothesis, the exchange rate has no effect on the composite stock price index.

The findings of this study support Srycahyani Subekty's (2019) theory, which argues that the exchange rate has no substantial effect on the Composite Stock Price Index. Mone Otorima and Ali Kesuma's (2016) research had a negative impact on the composite stock price index.

This is feasible because, according to the idea, the exchange rate has no effect on the composite stock price index. The hypothesis that the exchange rate has no effect on the composite stock price index is rejected as a result of these findings. People's purchasing power is still maintained because the Indonesian economy is dependent on international trade and Indonesia's annual economic growth. In addition to people's purchasing power, which is still high, it is caused by the middle and upper classes' rising standard of living. As a result, people's purchasing power and steady economic growth can compensate for exchange rate volatility. It makes no difference what the exchange rate or exchange rate is since there are other factors that influence the Composite Stock Price Index.

The Impact of Interest Rates on the Composite Stock Price Index

The findings of testing the third hypothesis reveal that it is accepted. The test results reveal that interest rates have a positive effect on the composite stock price index, with a significance of 0.047, defined as a value less than 0.05 (= 5%) and a regression coefficient of 2,351. According to the results of the experiment, the composite stock price index performs better when interest rates are higher, which is correct.

The findings of this study support Nina Purnasari (2020) theory that interest rates have a positive and significant effect on the Composite Stock Price Index. Because interest rates have a positive association with the Composite Stock Price Index, changes in interest rates will cause the JCI to move. According to Suramaya Suci Kewal (2012)'s research, interest rates have no effect on the Composite Stock Price Index.

This is feasible because, in theory, an increase in interest rates increases the burden on the company (issuer), which can cause stock values to fall even further. An increase in interest rates will cause a person or investor to move funds to the money market, savings, and time deposits, causing investing on the stock exchange floor to decrease stock prices even lower. In contrast, if the interest rate is low, someone or an investor will withdraw their funds from the bank and divert the cash to invest in the stock market (Mankiw, 2007). Based on the existing concept and the results of the testing, interest rates appear to have a beneficial effect on the composite stock price index.

The Money Supply's Influence on the Composite Stock Price Index

The fourth hypothesis was rejected, according to the results of the tests. The results of the test reveal that the money supply has no effect on the composite stock price index, with a significance of 0.266, where the value is greater than 0.05 (= 5%) and the regression coefficient value is 0.002. According to the hypothesis, when there is a lot of money in the globe, there is no effect on a composite stock price index.

The findings of this study support the idea proposed by Iputu Martaz Edi Kusuma (2016), who found that the money supply has no effect on the Composite Stock Price Index. It is recommended that investors who want to invest in the Indonesian stock exchange do not speculate and instead wait for the community's money supply to stabilize so that losses are not severe. Mone Otorima and Ali Kesuma (2016) conducted research that has a negative impact on the the composite stock price index.

This is feasible because, in theory, the greater the amount of money in circulation, the higher the stock price. This increase indicates that the demand for cash for speculative purposes reflects the quantity of cash demanded for the purpose of financing speculative transactions or expenditures. Purchasing securities (bonds) or stock, for example. Interest rates have a detrimental effect on the amount of cash sought for speculative reasons. This suggests that the higher the interest rate, the less cash is demanded for speculative purposes, and vice versa. Based on the current theory and the results of the experiments, it appears that the money supply has no effect on the composite stock price index.

5. Conclusions

From the results of the analysis and discussion, the following conclusions are drawn Composite Stock Price Index. Influenced by Inflation and interest rates have an effect The Composite Stock Price is not influenced by the exchange rate and the Money Supply. Investors on the Indonesia Stock Exchange (IDX) need to pay attention to the factors that affect the Composite Stock Price Index in investing in the capital market, namely inflation rates and interest rates. Inflation that is too high will cause a decrease in the purchasing power of money. Inflation will tend to increase the company's production costs, so that the company's profit margin will be lower. The further impact of this is that the stock price in the stock exchange will decrease. If this is experienced by many companies in the capital market, the JCI's performance will also decline and vice versa. The Interest Rate has a positive correlation with the Composite Stock Price Index, which means that when interest rates change, the JCI will move. An increase in interest rates will increase the burden on the company (issuer) which can further reduce stock prices. if the interest rate is low it will make a person or investor withdraw their funds in the bank and will be diverted to invest in the stock market. interest rates affect stock prices in reverse (cateris

paribus). From the results of this study, inflation, exchange rates, interest rates and the money supply have a positive direction on the JCI.

Companies listed on the Indonesia Stock Exchange (IDX) that wish to invest should consider fundamental factors, especially Inflation and Interest Rates because these factors are proven to have an influence on the Composite Stock Price Index on the Indonesia Stock Exchange. For further researchers, it is hoped that they can increase the research period and add other independent variables, such as gross domestic product, unemployment rate, foreign exchange reserves, as well as external factors originating from abroad such as world economic growth and world oil prices so that they will find new research results. which is suspected to affect the movement of the composite stock price index.

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