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TITLE:

THE INFLUENCE OF MACROECONOMIC FACTORS ON THE
INDONESIA STOCK PRICE INDEX AT CONSUMER GOODS
SECTOR (SUB-SECTOR COSMETICS AND HOUSEHOLD
INDUSTRY)

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INDONESIA STOCK PRICE INDEX AT CONSUMER GOODS SECTOR
(SUB-SECTOR COSMETICS AND HOUSEHOLD INDUSTRY)**

As it appears on the title page and front cover of the thesis that the research is acceptable in format and content and that a satisfactory knowledge of the field is covered by the thesis.

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THE INFLUENCE OF MACROECONOMIC FACTORS ON THE INDONESIA STOCK PRICE INDEX AT CONSUMER GOODS SECTOR (SUB-SECTOR COSMETICS AND HOUSEHOLD INDUSTRY)

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ABSTRACT

The capital market has a tremendous role in supporting the economic cycle since it can match individuals who have more money and those who need it. The capital market can be used as an investing-absorbing instrument and as tool to strengthen the financial position. In actuality, the capital market has taken a place as a financial nerve on the contemporary global economy. This study's goal is to identify the macroeconomic influences on the Indonesia Stock Price Index's subsector of the cosmetic and home goods industries. This study specifically attempts to look into the impact of inflation, the BI rate, currency rates, gold prices, and economic growth on the cosmetic and household industry subsector of the Indonesia Stock Price Index for the years 2019 through 2021. In terms of technique, secondary information was gathered from The Indonesia Stock Exchange's official website, Bank Indonesia official website, and the financial services authority which processed through the SPSS application. By using a multiple regression analysis tool, the data was processed. The findings revealed that inflation, BI rate, and gold prices have a significant impact while exchange rate and economic growth do not have a significant impact on The Indonesia Stock Price Index subsector cosmetic and household industry. This study also includes a discussion, limitations, recommendations, and conclusions.

Keywords: Inflation, BI rate, exchange rate, gold prices, economic growth

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CHAPTER 1

INTRODUCTION

1.1 Background of the study

The capital market has an enormous role in supporting the economy, because it can match individuals who have more money and those who need it, the capital market plays a decisive role in supporting the economy. In addition, the capital market gives the government the ability to raise a long-term capital for the nation's economic growth, provides international business with a way to issue the financial securities, and gives locals a way to acquire stock in companies. (Nigeria Business Plan, 2023)

Capital market has brought a major impact on economy in certain country and ran two essential functions as known as financial and economic functions. To fulfil its economic purpose, the stock market offers a forum for two parties, such as investors and issuers to accommodate their respective needs where investors can invest funds in order to obtain higher returns and issuers can utilize those funds for investment purpose. Because of its importance, capital market as a composite stock price index has become a leading indicator in Indonesia economy. Concurrently, for financial function, capital market provides opportunities for the investors to attain returns through financial instruments such as stocks, bonds, mutual funds, and others.

The capital market can be used as an investment-absorbing instrument and as a media to strengthen the financial position. Actually, the capital market has established itself as a major financial hub for the contemporary global economy. Nevertheless, in its daily process, capital market cannot avoid the influence of country's macroeconomic factors regarding to every detail of economic movement



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can affects every aspect of capital market. Capital market is strongly impacted by macroeconomy variables such as, inflation, exchange rate, Indonesia Bank rate, gold prices, and economic growth.

In this contemporary era, investment on capital market has become a tremendous part to be roled as an economic mobilizer aligned with sophisticated development of technology. In the last ten years, have seen the rise of complexity economics as a potent method for comprehending the key variables affecting economic growth. Economic challenges including inequality technological change, and economic growth have all been studied using the idea of economic complexity. (Botta, 2021). Economic complexity measures the extend to which an economy has developed and is pertinent to how it produces and distributes revenue. (Hartmann, 2017). The improvement of economic conditions can be a good main signal for all forms of industry sectors mainly consumer goods industry. It is undeniable that the companies in consumer goods sector have an extensive impact in terms of products supply. Consumer goods industry has a good prospect along with the growing role of middle class income household in Indonesia economy. The macroeconomic environment affects the day-to-day operations of certain company. Fluctuations or developments that occur in various economic variables of a country will influence the capital market.

1.2 Problem Statement

The correlation value between the money supply and the capital market is positively marked, which shows that if the money supply increases, the composite stock price Index will also increase (Sumarwan, 2020). It shows that the money supply is directly proportional to the composite stock price index. Changes in the value of the composite stock price index are fully influenced by the money supply



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and interest rate (Gunardi, 2023). With reference to jurists, we can deduce that macroeconomic factors have an enormous impact to a cycle of capital market valuation. Due to a fluctuation of the capital market value as its reaction to the dynamics of macroeconomic condition, the macro policymakers should be consider all aspects to cultivate economic stability. According to this assertion, if the macroeconomics condition is improving in one certain country, it can affect the quality of the market cycles. Due to the stock indices are move in line with the optimism and pessimism of stock investors, foreign capital will be more invested and augment the capital inflows.

A survey by a CNBC Indonesia indicates that the performance of the consumer goods industry sector on The Indonesia Stock Exchange is getting bleaker, since the beginning of the year, its performance has plummeted by almost 20% based on the stock exchange data on Thursday (14/11/2019). Data from Badan Pusat Statistik Indonesia recorded that there is no significance growth from household consumption in the third quarter in 2019 which only grew 5.01 year on year (YoY). The deceleration of people's consumption levels have a negative effect on stock growth, especially in the consumer goods sector. At the first quarter of 2020, Otoritas Jasa Keuangan stated that stock market, to be precise a consumer goods sector, weakened by 19,7%. At the end November 2022, stock market also faced the declination with the figure of 0.25%. This shows that the value of investment in Indonesia has not strengthened too much for three consecutive years. Changes in macroeconomic conditions are always accompanied by changes in the Jakarta Stock Price Index. As a result of circumstance, during the COVID-19 pandemic, investors have a tendency to seek out bonds with short-term tenors since



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they are thought to have a reduced risk when monetary policy is intended to be normalised (CNBC Indonesia, 2021).

Changes in stock prices can lead to fluctuation in consumption and investment behaviour by investors. Based on this, stock prices are very important to get attention because stock prices reflect various information that occurs in the capital market. The stock price index on the stock exchange is an indicator that describes the ratio of changes in stock prices that are influenced by several economies, thus affecting the increase and decrease in the rate of return on the Indonesia Stock Exchange. Therefore, it is interesting to observe the movement of stock prices.

In the daily process, capital market and macroeconomic condition are interrelated, so government must find out the way to rekindle investment enthusiasm in the capital market. The purpose of investment is to accomplish an effectiveness and efficiency in order to achieve the expected goals. Similar requirements apply to the world of investing, where investors must create objectives to be met, such as sustainability in investment, profit, creating a prosperous future for shareholders, and being a contributor to the country. Due to this statement, the expected goals will not be achieved if there are no actions from a concerned parties to rebuild the desire of investing in capital market. Regarding to the degradation of investment value in the last three years in Indonesia, if the government do not apply policies to increase the pace of investment in Indonesia, such as by lowering the benchmark interest rate, then this will continue to have a negative effect in the following years.

There are few studies that have been conducted on analyse the influence of macroeconomic on Indonesia Stock Price Index that highlights various variables.



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The influence of macroeconomic factors on the volatility of Indonesia Composite Stock Price Index using a purposive sampling with a total of 300 samples was discussed in the previous study. Furthermore, the results of this long-term study revealed that central bank interest rates have a considerable and negative impact on The Indonesia Sharia Stock Index (ISSI) (Alam, A., Anggraeni, G.T. & Anas, 2020).

The examination of the impact of changes in the inflation rate, business investment rate (BI), and exchange rate on the return on the financial sector stock price index in the Indonesia Stock Market revealed that only the exchange rate has a discernible influence on the financial sector price index. The banking sector stock price index is not significantly impacted by either inflation or the BI rate (Robiyanto, 2018). Therefore, it is essential to know deeper and acknowledge about how the influence of macroeconomic on The Indonesia Stock Price Index sub sector cosmetics and households to.

1.3 Research Objective

1. To examine the influence of inflation in a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price
2. To examine the influence of exchange rate in a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price
3. To examine the influence of BI rate in a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price
4. To examine the influence of gold prices in a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price
5. To examine the influence of economic growth in a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price



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1.4 Research Questions

1. Does the inflation influence a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price?
2. Does the exchange rate influence a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price?
3. Does the BI rate influence a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price?
4. Does the gold prices influence a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price?
5. Does the economic growth influence a consumer goods industry sub-sector cosmetics and household on Indonesia Stock Price?

1.5 Scope

This research was aimed to determine the influence of macroeconomic variables to the value of the Indonesia stock price index in sub sector cosmetics and households. As previously mentioned that macroeconomic and capital market values are linked, this study will discuss deeper about how each of these macroeconomic variables effect the capital market, in this case the cosmetics and household industry, and how deeply this influence impacts capital market growth in Indonesia especially in 2019-2021. By applying a purposive sampling technique, there are nine companies in cosmetics and household industry listed on the Indonesia Stock Exchange at the year of 2019-2021 that engender the population of this study. These nine companies data was taken from the Indonesia Stock Exchange official website.

1.6 Significance

By knowing the influence of macroeconomic on Indonesia Stock Price Index at sub sector cosmetics and household industry, there will be an expansion on the



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understanding of macro policy and how its impacts to all of the elements in economics. These study presents a comprehensive exploration about how each macroeconomic factors, which are inflation, BI rate, exchange rate, gold prices, and economic growth have a big role in the development of capital market. This study will elucidate and emphasize the quantitative data regarding to the topic by a various kinds of data calculations so that we can gain the knowledge based on the factual data. Moreover, this study will provide statements and data from a previous research as a context enrichment and consideration of this study.

In this regard, this study will give consciousness to society and government on how to behave through an economic fluctuation regarding to enhance the investment sector. Furthermore, through the analysis made by this study, readers as the investors and political entities will have a new approach to deal with the inconstancy and uncertainty of macroeconomic conditions. The overview provided in this study will create a fresher paradigms about how to acts as an element in capital market through this in-depth analysis.

1.7 Organisation of the Study

This study is structured into five chapters. Using a purposive sampling technique, this study aims to create a new perspective with an easier analysis. The structured part of this study including chapter one as an introduction. The backdrop, problem statement, research objectives, research questions, scope of the investigation, and the significance of the study are all highlighted in this chapter. The literature reviewed in Chapter 2 that was used for this investigation is highlighted in this section. This part is structured by the definition of a capital market, the definition of cosmetic and household industry, inflation, BI rate, exchange rate, gold prices and economic growth. Chapter 3 as a research



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methodology provides data collection methods, measurement of variables used to gain results regarding to the influence of inflation, exchange rate, BI rate, gold prices and economic growth on The Indonesia Stock Price Index sub sector cosmetics and households, theoretical framework used in this study. Chapter 4 as a results and data analysis examines the measurement results of data analysis and methods. The outcomes in this part contain the answer of the research questions based in the data processing. Chapter 5 as a conclusion and recommendations contains a brief statement about the outcomes of the research and analysis of data relevant to the problem as well as summarizes the major findings and suggestions for the future research.





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CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Introduction

By outlining the research methods and creating the whole research review, this chapter aims to give the reader a clear grasp of the research overview and summary in this study. The goals of this chapter are to present the study's introduction, discussion of the findings, contribution to knowledge, conclusions, and recommendations for additional investigation.

5.2 Overview of The Study

The vital goal of this study is to investigate how the macroeconomic affects the Indonesia Stock Price Index at sub sector cosmetic and household industry. There are five main highlighted issues that should be mentioned in this study, including whether the inflation, BI rate, exchange rate, gold prices, and economic growth has a substantial impact on The Indonesia Stock Price Index. As a result, five main hypotheses regarding the variables have been developed for each additional test in this study.

In order to correctly analyse the insights, the data was collected from the yearly reports on the Indonesia Stock Price Exchange's official website (www.idx.com). Nine companies in the cosmetic and home goods sectors that debuted on the Indonesia Stock Exchange between 2019 and 2021 were compared in terms of growth, the researcher employed a purposive sample technique. Additionally, the SPSS program was used to analyse and assess the data that had been gathered. A total of nine listed companies on The Indonesia Stock Exchange sub sector cosmetic and household had their corporate and financial information collected simultaneously for the research study.



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As a result, it was determined through data analysis from chapter 4 findings that only hypothesis 1, 3, and 4 have a positive effect on a stock price in regression test, accordingly ($p \leq 0.05$). In other words, there are a significant and positive relationships between inflation, BI rate, and gold prices with The Indonesia Stock Price Index Sub sector Cosmetics and Household Industry, whereas exchange rate and economic growth have a negative effect on The Indonesia Stock Price Index Sub sector Cosmetics and Households.

Table 5.1
Summary of the Hypotheses Testing

| Hypothesis | Accepted ($p < 0.10$) | Rejected ($p > 0.10$) |
|---|----------------------------|----------------------------|
| H1: The Indonesia Stock Price Index Subsector Cosmetics and Households benefits from inflation. | ✓ | |
| H2: Exchange Rate has a positive impact on The Indonesia Stock Price Index Sub sector Cosmetics and Households. | | ✓ |
| H3: BI Rate has a significant negative impact on The Indonesia Stock Price Index Sub sector Cosmetics and Households. | ✓ | |
| H4: Gold Prices has a positive impact on The Indonesia Stock Price Index Sub sector Cosmetics and Households. | ✓ | |



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| | |
|---|---|
| H5: Economic Growth has a positive impact on The Indonesia Stock Price Index Sub sector Cosmetics and Households. | ✓ |
|---|---|

5.3 Discussion of Results

5.3.1 Hypothesis 1

The first research question emphasized in this study is “does inflation have a significant relationship with The Indonesia Stock Price Index Sub sector Cosmetics and Households Industry?” Hypothesis 1, H1, is then put out based on this research topic to determine the impact of inflation on The Indonesia Stock Price Index sub sector cosmetic and household. The Indonesia Stock Price Index Subsector of the Cosmetics and Households Industry has a considerable beneficial impact on inflation, according to the research findings after result analysis. This is consistent with Yuni Rachmawati's (2019) research. The Indonesia Stock Price Index has increased, in part due to the inflation component, according to the t test results, which indicates that the inflation rate has a negative and significant impact on projecting stock prices. It can be seen through the empirical reality shows that in some emerging stock markets, inflation is negatively but significant correlated with investment returns.

Other than that, the result is contradicted to study conducted by Muhammad Sahid Akbar (2022), with no significant relationship between inflation and The Indonesia Stock Price Index. A possible explanation of the insignificant outcome is the results of the significance value for the inflation variable show a value of 0.3614 and a significance value of <0.05 so that there is no influence between inflation on The Indonesia Stock Price Index.



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5.3.2 Hypothesis 2

The second highlighted research topic is "Does exchange rate significantly affect The Indonesia Stock Price Index?". After that, Hypothesis 2 (H2) is developed to research how the exchange rate affects the Indonesia Stock Price Index. However, The outcome was not judged to be significant in this statement, hence H2 was rejected because it could not be deduced from the facts evaluated. The outcome is comparable to the study by Muhammad Sahid Akbar (2022), which demonstrated that there is no relationship between the exchange rate and The Indonesia Stock Price Index. In that study, the exchange rate variable's significance value had a value of 0.9579 and a significance value of 0.05. Therefore, it can be said that The Indonesia Stock Price Index is unaffected by the exchange rate. According to Sartika (2017), based on the results of the t test, it is partially established that the exchange rate has a considerable impact on The Indonesia Stock Price Index. However, other studies have come to different conclusions.

5.3.3 Hypothesis 3

In addition, the third research question, "is BI rate has a significant effect on The Indonesia Stock Price Index?" is highlighted. Hypothesis 3 (H3) was created to determine how the BI rate impacts The Indonesia Stock Price Index. The data analysis shows that there is a strong inverse relationship between the BI rate and the Indonesia Stock Price Index. As a result, Hypothesis 3 is accepted because the results obtained support it. According to Muhammad Sahid Akbar's research findings (2022), there is a substantial and significance relationship between BI rate and The Indonesia Stock Price Index, with the significance value for the BI rate variable showing a value of 0.006 and a significance value of <0.05 .



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The Indonesia Stock Price Index rate will increase by 0.5819 if the BI rate increases by one point in the model test since the coefficient value is -0.5819. The Indonesia Stock Price Index has a negative coefficient value, which indicates that it declines as the BI rate rises. Conclusion: The Indonesia Stock Price Index is significantly impacted negatively by the BI rate. However, according to the findings of the study cited by Rismala (2019), the BI rate has no appreciable impact on the Indonesia Stock Price Index. It follows that a change in the BI rate cannot considerably affect changes in the Indonesia Stock Price Index.

5.3.4 Hypothesis 4

The fourth research question mentioned is “does gold prices have a significant relationship with The Indonesia Stock Price Index?” The Indonesia Stock Price Index is next examined by Hypothesis 4, H4, to see if gold prices have an impact. A conclusion that can be drawn from the data test is that gold prices have a positive and significant impact on The Indonesia Stock Price Index is that the gold prices acquired the beta value with 0.366 and the probability value is 0.032 < 0.05. According to study by Miftahul Jannah (2018), based on the findings of a regression test, the world gold price variable has a strong positive impact on The Indonesia Stock Price Index over the long and short terms.

The research of Ringga Samsurufika Anggriana (2020), on the other hand, shows that the gold price has little to no impact on the Indonesia Stock Price Index. Because gold is an alternative investment, its price has no bearing on the movement of The Indonesia Stock Price Index. As an



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investment option, gold is still considered by investors not to provide a greater return than stocks.

5.3.5 Hypothesis 5

The fifth highlighted topic is “does economic growth significantly affect The Indonesia Stock Price Index?” Hypothesis 5, H5 was raised to examine how the economic growth effects The Indonesia Stock Price Index. With a beta value of 1.386 and a probability value of 0.322 higher than 0.05 for the H2 data, it can be said that economic growth has a positive but minor impact on the Indonesia Stock Price Index. Research supports this, according to Affan (2019). Based on the findings of the regression test, it can be concluded that H5 is unreliable because the sig. value is more than the probability of 0.05 ($0.329 > 0.05$). This demonstrates that the economic growth factor does not affect the Indonesia Stock Price Index in any way. Therefore, The Indonesia Stock Price Index is not much affected by economic development.

The conclusions of this measurement, however, disagree from those of A. Mahendra's study from 2020, which found that economic growth significantly affects the Indonesia Stock Price Index. The t-count value for the economic growth variable is -2.847, and the probability value (significance) is 0.006. As a result, H5 is allowed since ($0.006 < 0.05$) the probability value is less than the value of 0.05. As a result, it is possible to draw the conclusion that the economic growth variables have a genuine (notable) impact on The Indonesia Stock Price Index.



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5.4 Contribution of The Study

5.4.1 Body of Knowledge

Previous journals and articles from certain era have likewise extensively examined research on the impact of macroeconomic to The Indonesia Stock Price Index. This research project is similar to other research papers on the topic despite assessing several academics that have created various studies on the influence of macroeconomic to The Indonesia Stock Price Index. This research is divided into 5 macroeconomic factors that affect stock prices in 2019-2021. In addition, this study provides a literature evaluation and a resource for future researchers who will have relevant research topics.

5.4.2 Theory

The main objectives of this research project is to examine if macroeconomic significantly affects The Indonesia Stock Price Index, especially in 2019-2021, by strengthening the theory on the impact of macroeconomic factors on stock prices. According to Roll & Ross's (1980) Business Cycle Theory, changes in macroeconomic indicators can indicate the start or conclusion of a cycle. Both the stock market and macroeconomy moves in cycle. For instance, a rise in GDP might portend the start of an economic expansion, which would raise stock values. Furthermore, according to the Efficient Market Hypothesis (EMH) theory by Fama (1970), EMH theory contends that since current stock prices represent all accessible information, it is impossible to consistently outperform the market using information that is readily available to the public. As a result, macroeconomic factors like BI rate, inflation rate, GDP are already taken into account by the stock market, making is challenging for investors to



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acquire a competitive advantage. In other words, regarding to the EMH hypothesis, changes in macroeconomic conditions may affect stock prices in the near term.

Overall, there are many different facets and a complex interaction between macroeconomic issues and stock values. Despite the fact that some theories contend that macroeconomic conditions have minimal bearing on stock prices, others acknowledge their significance on future cash flows and overall firm performance. In the end, a number of variables, including the particular firm, industry, and economic conditions, will affect how macroeconomic factors and stock prices interact.

5.4.3 Practical

Understanding how changes in the larger economy affect the performance of certain stocks or the stock market as a whole is the main objective of this research. This research may seek to determine the key economic indicators that drive The Indonesia Stock Price Index, such as inflation, BI rate, exchange rate, gold prices, and economic growth (GDP). Researchers might learn about how shifting economic conditions will impact stock value by examining these variables. The goal of the study may also be to determine how various macroeconomic variables relate to various markets segments or The Indonesia Stock Price Index. For instance, certain industries might be more susceptible to fluctuations in interest rates or inflation, and this study may seek to identify these patterns. Ultimately, the objective of this study is to assist investors in making better knowledgeable selections by informing them on how macroeconomic factors may affect their assets. By identifying the key drivers of stock prices and understanding how they



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interact with each other, investor can put a better position to manage risk and capitalize on opportunities in the stock market.

5.5 Recommendation for Future Research

This study has some restrictions and limitations because it was unable to cover more and larger parts of the subject, as was evident after evaluating the data analysis and discussion. As a result, some alterations or suggestions can be incorporated for future study as proposed further. This study examined five independent variables, which are inflation, BI rate, exchange rate, gold prices, and economic growth. Modifying the variables by diversifying the variables that will affect the fluctuation of capital market conditions will enrich the knowledge in a research. In order to determine whether the multidimensional economic situations have an impact on capital market fluctuations, it would be valuable to test more additional tested variables.

Future researchers are advised to create more significant and superior findings as more industries in The Indonesia Stock Price Index may offer many perspectives to evaluate a substantial impact on the topic. Researchers can utilise the VECM estimation test to more precisely assess the short and long term macroeconomic relationships to stock prices when calculating indicators to study the various of impacts. To assess the effect of macroeconomic conditions on the magnitude of capital market fluctuations, panel data analysis is recommended as a research tool. Moreover, in terms of research methodology, it is recommended to conduct a comparative trend analysis over certain fiscal years to evaluate the changes in circumstances brought on by the movement of macroeconomic fluctuations.



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5.6 Conclusion

The overall aim of this study is to investigate, through data collecting, the effects of macroeconomic factors on the fluctuations of Indonesia Stock Price Index in 2019-2021. This is essential to raise understanding regarding to the basic connection between macroeconomics and stock prices among researchers and investors. This will contribute to ethical capital market practices, resulting in financial stability.

In assessing the macroeconomic influence on The Indonesia Stock Price Index, the majority of the variables often revealed to be not fully positive and significant in defining the macroeconomic influence on The Indonesia Stock Price Index. As a results, a summary of the research findings is the variables of inflation, BI rate, and gold prices have a significant impact on The Indonesia Stock Price Index, besides the variables of exchange rate and economic growth show insignificant results on The Indonesia Stock Price Index. To provide more accurate results for the future researchers in this field, other variables aspects related to this topic should be further researched.