

THE IMPACT OF MACROECONOMIC FUNDAMENTAL POLICIES ON THE COMPOSITE STOCK PRICE INDEX

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Abstract: The purpose of this research is to investigate whether or not the Composite Stock Price Index is influenced by the Gross Domestic Product, Inflation, Interest Rates, or Rupiah Exchange Rate. The data that were utilized in this investigation were time series of Gross Domestic Product, Inflation, Interest Rates, and the Rupiah Exchange Rate from 2011-2020. Additionally, the JCI was taken into consideration. For the purpose of this study's sampling, the saturated sample approach was used to the monthly data collected for each variable throughout the course of ten years; as a result, a total of 120 samples were collected. The study makes use of several linear analytic methodologies, and evIEWS 9 is used throughout the process. According to the findings of this research, the variable known as Gross Domestic Product has a positive and significant influence on the JCI, the variable known as Inflation also has a positive and significant influence on the JCI, the variable known as Interest Rate does not have a significant influence on the JCI, and the variable known as Rupiah Exchange Rate has a negative and significant influence on the JCI.

Keywords: Composite Stock Price Index, Gross Domestic Product, Inflation, Interest Rates and Rupiah Exchange Rate

Abstrak: Tujuan penelitian ini adalah untuk mengetahui apakah Indeks Harga Saham Gabungan dipengaruhi oleh Produk Domestik Bruto, Inflasi, Suku Bunga, atau Nilai Tukar Rupiah. Data yang digunakan dalam penelitian ini adalah data time series Produk Domestik Bruto, Inflasi, Suku Bunga, dan Nilai Tukar Rupiah tahun 2011-2020. Selain itu, IHSG juga turut menjadi pertimbangan. Untuk tujuan pengambilan sampel penelitian ini, pendekatan sampel jenuh digunakan pada data bulanan yang dikumpulkan untuk setiap variabel selama sepuluh tahun; Hasilnya, total 120 sampel dikumpulkan. Studi ini menggunakan beberapa metodologi analitik linier, dan evIEWS 9 digunakan sepanjang proses. Berdasarkan hasil penelitian ini, variabel Produk Domestik Bruto mempunyai pengaruh positif dan signifikan terhadap IHSG, variabel Inflasi juga mempunyai pengaruh positif dan signifikan terhadap IHSG, variabel Suku Bunga tidak mempunyai pengaruh positif dan signifikan terhadap IHSG. berpengaruh signifikan terhadap IHSG, dan variabel yang dikenal dengan Nilai Tukar Rupiah mempunyai pengaruh negatif dan signifikan terhadap IHSG.

Kata Kunci: Indeks Harga Saham Gabungan, Produk Domestik Bruto, Inflasi, Suku Bunga dan Nilai Tukar Rupiah

INTRODUCTION

The Jakarta Composite Index (JCI) is often used as a metric to assess the progress of the capital market. The JCI movement assumes significance for investors in making decisions on the sale, retention, or acquisition of individual or multiple equities (Seimas, 2017). The share price in the capital market shown through the JCI chart covers all the prices of international or industrial stocks listed on the IDX can be used as a source of data by investors to see market growth while being able to make decisions investment (Wenno, 2018).

This index figure is a number that is processed in such a manner that it can be used to compare an event termed a change in stock price over time. The Composite Stock Price Index (JCI) is included in the computed and assembled stock price index figures that can generate trends. These stock price index figures can produce trends because this index figure is a number. The information that is shown by the Composite Stock Price Index (JCI) at any given moment is an indication of the current market scenario as a cause to demonstrate whether or not the price of the stock has climbed or reduced between the years 2011 and 2020. Because investors would rather put the money they have in deposits than in the capital market, the movement of the stock price index will ultimately have a negative influence on the value of a company's shares if its profitability continues to fall.

The fluctuations in the Composite Stock Price Index (JCI) are contingent upon a multitude of variables, including the performance of individual companies and the macroeconomic policies implemented by a given nation. These policies include elements such as economic growth, inflation rate, interest rate, and other relevant macro indicators. The oscillations seen in the capital market are closely linked to the changes observed in a range of macroeconomic indicators. there is a strong relationship between stock prices and macroeconomic performance and find that changes in stock prices always occur before the occurrence of economic changes. There are two underlying reasons. First, the stock price formed is a reflection of investor expectations of earnings, dividends, and interest rates that will occur. Second, capital market performance will react to changes in macroeconomic changes (Iman, 2018). One of the factors of the Composite Stock Price Index (JCI) is influenced is gross domestic product. According to (Prasetyanto, 2017) (Aggarwal, 2018)

Gross Domestic Product (GDP) is a prominent economic indicator that has a paramount place among a range of macroeconomic indicators used for assessing the economic performance of a nation. The observed rise in GDP growth serves as an indicator of favorable corporate performance, which in turn is anticipated to have a positive impact on the stock price. So with the increase in stock prices, it can affect the increase in JCI on the IDX (Prasetyanto, 2017) (Mulder et al., 2021). Gross domestic product is the value of goods and services produced by production factors belonging to foreign citizens and countries in a given year. So the amount of goods and services consumed causes the economy to grow and increases the scale of income or turnover of the company. The increasing value of gross domestic product in a country will attract investors to invest. More and more investors who invest will increase the price of shares in the capital market. The results of the study (Suhadak & Dwi Suciany, 2020) showed that the growth of gross domestic product had a positive but not significant influence on the JCI. In contrast to research (Handayani & Oktavia, 2018) (Ishise, 2022) proves that gross domestic product has no significant effect on JCI.

Inflation is identified as the second influential element that impacts the Composite Stock Price Index. Inflation refers to the phenomenon of a widespread rise in the prices of goods and services, particularly those that pertain to the fundamental necessities of individuals, or alternatively, a decline in the buying power of a nation's currency. The presence of relative inflation has implications for both the revenue and production costs of a business entity. In the event when the expenses associated with manufacturing surpass the revenue generated by a firm, it will result in a decrease in the company's earnings. In the event of a decrease in the company's profitability, investors may exhibit hesitancy in allocating their cash. High levels of inflation are often linked to economic situations characterized by overheating, when there is an excessive demand for things that surpasses the capacity of their supply. Consequently, prices tend to rise. As a consequence, there was a decrease in the value of stocks and a corresponding reduction in the Composite Stock Price Index (JCI) (Zarbidi & Haryono, 2018) (Dunn et al., 2011). In the results of the study (Del Negro et al., 2019) The assertion was made that inflation has a significant and constructive impact on the Composite Stock Price Index. This phenomenon occurs due to the adverse effects of excessive inflation on the buying power of currency, resulting in diminished stock prices. Consequently, investors prefer to exercise

caution and delay their investment decisions until the economy recovers, so creating a favorable chance for long-term stock investments. Meanwhile, the research (Suh & Kim, 2021) It was said that inflation had a little impact on the Composite Stock Price Index. One of the factors that influences the Composite Stock Price Index is the prevailing interest rate. The interest rate refers to the cost associated with exchanging one unit of Rupiah in the present for one unit of Rupiah in the future. Bank Indonesia's interest rate or often known as the BI rate undoubtedly affects portfolio investment because of its effect on corporate profits. The high interest rate of Bank Indonesia will certainly affect interest rates in the banking sector, both deposit rates and lending rates. Changes in the BI-Rate affect deposit rates and lending rates in the banking industry. In the event of economic sluggishness, Bank Indonesia has the option to use an expansive monetary policy by reducing interest rates, with the aim of stimulating economic activity. The link between Indonesia's interest rate and the banking sector, specifically in terms of financing, involves a decrease in the BI-Rate in order to lower lending rates. This strategy aims to stimulate an increase in the demand for loans from both firms and people. A high interest rate is seen as a detrimental indicator for the stock price.

A rise in the interest rate will correspondingly elevate the implied interest rate associated with investing in a stock. Moreover, a rising interest rate might induce investors to divest from equities and reallocate their capital into savings accounts or time deposits. This could result in a weakening JCI (Nour halisa & Annisa, 2020) (Agu et al., 2022). Interest rates are a consideration because they have a negative relationship with stock prices. An excessively high interest rate will have an impact on the present value of the company's cash flow, so diminishing the appeal of the current investment options for potential investors. A decline in net profit has the potential to diminish dividends and thus influence a fall in investor interest towards investment opportunities. Conversely, a reduction in interest rates will result in a corresponding fall in the cost of capital for enterprises, so facilitating more investment and consumption. Consequently, these factors will together contribute to heightened economic activity (Hidayat & Saefullah, 2019) (Sugiharti et al., 2020). According to research (Apituley, 2018) states that interest rates have a significant effect on the Composite Stock Price Index. Meanwhile, according to (Safitri & Kumar, 2017) (Desfiandi et al., 2017) states that interest rates have a negative effect on the Composite Stock Price Index. The exchange rate of the

rupiah is seen as the fourth variable that influences the Composite Stock Price Index. The concept of exchange rate pertains to the assessment of the value of a particular nation's currency in relation to the currency of another one. The valuation of one currency relative to another is a significant metric that is taken into account within the realm of the money market or capital market. A depreciation of the home currency will lead to an expansion in the quantity of exports. If the elasticity of demand in the global market is significant, it will lead to an augmentation in the cash flow of domestic enterprises and subsequently result in an elevation of the stock price, as shown by the Jakarta Composite Index (JCI). On the contrary, in the event that the issuer engages in the purchase of domestic items and has debt denominated in dollars, there will be a subsequent decline in the stock price. Exchange rate depreciation will increase the stock price as reflected in the JCI, thereby reducing profitability because foreign currencies are increasing and the value of the rupiah currency is weakening and investors tend to withdraw their funds and are not interested in investing in the capital market so that the stock price index decreases. The rupiah exchange rate will have a positive impact if the company carries out more export activities than imports because it will increase the company's profitability and will attract investors to invest in the capital market because there are dividends distributed, causing the stock price index to increase. In research (Yunita & Robiyanto, 2018) (Sugiharti et al., 2020). The findings of the research conducted by Sitorus (2019) indicated that the rupiah exchange rate had a notable and beneficial impact on the composite stock price index. However, in contrast to these results, another study shown that the rupiah exchange rate did not have a significant influence on the composite stock price index.

The concept of Gross Domestic Product (GDP) entails a favorable impact on consumer buying power, which in turn might lead to an augmentation in the demand for items offered by various companies. The augmentation in consumer demand for a firm's product has the potential to enhance the firm's profitability, afterwards leading to an escalation in the firm's stock price. If a country's level of economic growth is low or sees a substantial decline, it is possible that investors may choose to divest their shares. According to the research conducted by Hamel Bregghish and Neama Ali (2021), it was found that the gross domestic product (GDP) has a notable and favorable impact on the composite stock price index. In the aforementioned research conducted by Murdifin and Mangkona (2017) and Aggarwal (2018), it was observed

that the gross domestic product (GDP) did not have a statistically significant impact on the Indonesian Stock Exchange Composite Index (IHSG). Inflation can be interpreted as one of the macroeconomic factors that can affect the performance of a company. Inflation is a phenomenon of increasing the price of goods or services together and continuously. The rising price of production goods will be a problem for the company (Ekadjaja & Dianasari, 2017). In research (Ananda Arga Putra, 2016) (Na & Sohn, 2011) inflation has a significant and positive effect on the stock price index because if inflation increases, the price index joint shares on the IDX will also rise through unit points.

Meanwhile, in the study (Apituley, 2018) inflation had a significant negative effect on the composite stock price index. Bank Indonesia's interest rate is the monetary policy set by Bank Indonesia. This is done, one of which is because there is uncontrolled inflation that has a bad impact on the economy in a country. An increase in interest rates can increase the interest expense on loans for companies whose capital structure uses a lot of interest-based loans, so as to reduce the company's net profit (Trisnawati, 2015). In research (Andrieş et al., 2017) interest rates have a significant negative effect on the composite stock price index. Meanwhile, in (Mukhlis et al., 2018) interest rate research has a significant positive effect on the composite stock price index. The topic of discussion pertains to the exchange rate of the Indonesian currency, the Rupiah. The currency exchange rate, sometimes known as the exchange rate, is the valuation of a nation's currency in relation to the currency of another nation. The appreciation of the rupiah versus the dollar, resulting in a higher value of the rupiah, leads to an improvement in the economic situation of the nation. Consequently, the capital market experiences growth, leading to a rise in the Composite Stock Price Index (JCI) on the Indonesia Stock Exchange (IDX). The research conducted by Zainuri et al. (2021) revealed a noteworthy favorable impact of the rupiah exchange rate on the Indonesian Stock Exchange Composite Index (IHSG). According to a research conducted by Yunita and Robiyanto (2018), it was shown that the fluctuations in the rupiah exchange rate did not provide a statistically significant impact on the Indonesian Stock Exchange Composite Index (IHSG).

METHOD

A quantitative method combined with an ex post facto approach is the kind of investigation that was carried out for this study. An ex post facto investigation is an investigation that is

carried out to investigate events that have already happened and then trace back to find out the elements that might cause the formation of the occurrence (Sugiyono, 2019). The location of this study was conducted at the Indonesia Stock Exchange Investment gallery or IDX which is located at Jalan Mojopahit 666 B through the official website of the www.idx.co.id located at the University of Muhammadiyah Sidoarjo. Operational Definition, Identification of Variables and Variable Indicators, Gross Domestic Product (GDP) (X1). We have two methods at our disposal, namely the income approach and the spending approach, which we may use in order to compute one of the most essential aspects of the national income. With regard to the expenditure method Following are the steps that need to be taken in order to compute the rate of economic growth statistics:

- C = company consumption
- I = investor consumption
- G = consumption by government
- X = export value
- M = import value

As for the income approach, the formula is:

- w = wage/wage/salary
 - r = rent/rent value
 - i = interest/interest capital
 - p = profit/profit
- Inflation (X2)

Inflation is a state in which it occurs rising prices in a common and continue Constantly. To calculate the increase in inflation usually Calculated use formula as next: Interest Rate (X3) The value of Bank Indonesia's interest rate that has been set by the Bank Indonesian that Reflect attitude policy Monetary. Everything Calculated in a proposional, Customized with tenor credit with formula as next:

- P = principal of the loan
- I = interest rate per year
- t = number of years of credit term
- jb = number of months in the credit period

Rupiah Exchange Rate (X4)

The Rupiah Exchange Rate or exchange rate shows the price or value of the rupiah currency expressed in the currency of another country. There are three exchange rates, namely:

The selling rate (rupiah --> foreign currency) can be interpreted as the selling rate is the selling price of the currency/foreign exchange by the bank/money changer. With the formula:

$$\text{Buy rate} = \text{foreign currency} \times \text{rupiah}$$

The buying rate (rupiah <-- foreign money) can be interpreted as the exchange rate that has been applied by the bank when purchasing foreign currency or foreign exchange. With the formula:

$$\text{Selling rate} = \text{rupiah value} : \text{currency value}$$

middle rate In general, the selling rate is higher or more expensive than with Exchange rate buy

$$\text{middle rate} = \frac{\text{selling rate} + \text{buying rate}}{2}$$

Composite Stock Price Index (Y)

Value which shows the price movement of shares incorporated in the JCI listed on the Indonesia Stock Exchange. The unit of measurement used is the JCI number in units of points.

$$\frac{\sum(\text{regular closing price} \times \text{number of shares})}{\sum(\text{base price} \times \text{number of shares})} \times 100\%$$

Population and Sample

This analysis used the population of manufacturing businesses registered on the Indonesia Stock Exchange from 2011 to 2020. The used sampling approach is the saturation sampling method, namely the utilization of the whole population as the sample (Sugiyono, 2019) so that the sample in this study is the Composite Stock Price Index d Bursa Efek Indonesia for the period 201 1-20 20 in the form of monthly data. So that the amount of data obtained in this study is $N = 12 \text{ months} \times 10 = 120$ months of research data.

Multiple analysis techniques

Multiple regression is used to test the effect between inflation, interest rates, exchange rates (exchange rates) and Gross Domestic Product on the Composite Stock Price Index (JCI). The equation of multiple regression lines with the following equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4 X_4 + e$$

RESULTS AND DISCUSSION

Descriptive Analysis

Tabel 1 Descriptive Statistical Test Results

	X1	X2	X3	X4	Y
Mean	3004764.	0.045028	5.943750	12.40140	5074.248
Median	2964976.	0.040650	5.750000	13.30950	5077.526
Maximum	4073631.	0.087900	7.750000	16.36700	6605.631
Minimum	1808920.	0.013200	3.750000	8.574000	3409.167
Std. Dev.	692535.1	0.018379	1.177727	2.041933	834.3754
Skewness	-0.031185	0.656162	-0.064492	-0.593098	0.024552
Kurtosis	1.675671	2.565548	1.794565	1.993756	2.012498
Jarque-Fallow	8.788682	9.554703	7.348549	12.09795	4.887858
Probability	0.012347	0.008418	0.025368	0.002360	0.086819
Sum	3.61E+08	5.403400	713.2500	1488.168	608909.7
Sum Sq. Dev.	5.71E+13	0.040198	165.0578	496.1693	82845689
Observations	120	120	120	120	120

Source: Indonesia Stock Exchange (Data processed by Eviews Version 9)

Based on the results of the table above, it shows that the samples used in this study were 120 samples studied during the period 2011-2020

Stationary Test

Tabel 2 Stationary Test JSI

	t-Statistics	Prob.*
Augmented Dickey-Fuller test statistics	-8.921436	0.0040

Shows a prob value of $0.0040 < 0.05$ which means that the ihsg data is stationary and feasible to test

Tabel 3 GDP

	t-Statistics	Prob.*
Augmented Dickey-Fuller test statistics	-8038302	0.0000

Shows a prob value of $0.0000 < 0.05$ which means that the gdp data is stationary and worthy of testing

Tabel 4 Inflation

	t-Statistics	Prob.*
Augmented Dickey-Fuller test statistics	-8.777756	0.0000

Shows a prob value of $0.0000 < 0.05$ which means that the inflation data is stationary and worthy of testing

Tabel 5 Interest Rate

	t-Statistics	Prob.*
Augmented Dickey-Fuller test statistics	-7.227889	0.0005

Shows a prob value of $0.0005 < 0.05$ which means that the interest rate data has been stationary and is worth testing

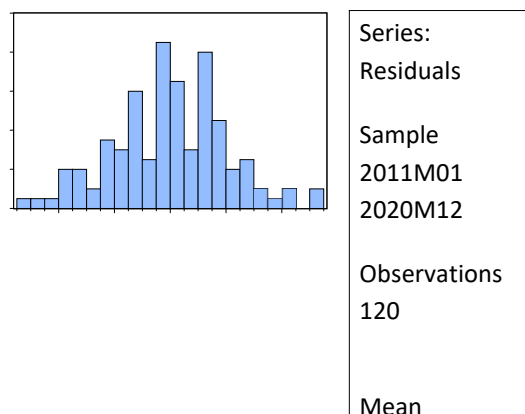
Rupiah Exchange Rate

Tabel 6 Exchange Rate

	t-Statistics	Prob.*
Augmented Dickey-Fuller test statistics	-12.20894	0.0003

Shows a prob value of $0.0003 < 0.05$, which means that the rupiah exchange rate data is stationary and feasible to test

Test Classical assumptions



The normality test was conducted using the histogram-normality test, and the results were analyzed, the Prob value was obtained is $0.961736 > 0.05$, it can be interpreted that the results of the normality test above are said to be normally distributed.

Tabel 7 Multicollinearity Test

Var	Coefficient Variance	Uncentered VIF	Centered VIF
C	148408.8	103.7860	Na
X1	3.97E-08	263.7157	8.196581
X2	12318734	20.35273	2.885789
X3	2899.630	74.42704	2.789179
X4	3339.132	368.7871	9.655199

Source : Data processing result

Based on the outcomes of the multicollinearity assessment, it is seen that the tolerance value indicates the absence of any independent variable with a tolerance value below 0.10. This implies that there is no correlation among independent variables whose value exceeds 95%. In the computation of the Variance Inflation Factor (VIF), the variable representing gross domestic product (X1) has a VIF value of 8.196581, which exceeds the threshold of 10. The variable representing inflation (X2) exhibits a VIF value of 2.885789, which is less than 10. Similarly, the variable representing interest rate (X3) has a VIF value of 2.789179, again less than 10. Lastly, the variable representing exchange rate (X4) displays a VIF value of 9.655199, which is still less than 10. The findings suggest that this study is devoid of multicollinearity.

Tabel 8 Autocorrelation Tests

Breusch-Godfrey Serial Correlation LM Test:			
R- squared	0.803871	Mean dependent var	1.52E-14
Adjusted R-squared	0.793457	S.D. dependent var	407.2176
S.E. of regression	185.0684	Akaike info criterion	13.33589
Sum squared resid	3870284.	Schwarz criterion	13.49849
Likelihood logs	-793.1534	Hannan-Quinn criter.	13.40192
F-statistics	77.19170	Durbin-Watson stat	1.910488
Prob(F-statistics)	0.000000		

Source: Data processing results

Table 8 above shows the Durbin-Watson (DW) value of 1.910488. With k of 4 and n = 120, the DW table is obtained as follows:

Tabel 9 Autocorrelation Decision Results

Dw	DL	Du	4-dL	4-dU	Result
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1.910488	1.6339	1.7715	2.3661	2.2285	dU < d < 4-dU (No Autocorrelation)
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Source: Data processing results

Based on the results from table 9 regarding Durbin-Watson's decision making, it shows that there is no correlation in this study so that the regression model is free from autocorrelation problems.

Tabel 10 Heteroskedasticity Test Results

Heteroskedasticity Test: Glejser			
F-statistics	5.779262	Prob. F(4,115)	0.3153
Obs*R-squared	20.08475	Prob. Chi-Square(4)	0.3083
Scaled explained SS	20.55425	Prob. Chi-Square(4)	0.3516

Source: Data processing results

The results of the tests for heteroskedasticity that were presented earlier reveal that the Obs*R-Squared value has a Chi-Square probability value that is more than 0.05, as shown in table 4.10. Therefore, one might draw the conclusion that there was no instance of heteroskedasticity in this research.

2. Multiple Linear Regression Analysis

The multiple linear regression model applied to this study can be formulated as follows:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4 X_4 + e$$

The management of the panel data regression analysis was carried out to find the influence of the dividend policy variables (X1), liquidity (X2), and Company Growth (X3) on company value (Y) using Eviews 9 software with the following results:

Variab es	Coefficient	Std. Error	t-Statistics	Prob.
C	1753.615	385.2386	4.552024	0.0000
X1	0.001799	0.000199	9.033523	0.0000
X2	8038.747	3509.805	2.290368	0.0238
X3	44.55505	53.84821	0.827419	0.4097
X4	-218.7602	57.78523	-3.785746	0.0002

Source: Data processing results

Based on the results of the analysis above, it can be explained through the following formula:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4 X_4 + e$$

$$Y = 1753.615(a) + 0.001799X_1 + 8038.747X_2 + 44.55505X_3 - 218.7602X_4 + e$$

Tabel 12 T Test Results

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	1753.615	385.2386	4.552024	0.0000
X1	0.001799	0.000199	9.033523	0.0000
X2	8038.747	3509.805	2.290368	0.0238
X3	44.55505	53.84821	0.827419	0.4097
X4	-218.7602	57.78523	-3.785746	0.0002

Sources: Data processing results

Based on the tests that have been carried out above, it can be explained as follows:

Gross domestic product (X1)

The t-test table provided indicates that the statistical t-probability value for the variable GDP (X1) is 9.033523, with a significance level of 0.05. Consequently, the probability value (0.0000) is found to be less than the significance level of 0.05. In light of the findings of the investigation that was carried out, one may draw the conclusion that the alternative hypothesis (Ha) is valid whereas the null hypothesis (H0) is invalid. It may be deduced from this that the variable of gross domestic product (GDP) has an influence that is statistically significant on the composite stock price index.

Inflation (X2)

Based on the obtained t-statistics probability value of 2.290368 for the inflation variable (X2) and a significance level of 0.05, it can be concluded that the calculated probability value of 0.0238 is less than the predetermined significance level. The results allow one to draw the conclusion that the alternative hypothesis (Ha) is accepted, whereas the null hypothesis (H0) is rejected. This conclusion may be drawn on the basis of the findings. This suggests that the inflation variable does have an influence that is considerable when measured statistically on the composite stock price index.

Interest rate (X3)

The table for the t-test that has been supplied reveals that the t-statistic probability value for the variable that is of interest (X3) is 0.827419. This may be observed by looking at the table. The importance of this result is measured against a threshold of 0.05. In this instance, the

determined value of the probability is 0.4097, which is higher than the threshold of significance, which is 0.05. As a result of the investigation that was carried out, it is possible to draw the conclusion that the null hypothesis (H_0) is correct while the alternative hypothesis (H_a) is incorrect. This suggests that the interest rate variable does not have a major influence on the composite stock price index as measured by the index.

Rupiah Exchange Rate (X4)

Based on the t-test table above, it shows that the statistical probability value of the rupiah exchange rate variable (X4) is -3.785746 at a significant (0.05) then the probability value (0.0002) < sign 0.05. rupiah exchange rate variables have a significant effect on the composite stock price index.

a. The Effect of Gross Domestic Product on the Composite Stock Price Index

The analysis of the data shown in table 4.13 reveals a statistically significant link between the variables gross domestic product (X1) and composite stock price index (Y), with a probability value of 0.0000, indicating significance at a level below 0.05. Based on the available evidence, it can be inferred that there exists a positive correlation between the variable of gross domestic product and the composite stock price index. This is due to the fact that a quick increase in Gross Domestic Product (GDP) serves as an indicator of economic expansion inside a nation. Theoretically, it may be posited that a rise in Gross Domestic Product (GDP) has the potential to augment the buying power of customers, leading to an upsurge in demand for a company's goods and therefore enhancing its profitability. The augmentation of the company's profitability engenders a corresponding elevation in investor confidence, so mitigating any hesitancy on the part of investors to allocate their cash towards the JCI. The economy experiences growth and the volume of a company's sales turnover rises as a result of the rising quantity of consumer products, which may be attributed to the consumptive tendencies of society. This is a favorable circumstance for the organization to enhance its sales performance. An increase in gross domestic product will increase the share price because the estimated GDP will determine the development of the economy. An increase in GDP in a country also indicates an increase in the welfare of the people in the country. The results of this study have similarities with the research conducted (Prasetyanto, 2017) and (Wang, 2020) which stated that gross domestic product had a significant positive effect on the composite stock price index.

However, the results of this study are different from the research (Subagyo et al., 2018) and (Dotsis, 2020) states that gross domestic product is not significant with the composite stock price index.

b. Effect of Inflation on the Composite Stock Price Index

Based on the statistical analysis shown in table 4.12, it is evident that the association between the inflation variable (X2) and the composite stock price index variable (Y) exhibits a probability value of 0.0238, indicating statistical significance at a significance level of less than 0.05. The analysis indicates that there is a positive correlation between the inflation variable and the composite stock price index. The correlation between inflation and the composite stock price index suggests a significant association between inflation and the erosion of buying power for both people and firms. The increase in inflation is expected to result in a decrease in the demand for equities. The market has the capacity to accommodate an inflation rate that is below 10 percent. The rise in inflation is seen as a detrimental indicator for financiers operating in the stock market. Inflation has the effect of augmenting both the revenue and expenses of the firm. If the growth in manufacturing costs surpasses the rise in prices that the firm might potentially benefit from, then the profitability of the organization will decline. A diminutive profit margin for the firm may lead to investor hesitancy in allocating their capital to the company, thereby causing a decline in the stock price. Inflation is one of the important concerns in the country's economy, the continuous increase makes the company's production burden increase so that companies are forced to increase the price of sales of their products. Another impact occurs on investors about the company's doubts about its performance so that it is reflected in its share price accumulated in the stock price index. If the level of inflation reaches the moderate or severe category, there is even hyperinflation, it affects people's purchasing power so that the company's profits will fall. The results of this study have similarities with the research conducted (Esteria, 2016) and (Lee & Brahmaresne, 2019) which stated that inflation had a significant positive effect on the composite stock price index. However, the results of this study are different from research (Hartono & Iskandar, 2016) and (Yong & Dingming, 2019) states that inflation has a negative effect insignificantly on the composite stock price index.

c. The Effect of Interest Rates on the Composite Stock Price Index

The analysis of the data shown in table 4.13 reveals that the correlation between the interest rate variable (X3) and the composite stock price index variable (Y) yields a probability value of 0.4079, indicating a lack of statistical significance ($p > 0.05$). Based on the analysis, it can be inferred that the variable of interest rate does not have a beneficial impact on the stock price index. This demonstrates that when a firm experiences accelerated expansion, it needs a corresponding increase in the availability of cash for investment operations. These funds may be derived from both internal and external sources. There exists a positive correlation between the growth rate of a corporation and the corresponding expenditures associated with managing its operational operations. Consequently, the organization will prioritize allocating its financial resources towards reinvestment initiatives rather than prioritizing the welfare of its shareholders. This activity will get a negative response from investors which results in a decrease in the company's share offering in the capital market. In this case, it will affect the investor's interest in the shares of the company in question. As a result, it will affect or decrease the value of the company. The findings of this study exhibit resemblances to the investigations completed by Tampubolon et al. (2021) and Del Negro et al. (2019), which assert that interest rates have a positive but insignificant effect on the composite stock price index. Nevertheless, the findings of the present study diverge with the research conducted by Akgül et al. (2022), which posited that interest rates have a noteworthy adverse impact on the composite stock price index.

d. Effect of Rupiah Exchange Rate on The Composite Stock Price Index

Based on the test results shown in table 4.13, it is evident that the correlation between the rupiah exchange rate variable (X4) and the composite stock price index variable (Y) yields a probability value of 0.0002, indicating statistical significance at a significance level of 0.05. This observation demonstrates that the inverse correlation between the exchange rate and the composite stock price index aligns with the theoretical framework proposed by Tandelilin. Tandelilin posits that currency exchange rates, as an economic factor, exert a discernible impact on the growth of investment in the capital market. For an investor, the decline in the rupiah exchange rate against the US dollar indicates that the condition of the Indonesian economy is not good. This certainly provides risks to investors who will invest in the Indonesian capital market. Investors of course avoid these risks and will sell stocks until economic conditions are

deemed to improve so that they can it is concluded that the rupiah exchange rate variable negatively affects the composite stock price index. The findings of this study exhibit resemblances to prior research undertaken by Ilmi (2017) and Dunn et al. (2011), which concluded that the depreciation of the rupiah has a strong negative effect on the composite stock price index. Nevertheless, the findings of this investigation diverge with the prior research conducted by Sukamto (2014) and Burdekin and Tao (2021), which assert that the exchange rate of the rupiah exhibits a noteworthy beneficial impact on the composite stock price index.

CONCLUSION

The findings of the data analysis indicate that Gross Domestic Product (GDP), Inflation, and Exchange Rate have a positive and statistically significant impact on the Composite Stock Price Index. However, it is observed that Interest Rate does not have a significant effect on the Composite Stock Price Index. Based on the findings presented, it can be inferred that in order to maintain a favorable composite stock price index, it is essential for capital market management to diligently consider many significant macroeconomic factors, including Gross Domestic Product (GDP), inflation, and exchange rate.

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Pp 50-70