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The Influence Of Inflation, And Interest Rate Levels On The Stock Price Index Of The Indonesian Stock Exchange

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Abstract

Macroeconomic changes in Indonesia will greatly affect the Indonesian economy and all industries throughout Indonesia. The capital market is a driver of the national economy through its role as a source of corporate financing and another way for investors to invest. In the capital market, the Composite Stock Price Index (IHSG) plays a crucial role because this index can be a barometer of economic health in a country. High inflation, interest rates will lower stock prices. This study aims to see the impact of inflation and interest rates on the Composite Stock Price Index (IHSG) on the Indonesia Stock Exchange (IDX). The analysis method uses an example of multiple linear analysis. The data used in this study means annual data for the period 1993-2023. The first hypothesis test was accepted and an inflation value of 0.021 was obtained. The results of the second hypothesis test were accepted and obtained from the interest rate value of 0.001. From the statistics, it was concluded that the inflation variable had a negative and significant effect on the IHSG. The interest rate variable had a negative and significant effect on the IHSG. Simultaneously, the independent variables, namely inflation, exchange rates and interest rates, had a significant effect on the IHSG. Through this study, we can conclude that macroeconomic changes, especially inflation and interest rates, have a significant impact on the IHSG convoy at the Indonesia Stock Exchange. Changes in these factors can affect investor sentiment and thus, hypnotize overall stock prices. Therefore, stakeholders in the capital market need to pay close attention to macroeconomic developments, including inflation rates and interest rates, in making investment decisions.

Keywords: *Inflation, Rate Levels, Stock Price Index, Indonesian Stock Exchange*.

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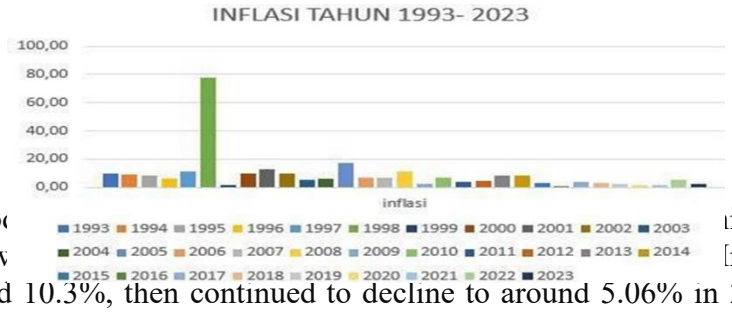
INTRODUCTION

Inflation is the most important factor affecting the stock market. Inflation tends to increase a company's production portfolio, which in turn reduces the company's profit margin. The additional effect is the fall in stock prices on the stock market. Research (Kusuma and Badjra, 2016) states that inflation has a negative and small effect on the aggregate stock price index. This shows that when inflation is higher, the aggregate stock index convoy experiences an insignificant decline.

Interest rates are one of the economic variables that are always watched because of their broad impact. Changes in Bank Indonesia's interest rates suggest stock prices. Stock prices on the secondary market and in daily trading experience fluctuations up or down. An increase in interest rates increases the burden on companies (issuers) which can then depress stock prices and can encourage investors to shift their assets to the money market or invest their capital in

savings or deposits because they can get high returns.

The Composite Stock Price Index (IHSG) is the main indicator that measures the price performance of all stocks listed on the primary board and the BEI development board. IHSG reflects the convoy of stock prices through historical data up to a certain date, often conveying daily gossip according to the closing price of the stock market. This index is presented in a certain time span, providing a comprehensive picture. Regarding capital market trends, and providing insight into market dynamics and investor sentiment in the previous period. Thus, IHSG is a very valuable guideline for investors to produce perfect investment decisions.

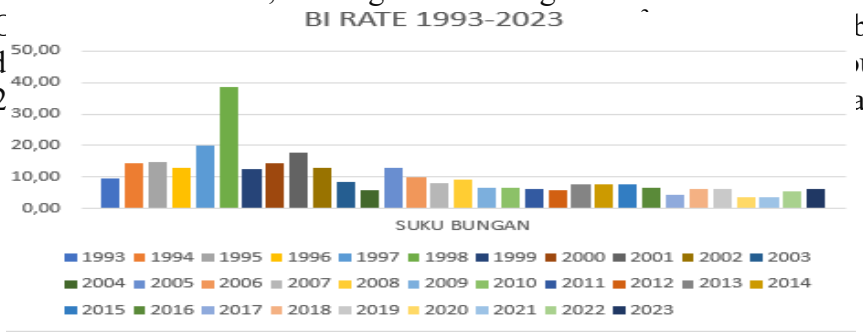


In the perio ificant fluctuations. In 2000 inflation v n 2002 the inflation rate fell to around 10.3%, then continued to decline to around 5.06% in 2003 and 6.40% in 2004. In 2005, the inflation rate rose to around 17.11%.

In 2006, inflation reached around 6.6%, which then increased to around 6.59% in 2007. In 2008[2], inflation reached around 11.06%, In 2009, the inflation rate fell to around 2.78%, which then became around 6.96% in 2010 and 3.79% in 2011.

This downward trend continued until 2013, where inflation was at around 8.38% and in 2014 it was 8.36%. In 2015[3], inflation[2,3] was at around 3.35%, indicating relative price stability. However, in 2016, there was a significant increase in inflation to around 3.02%, partly driven by increases in consumer goods prices and public service tariffs. 2017 saw inflation rise to around 3.61%, however, in 2018, inflation figures rose again to around 3.31%. In subsequent years, inflation tended to be stable, with figures reaching around 2.72% in 2019

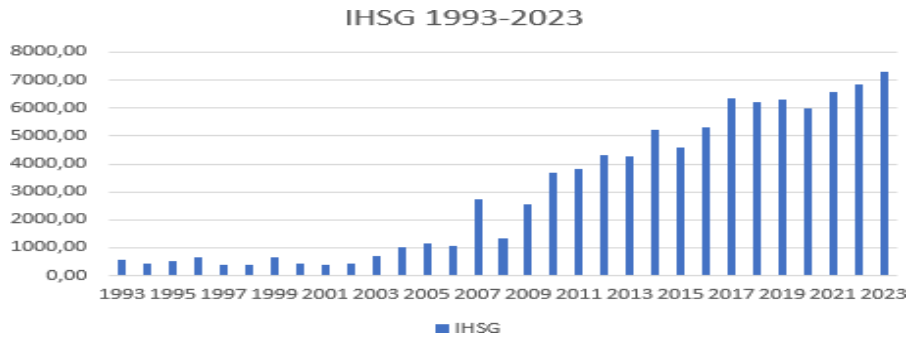
The CC bal economic downturn and und 1.87% in 2021. In 2022 ase to 2.61



In 1993, the BI Rate was 9.50%. BI set this interest rate in response to the economic conditions and high inflation at that time. The BI Rate in 1994 increased to 14.38%, as an effort to stabilize the currency and control the still high inflation. continued to increase the BI Rate to 14.75% in 1995 to contain the increasing inflation due to the economic crisis that hit Asia at that time. In 1996, the BI Rate fell slightly to 12.88%.

1997 was the year of the great Asian financial crisis. In response, BI increased the BI Rate to 20% to maintain the rupiah exchange rate and stabilize the economy. At the peak of the

Asian financial crisis, the BI Rate in 1998 reached a very high level, namely 38.44%. After going through difficult times of crisis, in 1999 BI began to lower the BI Rate to 12.51%, as a step for economic recovery and strengthening hampered economic growth.



In 2000, the BI Rate increased to 14.53%, in line with the ongoing economic recovery, but continued to be vigilant to avoid excessive inflation spikes. In 2001, the BI Rate increased to 17.62%, as a step to encourage economic growth after the Asian economic crisis. In 2002, the BI Rate remained stable at 12.93%, with a focus on economic recovery and controlling inflation. In 2003, the BI Rate decreased to 8.31% and in 2004, the BI Rate fell again to 5.92%, as a step to maintain economic stability and increase people's purchasing power.

In 2005, the BI Rate remained stable at 12.75%, with a focus on maintaining economic stability and controlling inflation. In 2006, the BI Rate was reduced to 9.75%, in response to rising inflationary pressures due to rising global commodity prices. In 2007, the BI Rate was raised again to 8%, as a precautionary measure against potential economic overheating and still high inflationary pressures. The year 2008 was marked by the financial crisis[4] global that affects the Indonesian economy. The BI Rate was raised to 9.25% as a step to maintain national financial stability. In 2009, the BI Rate increased drastically to 6.5% in response to the slowdown in global economic growth and an effort to stimulate domestic economic growth.

In 2010, the BI Rate remained stable at 6.5%, with a focus on post-crisis economic recovery and inflation control. In 2011, the BI Rate was lowered to 6.5%, as a measure to stimulate economic growth amidst global uncertainty and still-controlled inflationary pressures. The BI Rate was lowered again to 6% in 2011 and 5.75% in 2012 in response to slowing global economic growth and efforts to[5] to maintain domestic economic stability.

The year 2013 was marked by global economic turmoil and rising inflationary pressures in Indonesia. The BI Rate was raised to 7.5% as a measure to control inflation. In 2014, the BI Rate was raised again to 7.75% in response to rising inflationary pressures and slowing global economic growth.

The BI Rate was lowered to 7.5% in 2015, in line with efforts to stimulate domestic economic growth and maintain the stability of the rupiah exchange rate. In 2016, the BI Rate was lowered to 6.5% as a measure to stimulate economic growth and support people's purchasing power. The BI Rate remained stable at 4.25% in 2017, with a focus on maintaining economic stability and controlling controlled inflation.

The years 2018 and 2019 were marked by an increase in the BI Rate to 6%, in response to inflationary pressures due to rising world oil prices and the depreciation of the rupiah exchange rate.[5]. In 2020, the BI Rate dropped drastically to 3.75%, as an emergency measure in response to the economic impact of the COVID-19 pandemic. In 2021, the BI Rate remained

stable at 3.5%, as an effort to support post-pandemic economic recovery by maintaining low interest rates. 2022 is still marked by uncertainty due to the pandemic. The BI Rate remains stable at 5.5%, with a focus on economic recovery and controlling inflation. In 2023, the BI Rate remains stable at 6%, with the government continuing to strengthen economic recovery and maintain financial stability.

During the period 1993-2000, the Composite Stock Price Index (IHSG) experienced a dynamic journey, reflected in the percentage changes each year. In early 1993, the IHSG experienced an increase of 588.00. However, over the next few years, the IHSG experienced quite large fluctuations, where in certain years it recorded an increase and in other years it experienced a decrease. Factors such as global economic conditions, political stability, and government policies have a significant impact on the movement of the IHSG.

In the mid to late 1990s, the JCI experienced strong growth, especially after the Asian financial crisis in 1997 where the JCI experienced a decline of 401.71. The Asian financial crisis also had a negative impact on the JCI, which then experienced a decline in 1981.

In early 20001, the JCI experienced a sharp decline as a result of the ongoing Asian financial crisis, as well as global economic turmoil that affected investor sentiment. This decline reached around 416.32. However, over time, the JCI gradually recovered along with efforts to restore the global and domestic economy. In 2003, the JCI increased by 691.90, reflecting little market optimism towards the improving prospects of the Indonesian economy. At the end of the 2005 period, the JCI recorded a movement of 1,162.62, reflecting the dynamics of the Indonesian stock market that continued to change during that period. Despite experiencing various challenges, the JCI remains an important indicator in measuring the performance of the Indonesian capital market during that period. In the following year, the JCI continued to experience increasing development with several years recording significant increases. In 2006, the JCI experienced an increase of 1,085.52, which was followed by an increase of 2,754.83 in 2007. However, fluctuations in the JCI occurred in the following years, including a significant decline in 2008 as a factor causing the global financial crisis of 1,355.41.

Nevertheless, the JCI recovered gradually and recorded positive growth in the following years, including an increase of 2,534.36 in 2009 and a more significant increase in 2010 of 3,703.511.

In 2011, IHSG1 experienced an increase of 3,821.99, followed by fluctuations in the following years. IHSG recorded a fairly stable increase in 2012 of 4,316.69, followed by a stable increase in 2013 of 4,274.18 and in 2014 of 5,226.951. In early 2015, IHSG1 experienced significant fluctuations in response to unstable global economic conditions and financial market volatility of 4,593.01. IHSG continued to experience strong growth with several years recording significant increases. In 2016, IHSG experienced an increase of 5,296.71, followed by fluctuations in the following years.

The JCI recorded a fairly stable increase in 2017 of 6,355.65, which was then followed by an insignificant decrease in 2018 of 6,194.50. In the last years of the period, the JCI experienced more stable fluctuations, reflecting the dynamics of the Indonesian stock market which changed along with global and domestic economic conditions. . In 2013, the JCI experienced an increase of 7,277.80.

In the research evaluated by the author of this study, to analyze the Study on the influence of inflation1, and interest rates on the composite stock price index (IHSG) on the Indonesia Stock Exchange (IDX) has become a topic that has attracted the attention of many researchers and capital market practitioners. Several studies have been conducted to identify the extent to

which these economic factors affect the movement of the IHSG.

One of them is research by Moorcy, et al. (2021), which found that inflation, in significantly affect the JCI. Similar findings were also found by Daffa Z., (2023), who emphasized that inflation and interest rates2 had a significant impact on the JCI. However, conflicting results emerged from a study by Januardi., et al. (2021), who concluded that these factors did not have a significant effect on the JCI. The same findings were also seen in a study by Maghfiroh., et al. (2021), which showed that inflation, interest rates, and exchange rates did not1 have a significant effect on the JCI, especially during the pandemic.

Finally, research by Defiana., et al. (2023) also shows that inflation and Bank Indonesia rupiah interest rates do not have a significant effect on the IHSG. Based on this series of studies, it can be concluded that although some studies show a significant effect of inflation and interest rates on the IHSG, other studies show that the effect is not significant. This shows that the relationship between these economic factors and the movement of the IHSG on the IDX is very complex and may be influenced by various other variables. Therefore, a more in-depth study of fundamental factors and complex market dynamics is needed to inform better investment decisions in the Indonesian stock market.

The effect of inflation, at the interest rate level3, on the composite stock price index listed on the Indonesia Stock Exchange in 2023-2021. Badri et al., (2022) The effect of inflation and interest rates on the composite stock price index (IHSG) on the Indonesia Stock Exchange5. Adriyani et al., (2019) Research conducted by Badri et al. (2022) found a relationship showing an effect between inflation and interest rates on the IHSG6. Meanwhile, a study conducted by Adriyani et al. (2019) showed an insignificant effect of the exchange rate, interest rates,1 and inflation3 on the IHSG.

The effect of exchange rates, interest rates3, and inflation on the composite stock price index on the Indonesia Stock Exchange3. Saputra et al., (2019) Inflation rate, SBI interest rate and exchange rate on the stock price index1. Wahyuni et al., (2020). The study cited by Saputra et al. (2019) Concluded that exchange rates2, interest rates, and inflation1 have a significant effect on the JCI, towards the opposite achievement1 by Badri et al. and Adriyani et al. Meanwhile, from the study cited by Wahyuni et al. (2020) it was stated that inflation, interest rates, and exchange rates did not significantly affect the JCI. This shows the importance of these economic factors in stock market movements.

The effect of inflation, interest rates, and exchange rates on the composite stock price index3 on the Indonesia Stock Exchange1. Mahfud et al., (2021) The impact of inflation and interest rates on the exchange rate on the composite stock price (IHSG). Aminda. et al., (2021). Based on the study cited by Mahfud et al. (2021)1, it was stated that inflation, interest rates, and exchange rates had a significant effect on1 the IHSG. This finding provides a consistent and interesting conclusion. Meanwhile, a study obtained by Aminda et al. (2021) stated that inflation, interest rates, and exchange rates3 did not significantly affect the IHSG. The consistency of these findings provides additional weight to the argument.

The effect of inflation, interest rates, and exchange rates on the composite stock price index (IHSG)1. Daffa z., (2023) the effect of inflation, interest rates, and exchange rates on the composite stock price index3. Melyani et al., (2019). From the results of the study, Daffa z (2023) emphasized that inflation, interest rates1, and exchange rates together have a significant effect on the IHSG. This reflects the consistency of findings from various studies. Meanwhile, according to Melyani et al. (2019) found no significant effect of inflation, interest rates, and exchange rates on the IHSG2, in contrast to the findings of several previous studies. This shows

the complexity in stock market analysis.

The influence of exchange rates, SBI2 interest rates, inflation, from GDP developments there are changes in the IHSG on the Indonesian stock exchange1. Mawardi et al., (2019) The influence of inflation and currency exchange rates on the composite stock price index (IHSG) on the Indonesian stock exchange. Khairunnisa et al., (2022). Based on the study obtained by Mawardi et al. (2019) which stated that Concluded that the exchange rate, SBI interest rates, inflation, and GDP growth have a significant influence on the movement of the IHSG1, providing an additional dimension to the analysis of economic factors. Meanwhile, according to Khairunnisa et al. (2022) Finding that inflation and currency exchange rates1 do not have a significant influence on the IHSG,3 provides a different perspective in the analysis of factors driving the stock market.

The influence of the US dollar exchange rate1, inflation, interest rates, has a significant effect on the composite stock price index with the vector error correction model2. Fitiyani et al., (2020) The influence of inflation, interest rates2, and exchange rates is not significant on the composite stock price index. Hendayana et al., (2023)

The influence of interest rates and inflation has a significant effect on the composite stock price index on the Indonesia Stock Exchange3. M.Budiantara., (2019) Analysis of the impact of inflation, interest rates and the rupiah exchange rate1 Not significant on the stock price index on the IDX during the pandemic1. Maghfiroh et al., (2021)

The effect of inflation, interest rates, and exchange rates1 is significant on the composite stock price index. Hendayana et al., (2023) The effect of inflation, interest rates, rupiah exchange rates, domestic product and money supply is not significant on the composite stock price index (IHSG) on the Indonesian stock exchange (BEI) for the 2010-2019 period. Hartiyah et al., (2021)1.

The impact of inflation, the rupiah exchange rate, SBI interest rates have a significant effect on the composite stock price index on the IDX. Wirawati et al., (2020) the effect of the rupiah exchange rate, inflation, the amount of money distributed and the interest rate level is not significant on the composite stock price index (IHSG) on the Indonesian Stock Exchange or (IDX). Sunarwijaya et al., (2019).

The impact of inflation, exchange rate (dollar/rupiah), SBI interest rate has a significant impact on the composite stock price index on the Indonesian stock exchange. Sishadiyati et al., (2021) the impact of inflation, interest rates, and GDP growth do not have a significant impact on the composite stock price index. Kewal., (2020).

From the results of the research and the phenomena above, the research that must be proven is regarding the analysis of the influence of inflation, interest rates, and exchange rates on the composite stock price index on the Indonesia Stock Exchange1. This research can dig deeper into how research shows a significant influence of inflation, interest rates, and exchange rates on ihsg1, other studies show that the influence is not significant.

The focus of this research can include multiple linear regression using quantitative data and considering economic factors and ihsg movements. From the results of this study, complex market dynamics are needed to inform better investment decisions in the Indonesian stock market.

THEORETICAL BASIS

Based on the opinion of Sunariyah (2006), the mixed stock price index for all shares describes a series of historical issues regarding the movement of the mixed stock prices of all

shares.

Shares, until the exclusive release. Generally the movement of the stock price is presented every day, according to the closing price on the stock exchange on that day. The index is presented for an exclusive period. The increase in the number of shares in circulation comes from new emissions, namely the entry of new issuers listed on the Stock Exchange, or there is a corporate action in the form of a split, right, warrant, stock dividend, bonus shares, and convertible shares. Mixed Stock Price Index The Mixed Stock Price Index is a series of historical issues about the convoy of mixed stock prices of all shares until a certain release.

(Sunariyah, 2011:140). The composite Stock Price Index covers the price movements of common and preferred stocks and uses all listed companies as components of the index calculation. The Indonesian Stock Exchange has the authority to exclude and or not include one or several listed companies in the calculation of the composite Stock Price Index, so that the composite Stock Price Index shows a reasonable condition when published to the public in a certain period.

RESEARCH METHODOLOGY

This study uses the multiple linear regression analysis method. Multiple linear regression is a regression that can be used to examine the relationship between several variables and predict future demand to determine the number of independent variables against predictor variables of more than one dependent variable.

The multiple linear regression equation is formulated in the following equation: $Y = \alpha + \beta 1X1 + \beta\ 2X2$ (1)

Where : a = Constant

B1 = Inflation Regression Coefficient

B2 = Interest Rate Regression Coefficient Y = IHSG

X1 = Inflation

X2 = Interest Rate.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
inflasi	30	1.68	77.63	8.8437	13.47697
suku bunga	31	3.50	38.44	9.9281	6.78095
jumlah uang beredar	31	37036.00	2675333.28	761930.3668	776482.84462
Valid N (listwise)	30				

A. INFLATION

From the table above 4.1 collected from the data shows that the independent variable inflation (x1) shows a minimum of 1.68 obtained from inflation data in 1998 and a maximum of 77.63 obtained from inflation data in 2005, the middle value of inflation is 8.8437 and the standard deviation is 13.47697.

B. INTEREST RATE

From the table above 4.1 collected from the data shows that the independent variable interest rate (x2) shows a minimum of 3.50 obtained from inflation data in 2002 and a maximum of 38.44 obtained from interest rate data in 2022, the middle inflation value is 9.9281 and the standard deviation is 6.78095.

C. COMPOSITE STOCK PRICE INDEX

From the table above 4.1 collected from the data shows that the dependent variable composite stock price index (Y) shows a minimum of 37036.00 obtained from inflation data in 1998 and a maximum of 2675333.28 obtained from the composite stock price index data in 1995, the middle inflation value is 761930.3668 and the standard deviation is 776482.84462.

Normality Test

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			31
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		2.17719036
Most Extreme Differences	Absolute		.100
	Positive		.059
	Negative		-.100
Test Statistic			.100
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.597
	99 Confidence Interval	Lower Bound	.585
		Upper Bound	.610

a. Test distribution is Normal

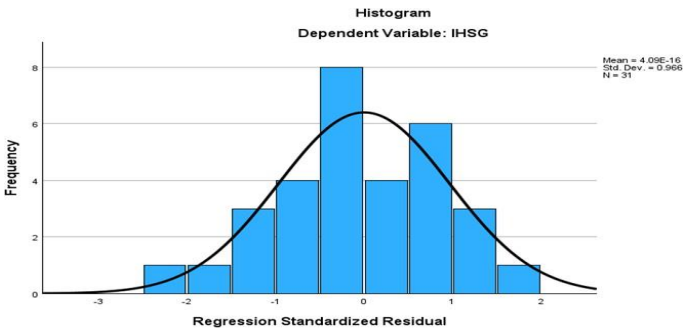
b. Calculated from data.

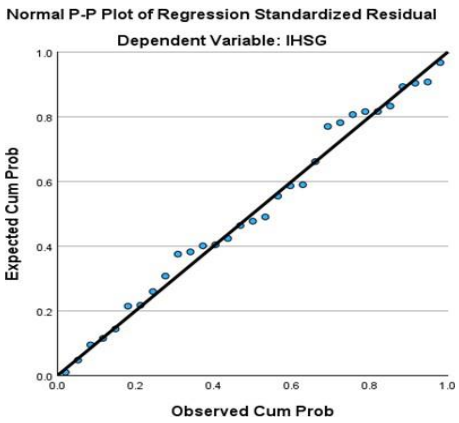
c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 926214481

The test results show a significance level of 0.610, which is greater than 0.05, meaning that the residuals are normally distributed. The normality test uses a histogram and normal probability plot to present the test results as shown in the image below.





From the image above the histogram results can be seen the line graph shows no slope to

the left or right, but forms a bell pattern in the middle if the data follows a normal distribution. The points in the image will follow a straight line, if the points do not follow a straight line, there is a possibility that the data does not follow a normal distribution based on the image concluded, that the data of this review has normal distribution provisions. The form of regression specified in the Analysis meets the thesis of normality of distribution.

Multicollinearity test

A good regression model should have no correlation between independent variables (Ghozali, 2018). The results of data analysis using the SPSS application.

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	inflasi	.237	4.217
	suku bunga	.237	4.217

a. Dependent Variable: IHSG

Based on the results of the data analysis image above, it shows that multicollinearity does not occur in the regression used in this study. It can be concluded that all independent variables have a tolerance value above 0.10 and a VIF of around 10. In addition, there is no problem of multicollinearity and the regression model can be said to be valid and can be used.

Heteroscedasticity Test

This study aims to assess whether in the regression model there is inequality of residuals from one observation to another observer (Ghozali 2018). The results of the variance non-uniformity test are referenced in the following table:

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.889	.485		5.952	<,001
	inflasi	.055	.034	.568	1.643	.111
	suku bunga	-.165	.067	-.856	-2.474	.020

a. Dependent Variable: ABS_RES

The results of the heteroscedasticity test show that there is no significant statistical evidence showing the influence of the independent variable seen in the form of regression, if the significant value is more than 0.05 it can be concluded that this regression model does not experience heteroscedasticity.

Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.656[a]	.430	.389	2.25361	1.138

a. Predictors: (Constant), suku bunga , inflasi

b. Dependent Variable: IHSG

Based on the table above, the regression autocorrelation test displays the Durbin-Watson

(DW) results of 1.138 to determine whether or not there is autocorrelation. It can refer to the guidelines provided by Santoso (2012; page 241). The hypothesis proposed is that there is no autocorrelation in the model, because the DW value has a result between -2 and +2 (-2 < DW <+2), theoretically indicating that there can be autocorrelation.

Multiple Regression

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	6.939	.914		7.595	<,001
	inflasi	.155	.064	.717	2.446	.021
	suku bunga	-.507	.126	-1.181	-4.031	<,001

a. Dependent Variable: IHSG

Therefore, we can get the following equation:

$$Y = 6.939 + 0.155 + -0.507$$

a. The constant value of 6.939 shows that the independent variables (inflation), (interest rates) have an effect or are fixed, and the Y value (IHSG) is 6.939.
b. The inflation coefficient β (x1) = 0.155 for the inflation variable shows that if the inflation variable increases, it will result in an increase in the value of the IHSG variable by 0.155.
c. The β Interest Rate Coefficient (x2) = -0.507 for the inflation variable shows that if the inflation variable decreases, it will result in an increase in the value of the IHSG variable by -0.507.

Hypothesis Testing

In this study, the hypothesis test used is using a partial significant test (statistical t test) significant test, simultaneous (statistical f test) and coefficient of determination test (adjusted R2) statistical t test in this study was conducted to determine how far the influence of the dependent variable. The statistical f test is used to determine whether the independent variable simultaneously affects the dependent variable and the adjusted R2 test is used to measure how far the model's ability to explain the variation of the dependent variable. The following are the results of the statistical t test, statistical f test and coefficient of determination test (adjusted r2) in this study.

Partial Significance Test (t-Statistic Test)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	6.939	.914		7.595	<,001
	inflasi	.155	.064	.717	2.446	.021
	suku bunga	-.507	.126	-1.181	-4.031	<,001

a. Dependent Variable: IHSG

Based on the results of the partial significance test in the table above, the following conclusions can be drawn:

1. The first hypothesis (H1) that has been established is that inflation has an effect on economic growth and the null hypothesis (H0) and alternative hypothesis (Ha) are required as follows:

- H0: Inflation has no effect on economic growth

- Ha: Inflation affects economic growth

Based on the results of the table above, it shows that the asset structure variable has a significant regression coefficient value (β) of 0.155 with a sig level of 0.021, the significance value is smaller than the significance level used (0.021 <0.05). The results show that Ha1 is accepted and H01 is rejected, meaning that inflation has an effect on economic growth. So it can be concluded that hypothesis 1 is accepted.

2. The first hypothesis (H2) that has been established is that interest rates have an effect on economic growth and the null hypothesis (H0) and alternative hypothesis (Ha) are required as follows:

- H0: Interest rates have no effect on economic growth
- Ha: Interest rates affect economic growth

Based on the results of the table above, it shows that the asset structure variable has a significant regression coefficient value (β) of -0.507 with a sig level of 0.001, the significance value is smaller than the significance level used (0.001 <0.05). The results show that Ha1 is accepted and H01 is accepted, meaning that interest rates have an effect on economic growth. So it can be concluded that hypothesis 2 is accepted.

Simultaneous Significance Test (F-Statistic Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	107.224	2	53.612	10.556	<,001[b]
	Residual	142.205	28	5.079		
	Total	249.429	30			

a. Dependent Variable: IHSG
b. Predictors: (Constant), suku bunga , inflasi

Based on the results of the simultaneous significant test (Descriptive statistical test) in the table above, it shows that the calculated f value is 10.556 and the significance level is 0.001 which is smaller than 0.005. This shows that inflation and interest rates simultaneously have a significant effect on the Ihsg in Indonesia since 1993 so that it can be concluded that hypothesis 3 is accepted.

Test of coefficient of determination

Ghozali (2018) stated that the coefficient of determination (R2) essentially aims to interpret the variation of the dependent variable. The value of the coefficient of determination has a range of 0 to 1. R2 has an interval between 0 and 1 (0<R2<1). The results of the coefficient of determination test in this study can be seen in the following table:

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.656[a]	.430	.389	2.25361	1.138

a. Predictors: (Constant), suku bunga , inflasi
b. Dependent Variable: IHSG

Based on the results of the determination coefficient test (R2) in the table above, it shows that the determination coefficient value is in the adjusted R Square column with a value of 0.389, which means that all independent variables, namely inflation and interest rates, affect economic growth by 38.9%, while the remaining 61.1% is likely influenced by other factors

outside the research.

Based on the results of the previous data analysis, it shows that the results of the partial significance test (t-test) are that the inflation variable (X1) regression coefficient (β) has a positive value of 0.155 and the significance level is 0.021 which is smaller than the significance level set at 0.05. This shows that inflation has an influence and is significant to the results or variables studied.

Based on the results of the previous data analysis, it shows that the results of the partial significance test (t-test) are the variable Interest rate (X2) regression coefficient (β) has a positive value of 0.507 and the level of significance is 0.001. Which is smaller than the level of significance set at 0.05. This shows that interest rates do not have a significant effect on the results or variables studied.

The composite stock price index in Indonesia from 1993-2023, which means that the higher the inflation variable, the composite stock price index variable will also increase, and interest rates do not have a significant impact on the composite stock price index.

DISCUSSION OF RESULTS

The Influence of Inflation and Interest Rates on the Stock Price Index of the Indonesian Stock Exchange

The results of the hypothesis test conclude that inflation has an effect on economic growth. so it can be concluded that hypothesis 1 is accepted. This shows that inflation has an effect and is significant to the results or variables studied. This means that after conducting the hypothesis test, the results of the analysis show that there is a significant relationship between inflation and economic growth, especially as reflected in the Composite Stock Price Index on the Indonesia Stock Exchange. Meanwhile, from the results of the hypothesis test, it was obtained that the interest rate level had no effect on economic growth. So it can be concluded that hypothesis 2 is accepted. This shows that the interest rate does not have a significant effect on the results or variables studied. After testing the hypothesis involving the effect of the interest rate level on the Composite Stock Price Index on the Indonesia Stock Exchange. From the results of the third hypothesis test, it was concluded that inflation and interest rates simultaneously had a significant effect on the Ihsg in Indonesia since 1993 so it can be concluded that hypothesis 3 is accepted. In other words, all independent variables, namely inflation and interest rates affect economic growth by 38.9% while the remaining 61.1% is likely influenced by other factors outside the research on Indonesian economic growth. Thus, this shows that inflation can affect the composite stock price index on the Indonesian stock exchange.

CONCLUSION

Based on the results of research, analysis, and discussion conducted in the study entitled "The Effect of Inflation and Interest Rates on the Composite Stock Price Index on the Indonesia Stock Exchange", the following can be concluded:

1. Inflation has a negative and significant effect on the Jakarta Composite Index. This shows that when the inflation rate increases, stock prices tend to decrease, and vice versa.
2. Interest rates also have a negative and significant effect on the Jakarta Composite Index. When interest rates decrease, the Jakarta Composite Index tends to increase, and vice versa, when interest rates increase, the Jakarta Composite Index tends to decrease.

SUGGESTION

Based on the findings and conclusions above, the researcher suggests the following things that need to be considered by further researchers:

1. It is recommended that further research expand the scope by using broader data. This can help in identifying other variables that have the potential to affect the Composite Stock Price Index, in addition to the variables that have been studied in this study. Thus, this study is expected to contribute as additional literature for future studies.
2. For those involved in the management and affected by the Jakarta Composite Index, the importance of effective control over inflation and interest rates is highlighted. This control is an important key to maintaining the stability of the Jakarta Composite Index so that it remains stable.

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