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Determinants of Exchange Rates And Inflation to Stock Prices in Companies Listed LQ45 Indices on Indonesia Stock Exchange

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ABSTRACT

This study aims to determine the effect of *Exchange Rate* and Inflation on Stock Price. The population in this study is Go-Public companies from the LQ45 Index listed on the Indonesia Stock Exchange during the period 2017-2019. The sample selection technique in this study is *purposive sampling*. Thirty-six companies have been acquired that meet the criteria of the research sample. The results showed that Exchange *Rate* and Inflation partially or simultaneously did not have a significant effect on the dependent variable, namely the Stock Price of LQ45 Index Companies Listed on the Indonesia Stock Exchange for the 2017-2019 period.

INTRODUCTION

The Indonesian capital market currently plays an important role and has grown rapidly in mobilizing investor funds that will invest, especially in stock investments that are most in demand in the capital market. Each security has a different intensity of transactions in the capital market. Some securities are actively traded, but some other securities tend to be passive, Tandelilin (2010).

The intensity of this stock transaction will have an impact on the value of the Stock Price Index which is a reflection of stock price movements and will later affect the overall performance of the stock exchange. One type of Stock Price Index on the Indonesia Stock Exchange that is very actively traded is the LQ45 Index which consists of 45 leading stocks with high liquidity levels and large market capitalization and has passed the test according to several test criteria.

Stock investment appraisal can be done using technical analysis. Technical analysis focuses on how to predict the direction of stock price movements and other stock market indicators through the study of historical charts, Tandelilin (2010). The technical analysis that will be examined is reflected through *Exchange Rates* and Inflation.

Based on the phenomena that have been studied, *Exchange Rates,* Inflation and Stock Prices in LQ45 Index companies listed on the Indonesia Stock Exchange for the 2017-2019 period have increased and decreased. Where this condition will be a consideration for investors in investing in shares.

The purpose of this study is to determine and analyze the partial and simultaneous influence between Exchange *Rate* and Inflation on Stock Prices in LQ45 Index Companies listed on the Indonesia Stock Exchange for the 2017-2019 period. This research is expected to provide benefits in adding insight where investors are expected to analyze and make decisions to sell or buy shares.

MATERIALS AND METHODS

Job Market Signalling. This theory involves two parties, namely insiders such as management who act as parties who provide signals and outsiders such as investors who act as parties who receive signals. *Michael Spence* said that by providing a signal or signal, the management tries to provide relevant information that can be utilized by investors. Then, the investor will adjust his decision according to his understanding of the signal.

According to Sutrisno (2012), financial management or often called spending can be interpreted as all company activities related to efforts to get company funds at low costs and efforts to use and allocate these funds efficiently.

According to Musdalifah Azis (2015) the stock price is the price in the real market, and is the price that is easiest to determine because it is the price of a stock in the ongoing market or if the market is closed, then the market price is the closing price.

According to Mahyus Ekananda (2014), *the exchange rate* is the price of a currency relative to the currencies of other countries. *The exchange* rate plays an important role in spending decisions, as it allows us to translate prices from different countries into the same language.

According to M. Natsir (2014) inflation is the tendency to increase prices of goods and services in general continuously, can be calculated using the following formula:

The researcher aims to find out how the effect *of Exchange Rate and Inflation on Stock Prices in LQ45 Index companies listed on the Indonesia Stock Exchange for the 2017-2019 period, where researchers use Stock Price sources from Azis* (2015), Exchange Rate from Khasmir (2012) and *Price Earning Ratio* from Fahmi (2012), here is the framework of this study.

On the basis of the above problems, the author proposes a hypothesis thatis a provisional answer, where the hypothesis serves as a temporary conjecture. To measure exactly the extent of the influence of Earning *Per Share,* and *Price Earning Ratio* to Share Price in LQ45 index companies listed on the Indonesia Stock Exchange.

1. There is a significant influence between the Exchange *Rate* and Share Price in LQ45 index companies listed on the Indonesia Stock Exchange.
2. There is a significant influence between Inflation and Share Prices in LQ45 index companies listed on the Indonesia Stock Exchange.

The population in this study is LQ45 Index companies listed on the Indonesia Stock Exchange, which is 45 companies during the 2017-2019 period. The sampling technique is carried out using the purposive sampling method with the aim of obtaining a representative sample with the following criteria: (1) Companies included in the LQ45 Index during the 2017-2019 period, (2) Companies that regularly report financial statements on the LQ45 Index during the 2017-2019 period, companies that meet the purposive sampling criteria as many as 36 and those that are not included as many as 9 companies due to companies it does not regularly report financial statements on the LQ45 Index during the period 2017-2019.

RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

Statistics

		Kurs	Inflasi	Harga Saham
N	Valid	108	108	108
	Missing	0	0	0
Mean		13925,6300	3,3467	9490,2685
Median		14146,3300	3,2000	3730,0000
Std. Deviation		386,74602	,33646	15621,42976
Minimum		13384,00	3,03	344,00
Maximum		14246,00	3,81	83800,00

Based on the SPSS result table above, it can be seen that the *Exchange Rate* variable has an average value of 13,925.63 with a middle value of 14,146.33. This variable also has a low value of

13,384.13 and a high of 14,246.43. The Inflation variable has an average value of 3.34 with a median value of 3.2. This variable also has a low value of 3.03 and a high of 3.81.
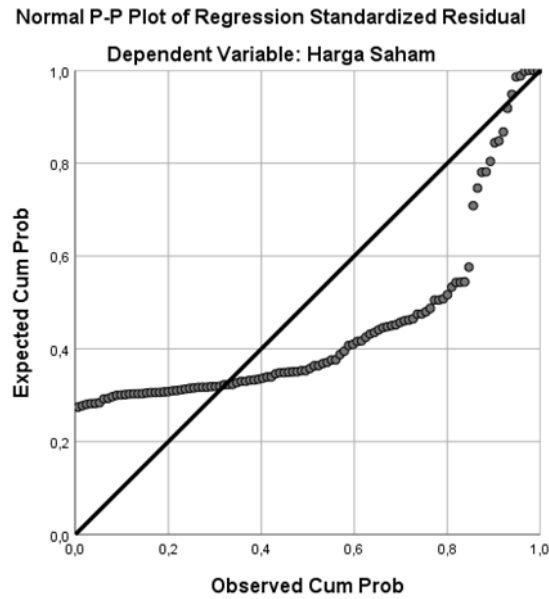

Figure 1. Normality Test

In the P-P Plot graph, it can be seen that the distribution of data can be said to be scattered around the straight line Thus, it can be said that the requirements of normality can be met.

Table 2. Multicollinearity Test

Coefficientsª

Collinearity Statistics	
Tolerance	VIF
,094	1,020
,093	1,088

a. Dependent Variable: Harga Saham

In the P-P Plot graph, it can be seen that the distribution of data can be said to be scattered around the straight line Thus, it can be said that the requirements of normality can be met.
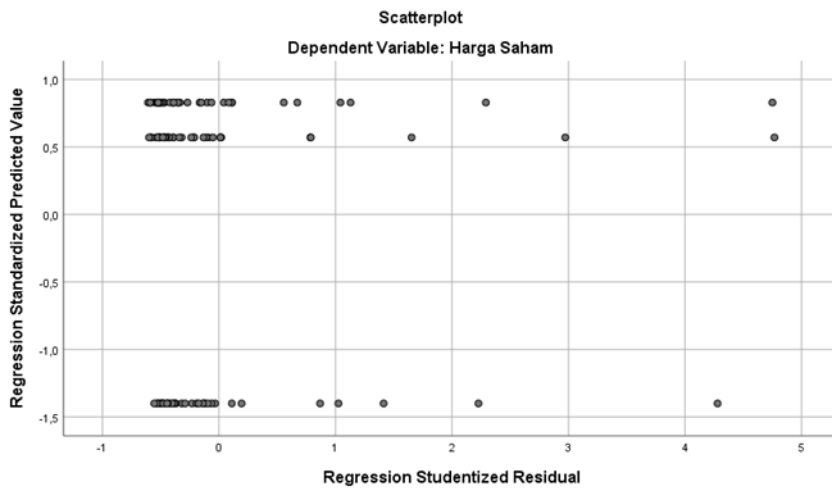
Figure 2. Heterocesdaticity Test

Based on the figure above, it is known that the points spread randomly and are scattered both above and below the number 0 on the Y axis. It can be said that multiple linear regression analysis X1, and X2, against Y is really linear because it has heteroscedasticity problems so that multiple linear analysis can be continued.

Table 3. Autocorrelation Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,023ᵃ	,001	,0,18	15765,19482	,893

a. Predictors: (Constant), Kurs, Inflasi
b. Dependent Variable: Harga Saham

The results of the autocorrelation test in the table above show that *the Durbin-Watson* value is 0.893. Based on existing categories, *Durbin-Watson* values fall into the range of 1 <DW(0.893)<2.35 which means no autocorrelation occurs. It is not conclusive that the multiple linear regression analysis performed has no autocorrelation problem. Therefore multiple linear analysis can be continued.

Table 4. R-Square Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,023ᵃ	,001	,18	15765,19482	,893

a. Predictors: (Constant), Kurs, Inflasi
b. Dependent Variable: Harga Saham

Based on the table above, the value of *Adjusted R Square* = 0.18 is obtained. Shows that *Exchange Rate* and Inflation variables are able to affect Stock Price variables by 18%. While the remaining 78% is influenced by factors outside this model. To test its significance, the next output is used, which is as follows:

Table 5. F-Test

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14266616,685	2	7133308,343	,29	,972ᵇ
	Residual	26096843616,528	105	248541367,776		
	Total	26111110233,213	107			

a. Dependent Variable: Harga Saham
b. Predictors: (Constant), Kurs, Inflasi

Based on this table shows the value of F count = 0.29 with probability Sig = 0.972. Because the probability of Sig is greater than the level of the study test (Sig 0.972 > 0.05) it is thus independent (X1 and X2 do not exert a significant effect simultaneously on the dependent variable (Y).

Table 3. t-Test

Coefficients^a

del		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
	(Constant)	-36057,908	224168,439		-,161	,373
	Kurs	-7,914	7,967	-,196	-,993	,323
	Inflasi	-12309,183	9213,224	-,265	-,1336	,184

ependent Variable: Harga Saham

Based on the calculation table above, the multiple linear regression analysis can be formed a regression equation model and its significance as follows:

$$Y = -36057,908 -7,914 X_1 -12309,183 X_2$$

The double linear regression equation model can be interpreted as follows:
1. The constant in the regression above shows that if there are no *Exchange Rate* and Inflation variables, the stock price value is -36057.908.
2. The value of the regression coefficient on the *Exchange Rate* variable (X1) is -7.914. It hereby states that if *EPS* increases by one unit, the share price increases by -7.914.
3. The value of the regression coefficient on the Inflation variable (X2) is -12309.183. Hereby states that if the *PER* increases by one unit, the stock price increases by -12309.183.

There is a significant influence between *Earnings Per* Share on Share Prices in LQ45 Index companies listed on the Indonesia Stock Exchange.

H1o: There is no influence between *Exchange Rate* and Share Price in LQ45 Index companies listed on the Indonesia Stock Exchange.

The value of the Exchange Rate *regression coefficient* of bX1 = -7.914 with a calculated t value of sig t = 0.323 because the calculated t value is greater than the test level (sig t = 0.323 > 0.05) it is rejected. Which means there is no significant effect of Inflation on the Share Price of LQ45 Index companies listed on the Indonesia Stock Exchange.

H2o: There is no influence between Inflation and Stock Prices in LQ45 Index companies listed on the Indonesia Stock Exchange.

The value of the Inflation regression coefficient of bX2 = -12309.183 with a calculated t value of sig t = 0.184 because the calculated t value is greater than the test level (sig t = 0.184 > 0.05) it is rejected. Which means there is no significant influence of the Exchange *Rate* on the Share Price of LQ45 Index companies listed on the Indonesia Stock Exchange.

There is no significant influence between Exchange *Rate* and Inflation simultaneously or simultaneously on Share Prices in LQ45 Index companies on the Indonesia Stock Exchange.

H3o: There is no effect between *Exchange Rate* and Inflation simultaneously or simultaneously on Share Prices in LQ45 Index companies listed on the Indonesia Stock Exchange.

Because the probability of F count is greater than F table (Sig F > a which is 0.972 < 0.05), it is not accepted which means there is no significant effect of *Exchange Rate* and Inflation simultaneously or simultaneously on Share Prices in LQ45 Index companies listed on the Indonesia Stock Exchange.

The results of the first hypothesis that states *the Exchange Rate has no effect on the Stock Price, as evidenced by the results of data processing carried out with a regression coefficient value bX1* = -7.914 with t calculated = 0.323 then this hypothesis is not accepted, it can be explained if the Exchange Rate does not have a significant influence on the Stock Price. This supports previous research by Amriyani and Choiriyah (2018) that there is no exchange *rate* effect on stock prices and is not in line with Sudirman (2018) and Andriana (2015) research that *exchange rates* have a positive effect on stock prices.

The results of the second hypothesis that states Inflation has no effect on Stock Prices, as evidenced by the results of data processing carried out with a regression coefficient value of bX2 = -12309.183 with t calculated = 0.184 then this hypothesis is not accepted, it can be explained if Inflation does not have a significant influence on Stock Prices. This supports with previous research by Amriyani and Choiriyah (2018) and Dewi, Atini (2016) that there is no effect of inflation on stock prices and is not in line with the research of Putra (2018) and Mardiyati, Choiriyah that inflation has a positive effect on stock prices.

Based on the hypothesis of the two variables, it shows that there is no significant influence between *Exchange Rate* and Inflation on Stock Prices in LQ45 Index companies on the Indonesia Stock Exchange. This is because the probability of F being calculated is greater than the level of the research test (Sig F > a which is 0.972 > 0.05).

CONCLUSIONS

This study tries to answer the purpose of the study, which is to prove and explain the variables of *Exchange Rate,* Inflation and Stock Price in LQ45 Index companies listed on the Indonesia Stock Exchange during the 2017-2019 period. Based on data analysis and discussion as well as from hypotheses that have been compiled and tested in the previous section, it can be concluded as follows:

1. Based on the results of the above hypothesis testing, it can be concluded that *Exchange Rate* and Infllation do not have a simultaneous or simultaneous influence on the Share Price of LQ45 Index companies listed on the Indonesia Stock Exchange during the 2017-2019 period. Because the probability of F is greater than the level of the research test (Sig f > a which is 0.972). From the value of the double coefficient of determination, it can be explained that the variables X1 and X2 have an influence on Y. Therefore, Ha is accepted and Ho is rejected, which means that there is no significant influence simultaneously or simultaneously between *Exchange Rate* and Inflation on Stock Prices in LQ45 Index companies listed on the Indonesia Stock Exchange during the 2017-2019 period.

2. Based on testing the above hypothesis it can be concluded that there is no influence between *the Exchange Rate* and the Stock Price. The value of *the Exchange Rate* regression coefficient (X1) is bX1 = -7.914 with a calculated t value of sig t = 0.000. Because the calculated t value is smaller than the test grade value (sig t = 0.323 > 0.05), H1a is rejected and H1o is accepted. *The exchange rate* partially has no influence and significance on the Share Price of LQ45 Index companies listed on the Indonesia Stock Exchange during the 2017-2019 period.

3. Based on testing the above hypothesis it can be concluded that there is no influence between Inflation and Stock Price. The value of the Inflation regression coefficient (X2) of bX2 = -12309.183 with a calculated t value of sig t = 0.184. Because the calculated t value is smaller than the test level value (sig t = 0.184 > 0.05), H1a is rejected and H1o is accepted. Partial inflation has no significant effect on the Share Price of LQ45 Index companies listed on the Indonesia Stock Exchange during the 2017-2019 period.

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