
THE IMPACT OF INFLATION, INTEREST RATES, EXCHANGE RATES, AND MONEY SUPPLY ON IHSG



Yesa Cahyaning Ramadhani¹
Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya, Indonesia
yesacahyaning@stiesia.ac.id

Ari Kartiko²
Universitas KH Abdul Chalim, Mojokerto, Indonesia
ari.kartiko5@gmail.com

Ella Mayasari³
Sekolah Tinggi Ilmu Kesehatan Kepanjen, Malang, Indonesia
mrs.ellamayasari@gmail.com

Abstract

This research was motivated by the Composite Stock Price Index (IHSG), which at that time experienced fluctuations up and down in line with economic and political activity. At that time, fluctuations in joint stock prices were caused by macroeconomic factors, one of which was inflation, increases in interest rates, foreign exchange rates, money supply, and others. These macroeconomic factors greatly influence the performance of the Composite Stock Price Index (IHSG), especially accompanied by the emergence of Covid-19 which has had a very negative impact on the entire Indonesian economy. This research aims to determine the effect of inflation, interest rates, exchange rates, and money supply on the composite stock price index (IHSG) during the COVID-19 pandemic. This research uses a quantitative approach with an associative type of research. The research data used is secondary data with Indonesian research samples in the 2018-2022 period. The analysis technique used is multiple linear analysis using SPSS 25. From the research results, it can be concluded that partially this research shows that the variables inflation, interest rates, and money supply each have a positive and significant effect on the composite stock price index (IHSG). Meanwhile, the exchange rate variable negatively and significantly affects the composite stock price index (IHSG). Meanwhile, the variables inflation, interest rates, exchange rates, and money supply simultaneously positively and significantly influenced the composite stock price index (IHSG) during the 2018-2022 Covid pandemic.

Keywords: Inflation, Interest Rate, Value of Money, Amount of Money

INTRODUCTION

The capital market in Indonesia can be grouped into two forms, namely the conventional capital market and the Sharia capital market. In the conventional capital market, all companies listed on the Indonesia Stock Exchange (IDX) must comply with all legal rules that have been set by the Indonesia Stock Exchange (IDX). The sharia capital market, in addition to being legal, must also comply with the requirements of a sharia capital market in accordance with the fatwa of the Indonesian National Sharia Council No. 40 / DSN-MUI / X / 2003, which must comply with Sharia rules in terms of activities, public offerings, securities trading and types of securities traded (S. J. Ahmad & Badri, 2022; Fasya, Rahmi, & Riani, 2022; Sartika, 2017). The Composite Stock Price Index (IHSG) is a depiction of a series of information about stock price movements for all stocks listed on the Indonesia Stock Exchange, both common stocks and preferred stocks, up to a specified time and date.

The Composite Stock Price Index (IHSG) is a reflection of general capital market activities. (Usman, Hasnam, Nurazi, Baihaqi, & Aujirapongpan, 2024). An increase in the IHSG indicates that the capital market is bullish, conversely, if it decreases, it indicates that the capital market conditions are bearish (Sumaryana, Nugraha, Sari, & Heryawan, 2024). For this reason, an investor must understand the behavior patterns of stock prices in the capital market (Raudatullaily & Khasanah, 2023). The composite stock price index also experiences fluctuations up and down in line with economic and political activities, which have an impact. As a result, changes in the composite stock price cannot be predicted legally (Pangestuti, 2023).

The fluctuation of the composite stock price is caused by two factors. The two factors are macroeconomic factors and microeconomic factors. Microeconomics includes the company's financial ratios, which are part of the company's good and bad results. Macroeconomic environmental conditions that affect the performance of the JCI include inflation, interest rate increases, foreign exchange rates, economic growth, budget deficits, business cycles, government policies, trade balances, and so on. These macroeconomic factors greatly affect the performance of the JCI (Mery & Amalya, 2024; Yulfiswandi & Yang, 2024).

The emergence of the Covid-19 pandemic in early 2020 in Indonesia had a very negative impact on the entire economy in Indonesia, and even the entire world (Priyono & Kartiko, 2021). Weak public consumption and investment activity as a result of government policies in implementing social restrictions to reduce the spread of COVID-19 (Ristiya, Alfianti, Fadhila, & Azzahro, 2023; Rizki, 2021). In 2018, inflation was 3.13%. In 2019 to 2021, inflation has decreased quite well each year, but in 2022, inflation has increased quite significantly to 5.51%. With quite high inflation, it will cause several effects in the economy, one of which is investment activities in the stock market (Herosian, Dalimunthe, Sinaga, & Lubis, 2021).

Bank interest can be interpreted as a fee that banks usually pay to customers who buy or sell their products (Hübenbecker, 2024; Kim, Jindabot, & Yeo, 2024; Nurita, Puspita, & Hendrawan, 2024). The highest interest rate was in 2018 at 6.00%. And it decreased when inflation fell in 2020. If the interest rate increases significantly, the stock price will decrease, and vice versa when the interest rate decreases, the stock price will increase. The increase in interest rates has a significant impact on the capital market because, with high interest rates, the rupiah will weaken. If interest rates increase, investors will also choose to invest their capital in the form of savings or deposits rather than having to invest in the form of stocks.

The exchange rate is the price of a country's currency against the currency of another foreign country or is usually called the exchange rate (Challoumis, 2023; Lezar, 2023). The exchange rate referred to in this study is the US Dollar exchange rate (USD/IDR). The exchange rate in 2018 was 14.481 and decreased in 2019 to 13.901 when inflation and interest rates also fluctuated. In 2020, the exchange rate increased again. When the rupiah exchange rate against foreign currencies is strengthening, it will result in many investors investing in the stock market (Salehaman, Mongkito, Fatmah, & Rohansyah, 2024; Sihombing & Samsudin, 2024).

Based on the description above, this study aims to test the effect of inflation, interest rates, exchange rates, and money supply simultaneously on the composite stock price index (IHSG) during the 2018-2022 Covid pandemic. Second, testing the partial effect of inflation on the composite stock price index (IHSG) during the 2018-2022 Covid pandemic, third, testing the partial effect of interest rates on the composite stock price index (IHSG) during

the 2018-2022 Covid pandemic, fourth, testing the partial effect of exchange rates on the composite stock price index (IHSG) during the 2028-2022 Covid pandemic and fifth, testing the partial effect of money supply on the composite stock price index (IHSG) during the 2028-2022 Covid pandemic.

REVIEW OF LITERATURE

In this study, a grand theory is used in the form of signal theory. Signaling theory is a theory that discusses the rise and fall of prices in the market so that it will influence investor decisions (Agustin, Nurcahyono, Sinarasri, & Sukesti, 2023; Irawan & Nasution, 2023; Menyeh & Acheampong, 2024). In signaling theory, the motivation for management to present the company's financial information is expected to provide a signal of prosperity to owners or shareholders. (Istiqomah, Kurniawan, & Wahyuda, 2024; Nisfah, 2023). An annual stock report publication presented by a company will be able to provide growth signals for the macroeconomy as well as the development of the company's stock prices.

The composite stock price index is a value used to measure the combined performance of all shares listed on the stock exchange. (Gery, 2023). The composite stock index used in this study represents Indonesian stocks because it reflects the Indonesian capital market as a whole and represents the movement of the Indonesian stock market (Rumbun, 2023). Stock price movements are displayed every day based on the stock market closing price or the closing price on that day. (Rahmadini, Salsabila, Kunaefi, & Rolliawati, 2024).

Inflation is a general and continuous increase in the prices of goods. (Browne & Cronin, 2010). The price of a commodity is said to be higher if it becomes higher than the price in the previous period (Sumner, 2009). Factors that can cause inflation are: Demand-pull inflation occurs when the business sector cannot quickly meet public demand for material goods in the market and Cost Pressure Inflation is a problem of rising prices in the economy due to an increase in production costs (Artadiyani & Samsudin, 2023). Inflation occurs due to high production costs caused by the inefficiency of companies, the exchange rate of the country's currency, rising prices of raw materials, labor wages, and so on. So that it results in a decrease in the amount of production cost push inflation, and has an impact on

increasing the price of products with the same amount of supply or due to a decrease in the amount of production (M. Ahmad et al., 2024).

Bank interest can be interpreted as a fee that is usually paid by banks to customers who buy or sell their products. Interest can also be interpreted as the price that must be paid to customers for what customers must pay to the bank (Kartiko, 2019; Nurita et al., 2024). Factors that cause interest rates to rise and fall are, bank funding needs, for investors the desired profit target is right: if the desired profit is large then the loan interest is also large, and vice versa, the quality of the guarantee, government policy and the term of the deposit. If interest rates increase then the stock price will decrease and vice versa. If interest rates increase, then the investment return related to interest rates also increases (Alfiana, Loo, Judijanto, Rakinaung, & Durya, 2024).

The exchange rate is the price of one unit of foreign currency in domestic currency or can also be said as the price of domestic currency against foreign currency. Exchange rates can generally change, either in the form of appreciation or depreciation. The depreciation of the Rupiah against the US Dollar, then the price of the Rupiah against the US Dollar decreases. While the appreciation of the Rupiah against the US Dollar is the increase in the price of the Rupiah against the US Dollar. Factors that influence exchange rate fluctuations are long-term and short-term macroeconomic factors such as inflation, interest rates, world oil prices, exports, and imports. types of exchange rate transactions Spot transactions and Futures transactions.

When discussing money in the economy, it is important to distinguish between currency in circulation and money in circulation. Currency in circulation is the total amount of currency that has been circulated or issued by the Central Bank, where the currency is of two types, namely coins and paper money. (Abdulah & Ai, 2024; Astuty & Basmar, 2024). Meanwhile, money in circulation is all types of money in the economy, namely the amount of currency in circulation plus demand deposits in commercial banks (Makatempuge, Rotinsulu, & Mandej, 2024). The function of money is as a unit of account, a means of payment in transactions, a store of value, and a standard of payment. (Wulandari, 2024).

RESEARCH METHOD

This study uses a quantitative approach method, where this approach uses numbers to test its hypothesis (Lerche, 2012). The data processed from inflation data, interest rates, exchange rates, money supply, and the composite stock price index from 2018 to 2022 on the official website of the Indonesia Stock Exchange (IDX) - IDX, the official website of Bank Indonesia (BI) and the website of the Central Statistics Agency (BPS). This study uses associative research where associative research aims to determine the relationship or influence between variables.

This study uses secondary data sources. The secondary data used in this study are Composite Stock Price Index Data, Monthly inflation data obtained from data published through the official website of Bank Indonesia, and Monthly Data on Interest Rates, Exchange Rates, and Money Supply obtained from data published through the official website of the Central Statistics Agency.

In this study, the population used is all time series data including Inflation, Interest Rates, Exchange Rates, Money Supply, and the Composite Stock Price Index in the period 2018 to 2022. The sampling technique used in this study is saturated sampling. This technique is used for sampling when all members of the population are used as samples. Based on this sampling technique, the sample of this study was taken from time series data from 2018 to 2022 so the number of samples was 60 samples. In this study, the data collection technique used was the documentation technique and used secondary data (Miles, Huberman, & Saldana, 2013). Data was taken through historical data obtained from the official websites of BEI, BI, and BPS. The stages of data management and analysis are important stages, where the data is processed in such a way that it succeeds in collecting the truth used to answer the questions raised in the study. The tests that must be passed are the Multicollinearity Test and regression analysis (Sugiyono, 2010).

RESULTS AND DISCUSSION

Based on the results of the multicollinearity test from this study, the following conclusions can be drawn:

Table 1
Multicollinearity Test Results

	Tolerance	VIF
Inflation (X1)	0.521	1.918
Interest rate (X2)	0.349	2.861
Exchange rate (X3)	0.647	1.546
Money Supply (X4)	0.318	3.147

The results of the test shown in Table 1 above show that the tolerance value of Inflation is 0.521 which means it is greater than 0.10 ($0.521 > 0.10$), the tolerance value of Interest Rate is 0.349 which means it is greater than 0.10 ($0.349 > 0.10$), the tolerance value of Exchange Rate is 0.647 which means it is greater than 0.10 ($0.647 > 0.10$), and the tolerance value of Money Supply is 0.318 which means it is greater than 0.10 ($0.318 > 0.10$). Meanwhile, the VIF value of Inflation is 1.918 which means less than 10.00 ($1.918 < 10.00$), the VIF value of Interest Rate is 2.861 which means less than 10.00 ($2.861 < 10.00$), the VIF value of Exchange Rate is 1.546 which means less than 10.00 ($1.546 < 10.00$), and the VIF value of Money Supply is 3.147 which means less than 10.00 ($3.147 < 10.00$). So, it can be concluded that all variables have a tolerance of more than 0.10 and a VIF value of less than 10.00. So, it can be stated that the data in this study is free from multicollinearity. This study uses multiple linear regression analysis to determine the magnitude of the influence between inflation (X1), interest rates (X2), rupiah exchange rates (X3), and money supply (X4) on the Composite Stock Price Index (IHSG). The following are the results of the multiple linear regression test seen in Table 2.

Table 2
Multiple Linear Regression Test Results

	B	Std. Error
(Constant)	3.870	0.370
Inflation (X1)	0.066	0.015
Interest rate (X2)	0.059	0.022
Exchange rate (X3)	-2.065	0.250
Money Supply (X4)	0.474	0.064

Based on the table of multiple linear regression test results, the multiple linear regression equation formed is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

$$Y = 3.870 + 0.066 + 0.059 - 2.065 + 0.474 + e$$

From the regression equation, it can be explained as follows, first, the constant of 3.870 indicates that if the Inflation, Interest Rate, Exchange Rate, and Money Supply are constant (fixed), then the Composite Stock Price Index variable is 3.870. Second, the Inflation regression coefficient has a positive directional effect on the Composite Stock Price Index variable. The Inflation variable value is 0.066, which means that every increase or addition of the Inflation variable by one unit will increase the Composite Stock Price Index by 0.066, assuming that other sub-variables remain constant. Third, the Interest Rate regression coefficient has a positive directional effect on the Composite Stock Price Index variable. The Interest Rate variable value is 0.059, which means that every increase or addition of the Interest Rate variable by one unit will increase the Composite Stock Price Index by 0.059, assuming that other sub-variables remain constant. Fourth, the Exchange Rate regression coefficient has a negative directional effect on the Composite Stock Price Index variable. The value of the Exchange Rate variable is -2.065, which means that every increase or addition of the Exchange Rate variable by one unit will decrease the Composite Stock Price Index by 2.065, assuming that other sub-variables remain constant, and the five regression coefficients of the Money Supply have a positive directional effect on the Composite Stock Price Index variable. The value of the Money Supply variable is 0.474, which means that every increase or addition of the Money Supply variable by one unit will increase the Composite Stock Price Index by 0.474, assuming that other sub-variables remain constant.

The results of the coefficient of determination used in this study are as follows.

Table 3
Results of the Determination Coefficient Test (R²)

Model	R	R. Square	Adjusted R Square
1	0.859	0.739	0.720

Based on the results of the determination coefficient shown in table 4.3 of 0.72. This means that 72% of the independent variables in the model, namely Inflation, Interest Rates, Exchange Rates, and Money Supply, are able to influence the Composite Stock Price Index, and the remaining 28% is explained by other variables that are not included in the estimation of this study (error term).

to find out how much influence the X variables (Inflation, Interest Rates, and Exchange Rates) have on the Y variables (Composite Stock Price Index) on the IDX in the period 2018 to 2022 simultaneously or together using the F test.

Table 4
F Test Results

Model	F	Sig.
Regression	38.864	0.000 ^b

Based on the results of the simultaneous F test table, the probability value is smaller than the significant level, which is $0.000 < 0.05$, and the calculated F value is 39.730 with $F_{table} = (k; n - k) = (4; 60 - 4) = (4 - 56)$, where it is known that the calculation of the F_{table} value is 2.77, then the calculated F value is greater than the F_{table} value ($39.730 > 2.77$), which means that the hypothesis is accepted. So, it can be concluded that the variables Inflation, Interest Rates, Exchange Rates, and Money Supply simultaneously have a significant effect on the Composite Stock Price Index. The results of the t-test from this study can be seen in Table 5 below.

Table 5
t-Test Results

Variable	T	Sig.
(Constant)	10.460	0.000
Inflation	4.533	0.000
Interest rate (X2)	2.633	0.011
Exchange rate (X3)	-8.252	0.000
Money Supply (X4)	7.429	0.000

The influence of the dependent variable on the independent variable partially in the first t-test, the Influence of Inflation on the Composite Stock Price Index, Based on the results of the partial t-test, it can be seen that the t-count value of Inflation is 4,533 with a probability significance level of $\alpha / 2$; $n - k - 1 = 0.05 / 2$; $60 - 4 - 1 = 0.02$; $55 = 2,004$ and then the t-table calculation is $2,004 < 4,533$. Then when viewed from the significance value, the significance value of Inflation is 0.000 which is smaller than 0.05 or $0.000 < \text{sig } 0.05$. Based on the results of the t-test using t-count and also the sig value. it can be concluded that the first hypothesis is accepted. So partially the Inflation variable has a significant effect on the Composite Stock Price Index.

Second, the Influence of Interest Rates on the Composite Stock Price Index, Based on the results of the partial t-test, it can be seen that the t-value of the Interest Rate is 2.633 with a probability significance level of $\alpha/2$; $n - k - 1 = 0.05/2$; $60 - 4 - 1 = 0.02$; $55 = 2.004$ and then the t-table calculation is $2.004 < 2.633$. Then if viewed from the significance value, the significance value of the Interest Rate is 0.011 which is smaller than 0.05 or $0.011 < \text{sig. } 0.05$. Based on the results of the t-test using t-count and also the sig. value, it can be concluded that the second hypothesis is accepted. So partially the Interest Rate variable has a significant effect on the Composite Stock Price Index.

Third, the Influence of Exchange Rates on the Composite Stock Price Index, based on the results of the partial t-test, it can be seen that the calculated t-value of the Exchange Rate is -8.252 with a probability significance level of $\alpha/2$; $n - k - 1 = 0.05/2$; $60 - 4 - 1 = 0.02$; $55 = 2.004$ and then the t-table calculation is $2.004 < -8.252$. Then when viewed from the significance value, the significance value of the Exchange Rate is 0.000 which is smaller than 0.05 or $0.000 < \text{sig. } 0.05$. Based on the results of the t-test using the calculated t and also the sig. value, it can be concluded that the third hypothesis is accepted. So, partially the Exchange Rate variable has a significant effect on the Composite Stock Price Index.

Fourth, the Influence of the Amount of Money Circulation on the Composite Stock Price Index, based on the results of the partial t-test, it can be seen that the t-value of the Amount of Money Circulation is 7,429 with a probability significance level of $\alpha/2$; $n - k - 1 = 0.05/2$; $60 - 4 - 1 = 0.02$; $55 = 2,004$ and then the t-table calculation is $2,004 < 7,429$. Then when viewed from the significance value, the significance value of the Amount of Money

Circulation is 0.000 which is smaller than 0.05 or $0.000 < \text{sig. } 0.05$. Based on the results of the t-test using t-count and also the sig. value, it can be concluded that the fourth hypothesis is accepted. So partially the variable Amount of Money Circulation has a significant effect on the Composite Stock Price Index.

Analysis of Inflation, Interest Rates, Exchange Rates, and Money Supply against the Composite Stock Price Index During the Covid Pandemic Period 2018-2022

Based on the results of the data testing conducted, it states that inflation, interest rates, exchange rates, and money supply simultaneously have a significant effect on the Composite Stock Price Index (IHSG) during the pandemic period 2018-2022. Inflation, interest rates, exchange rates, and money supply are among the macroeconomic factors that can move the Composite Stock Price Index. With this, the results of this study indicate that macroeconomic factors can be used to consider fluctuations that occur in the Composite Stock Price Index. Investors can use macroeconomic factors to conduct investment analysis to anticipate the rise and fall of the Composite Stock Price Index to achieve maximum profit or stock returns.

The results of the study also show that if the JCI experiences an increase or decrease, the management and stabilization of the macro economy consisting of these four factors must be managed properly. Therefore, the government and Bank Indonesia play a very important role in creating stable and conducive macroeconomic conditions for the capital market. Moreover, during the COVID-19 pandemic, the government needs to implement appropriate and consistent policies to help improve the performance of the JCI and encourage overall economic growth.

The findings of this study are in line with research conducted by (Encenzo et al., 2023) which stated that inflation, interest rates, and exchange rates simultaneously have a significant effect on the Composite Stock Price Index.⁵⁷ Another study that is in line is research conducted by Dewi Asriani and Mega Tunjung Hapsari, which stated that inflation, bi7dr, and the amount of money in circulation simultaneously have a significant effect on the Composite Stock Price Index. ⁵⁸ With this, the results of this study show that the inflation rate, interest rate, exchange rate, and money supply have a simultaneous influence on the IHSG and can be used to determine decisions in making investments in the Composite Price Index on the Indonesia Stock Exchange during the Covid pandemic period 2018-2022.

Inflation Analysis of the Composite Stock Price Index during the Covid Pandemic Period 2018-2022

Based on the results of the research that has been conducted, it shows that inflation has a positive and significant effect on the Composite Stock Price Index (IHSG) during the COVID-19 pandemic period 2018-2022. This means that inflation can be used as a material for consideration in assessing the composite stock price index. The positive effect of inflation on the IHSG indicates that increasing inflation causes the IHSG to increase as well.

If inflation increases and the composite stock price index increases, investors will pay attention to the inflation rate when making investment decisions. Good or bad inflation can be seen from the percentage of inflation that occurs. If inflation is still relatively low, below 10%, it is not too high, then it will have a positive effect, but if inflation touches above 10%, the stock price in the capital market will be disrupted because Bank Indonesia will increase interest rates and cause investors to tend to divert their capital to the banking sector. 59 In signal theory, it is explained that the higher the company's profitability ratio, it indicates that the company has good long-term prospects, besides that this can be a good signal for investors to invest their shares. If on the contrary, if high inflation occurs, it will cause a decrease in the profitability of a company so that it will reduce dividend distribution and people's purchasing power. If the company's profitability decreases, then this is bad information for investors on the stock exchange and people tend to save their money rather than invest it. However, very low inflation can cause the economy to slow down and eventually, stock prices will also slow down. With that, the inflation rate can provide a positive signal to the company

The results of this study are in line with the research conducted by (S. J. Ahmad & Badri, 2022) which stated that inflation has a positive and significant influence on the Composite Stock Price Index. Another study that is in line is the research conducted by Eko Supriyanto Hadi and Teuku Alexander Azwani Amzul which stated that inflation has a positive and significant influence on the Composite Stock Price Index.

The Influence of Interest Rates on the Composite Stock Price Index during the Covid Pandemic Period 2018-2022

Based on the results of the research that has been conducted, it shows that Interest Rates have a positive and significant effect on the Composite Stock Price Index (IHSG) during the Covid pandemic period 2018-2022. This means that interest rates can be used as a material for consideration in assessing the composite stock price index. The positive influence of interest rates on the Composite Stock Price Index indicates that increasing interest rates have caused the IHSG to also increase.

The results of this study, however, are not in line with the statement made by Tandelilin, who stated that changes in interest rates will affect stock prices inversely. If interest rates increase, stock prices will decrease, and vice versa. If interest rates rise, then investment returns related to interest rates will increase. Conditions like this can attract investors who previously invested in stocks to move their funds from stocks to deposits or savings. If some investors do the same by selling stocks, then stock prices will decrease.

In theory, interest rate signals indicate a good signal for the company. However, not all stock sectors can benefit from rising interest rates. Banking stocks are one of the sectors that are positively impacted when interest rates increase, 3 major banking stocks have increased, such as BBCA, BBRI, and BBNI. At BBCA, in 2021 BCA conducted a stock split with a ratio of 1:5. In October, BCA shares split to IDR 7,320/share from its original position of IDR 36,600/share. In 2023, BCA's stock continued to increase to IDR 9,050 per share and its market capitalization reached IDR 1,104.48 trillion. Meanwhile, BBRI shares managed to achieve a consolidated return of IDR 15.56 trillion until the end of the first quarter of 2023. This has increased the positive response from so many investors. Currently, BBRI shares are at IDR 5,525/share. Meanwhile, in the first quarter of 2023, BBNI managed to set a new record with a growth of IDR 5.2 trillion. Its credit value also grew 7.2% compared to the previous year. Not only that, BBNI also recorded a net interest income of IDR 10.4 trillion. This figure increased by 12.7% compared to the first quarter of 2022.⁶³ The increase in interest rates has the potential to increase the interest burden on bank loans, which can reduce profitability or net profit for issuers. With that, high interest rates can be used by investors to hunt for banking stocks that have strong fundamentals. This can cause stock prices to increase due to the added investment value on the stock exchange which will then increase the stock price index.

This is in line with research conducted by (Hendrawan, Moorcy, Santoso, & Sukimin, 2022) which states that interest rates have a positive and significant effect on the composite stock price index (IHSG). Another research that is in line is research conducted by (Fitri, 2022) which states that interest rates have a positive and significant effect on the composite stock price index.⁶⁵

The Influence of Exchange Rates on the Composite Stock Price Index during the Covid Pandemic Period 2018-2022

Based on the results of the research that has been conducted, it shows that the Exchange Rate has a negative and significant effect on the Composite Stock Price Index (IHSG) during the Covid pandemic period 2018-2022. This means that the exchange rate can be used as a material for consideration in assessing the composite stock price index. The negative effect of the exchange rate on the composite stock price index indicates that the increase in the exchange rate has caused the IHSG to decline.

In signal theory, an increase in the exchange rate will cause a decrease in the IHSG and give a negative signal to investors in investing in the capital market and they tend to release their shares to save more because of the increase in the exchange rate. The shift in investment to another form will cause investors to sell shares, thus lowering the composite stock price index. Conversely, if the exchange rate decreases, investors will tend to invest and continue to run the investment. The exchange rate can also be represented as the amount of local currency needed to buy one unit of foreign currency. In this study, the Rupiah exchange rate against the US Dollar is used. If the Rupiah exchange rate strengthens against the US Dollar, it will have a negative impact on the capital market, because investors will prefer to invest in the money market compared to the capital market. This can cause a decrease in stock prices due to the lack of investment value on the stock exchange which will then lower the stock price index.

The results of this study are in line with the research conducted by (Pratama, 2023) which stated that the Exchange Rate has a negative and significant effect on the Composite Stock Price Index. Another study that is in line is the research conducted by (Fanani & Aji, 2023) which stated that the Exchange Rate has a negative and significant effect on the Composite Stock Price Index.

The Influence of Money Supply on the Composite Stock Price Index during the Covid Pandemic Period 2018-2022

Based on the results of the research that has been conducted, it shows that the Money Supply has a positive and significant effect on the Composite Stock Price Index (IHSG) during the Covid pandemic period 2018-2022. This means that the money supply can be used as a material for consideration in assessing the composite stock price index. The positive and significant effect of the money supply on the composite stock price index indicates that the increase in the money supply has caused the IHSG to increase.

In the money supply signal theory, when the demand for money increases, the stock price index will increase. An increase in the money supply will encourage additional sources of financing for companies so that companies can expand their businesses more widely, which will ultimately increase the company's performance. Increasing company performance will attract investors to invest their capital, which will increase the company's stock price and affect the composite stock price index.

The amount of money circulating in a country must be managed wisely. If the amount of money in circulation is too much, it will cause inflation. Meanwhile, if the amount of money in circulation is small, the economy will be sluggish. Increasing money circulation will not only cause inflation but can also increase investors to buy stocks rather than buy goods. With the high price of goods, there will be a tendency for investors to switch to investing in stocks. From this interest, stock purchases can increase so that the IHSG will also increase.

The results of this study are in line with the research conducted by Nova Priyanto and Lisandri which stated that the Amount of Money Circulation has a positive and significant effect on the Composite Stock Price Index (Priyanto & Lisandri, 2022).⁷⁰ Another study that is in line is the research conducted by Dewi Asriani and Mega Tunjung Hapsari which stated that the Amount of Money Circulation has a positive and significant effect on the Composite Stock Price Index.

CONCLUSION

This study shows that independent variables, namely inflation, interest rates, exchange rates, and money supply, simultaneously have a significant effect on the Composite Stock Price Index (IHSG) during the COVID-19 pandemic period (2018-2022). Partially: Inflation, has a significant effect on the IHSG. Moderate inflation (below 10%) tends to have a positive impact, while high inflation (above 10%) has a negative impact on the IHSG. Interest Rates Have a positive and significant effect on the IHSG. An increase in interest rates has a positive impact by attracting investment, strengthening the currency, and increasing savings. Exchange Rates Have a negative and significant effect on the IHSG. An increase in the exchange rate gives a negative signal to investors, which can trigger a decline in the IHSG due to increased stock sell-offs. Money Supply has a positive and significant effect on the IHSG. Proper management of the money supply can encourage stock investment activity, although excessive amounts can trigger inflation.

Practical implications of this study for the government and capital market regulators It is important to maintain inflation stability to keep it under control at a moderate level. Stable inflation can create a conducive investment climate and support the movement of the JCI. Exchange rate control is also an important factor in attracting foreign investor confidence so that it can support capital market growth and investors need to consider macroeconomic indicators, such as inflation, interest rates, exchange rates, and money supply, in making investment decisions. During periods of uncertainty, such as the COVID-19 pandemic, analysis of the impact of these variables can help mitigate risk and optimize investment returns.

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