



ANALYSIS OF FACTORS AFFECTING THE COMPOSITE STOCK PRICE INDEX OF CONSUMPTION GOODS IN THE INDONESIA STOCK EXCHANGE

Salwan Hanafi¹, Sri Indah Nikensari², Saparuddin Mukhtar³

^{1,2,3}Faculty of Economics, Jakarta State University, Indonesia

Email: Salwanhanafi88@gmail.com¹

Abstract

Uncertainty in the world economy has and will continue to overshadow any composite stock price index anywhere. This study aims to examine the effect of domestic inflation, the Fed interest rate and the volume of stock transactions on the composite stock price index of the Consumer Goods Sector in Indonesia for the period January 2018-April 2021, a period before the Russia- Ukraine war. Multiple linear regression equations were used to analyze the data, sourced from Bank Indonesia, the Indonesia Stock Exchange, and The Federal Reserve. The results showed that all proposed variables had a significant effect on the composite stock price index of the consumer goods sector. These results provide an indication that the inflation rate in a country and the interest rate policy of the United States Central Bank, its can affect a country composite stock price index, while the volume of consumer goods stock transactions also affects its stock price index.

Keywords: *The composite stock index of the Consumer Goods; Inflation; the Fed Interest Rate; Stock Transaction*

INTRODUCTION

The capital market plays an important role in a country's economy by functioning as a forum companies use for business funding or obtaining funds from investors. Investing in the capital market is currently in demand by the public is investing in stocks. People who invest in stocks are called investors who have different investment goals for each investor.

Stock investors in investing have the motivation to gain profits and the principle of investors maximizing the profits received. Therefore, based on the investment principle, the higher the investment profit obtained, the higher the risk that will be born by an investor (Indri Ayu, 2021).

Stock players often decide to buy at the highest price and sell at the lowest price. Judging by the chart's condition, the stock's movement increases suddenly and then drops suddenly. Sometimes the direction of the stock is unpredictable (Darmawan, 2018).

A stock's price movement can influence by the company's external and internal conditions. The company's internal factors include the announcement of the company's financial statements, funding announcements, investment announcements, marketing announcements, announcements regarding employment, announcements of structures in management, and announce diversification (Alwi, 2018). In addition, it relates to the company's external conditions, such as interest rates, Inflation, exchange rates, stock transaction volume and other economic policies, which are factors that come from outside the company.

In investing, investors need to pay attention to a company's internal and external factors because it has a high risk when investing in the capital market (Hussain et al., 2018). Concerning the company's external conditions, this study discusses the external factors that can affect stock movements, namely the inflation factor, The Fed interest rate, and the volume of stock transactions.

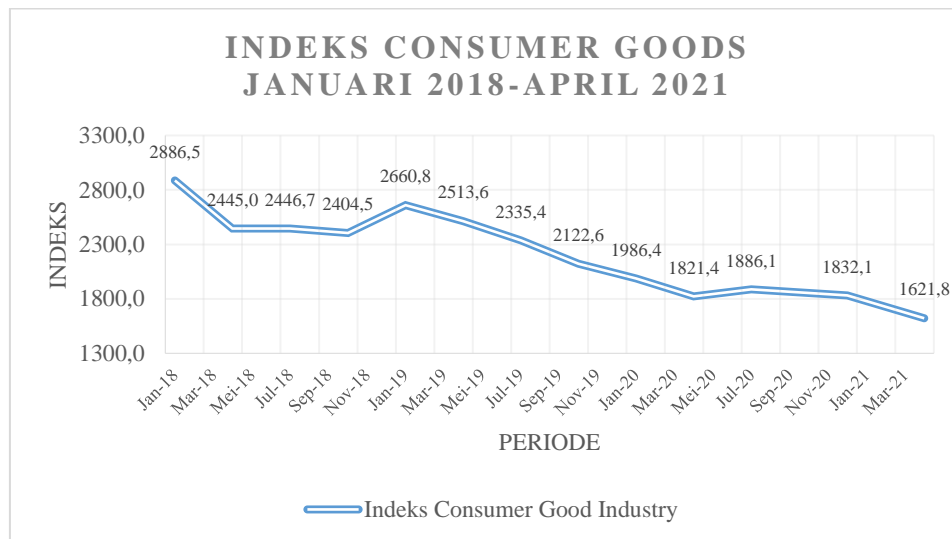


Image 1.1

Sector Index Movement Consumer Goods

There are various sectors listed on the Indonesia Stock Exchange (IDX). One of the sectors on the Indonesian stock exchange is the consumer goods sector. The consumer goods sector is one of the sectors with the lowest performance compared to other industries, and the decline in the consumer goods sector from January 2018 – April 2021 by 43.81 per cent.

LITERATURE REVIEW

Stock price

The share price is the value of a company's individual ownership or participation. When more investors want to buy or hold shares, the higher cost of the claims. On the contrary, it will impact the decline in stock prices when more investors release or sell (Anisma, 2017). There are two types of shares, namely, preferred shares (preferred shares) and ordinary shares.

Both have differences in the obligations and rights obtained by investors (Indri Ayu, 2021). Each has the meaning and rules of these two types of shares (Fahmi, 2018).

Inflation

Inflation is the rate at which the general price level for goods and services increases (Marcus, 2014). Inflation inhibits companies from producing because it causes higher Inflation, reducing investors' interest in investing their money in the company (Rumengan et al., 2019). Therefore,

according to Bank Indonesia, low and stable Inflation is a prerequisite for sustainable economic growth and is ultimately beneficial for improving people's welfare.

The Fed Interest Rate

The Fed Interest Rate or Fed Rate is the interest rate set by the Fed, which uses as a benchmark for loan interest rates between financial depository institutions throughout the United States (Mawarni & Widiasmara, 2018). Attallah (2022) Changes in the Fed Interest Rate have an impact on the decision to invest by investors. It is because the Fed's Interest Rate becomes a reference and consideration by foreign investors for taking decisions.

Stock Transaction Volume

Stock transaction volume is the number of shares traded on a certain day, the high and low volume shows how much investors are interested in making transactions, either buying or selling shares in a company (Indri Ayu, 2021). Stock transaction volume is an indicator used to measure the liquidity of a stock. If, statistically, there is an increase in trading transactions compared to the previous day, it is considered an increase in stock transaction liquidity (Febriyanti, 2020).

RESEARCH METHOD

Data Collection Technique

This study examines the effect of Inflation, *The Fed* interest rates, and Stock Transaction Volume in stock prices of the consumer goods sector listed in the Indonesia Stock Exchange with data from January 2018 to April 2021 using multiple linear regression analysis.

Descriptive Statistical Analysis

In this research, the descriptive statistical analysis aims to find out the statistical picture of the data. In this research, the method used is the quantitative method. The quantitative way philosophy of positivism is used to examine a particular population or sample, quantitative or statistical nature of data analysis, to test and describe the hypothesis, it is necessary to collect data using research instruments (Sugiyono, 2022). The analysis software used is E-views 10, and the analytical method used in this study is multiple linear regression with time series data. It needs descriptive statistical analysis and a classical assumption test.

Classic assumption test

The classical assumption test first performs in analysing the data, which consists of normality, multicollinearity, autocorrelation and heteroscedasticity tests.

Normality test

A normality test is conducted to see whether normally distributed the data. Detection carries out in this study using the Jarque-Bera test by detecting normality in the residuals generated from the regression equation model. The Jarque-Bera test uses the following hypothesis:

H_0 = Residual with normal distribution

H_1 = Residual not normally distributed

If the probability value of Jarque-Bera < 0.05 then H_0 rejected. Whereas if the probability value of Jarque-Bera > 0.05 , then H_0 receive.

Multicollinearity test

The multicollinearity test is to see whether or not there is a high correlation between the independent variables in a multiple linear regression model.

Heteroscedasticity test

The heteroscedasticity test tests whether there is an inequality of variance from the residuals of observation to other observations in the regression model. Hypothesis H_0 = Residuals are distributed = Residuals are not normally distributed. In detecting whether or not there is a heteroscedasticity problem, several kinds of tests will use H_1

Autocorrelation Test

The autocorrelation test aims to test whether a linear regression model correlates with the confounding error in period t and the error in period $t-1$ (previous). If there is a correlation, it can say that there is an autocorrelation problem.

Multiple Linear Regression Analysis

Researchers use multiple regression analysis to predict how the condition (increase/decrease) of the dependent variable carry out with a minimum number of two independent variables (Sugiyono, 2022). Moreover, to find the relationship between two independent variables and one dependent variable using a ratio scale to explain the influence between variables (Ghozali, 2012). The regression equation in this study with the three predictor regression equation is as follows:

$$Y = a + b_1X_1 + b_2X_2 + X_3X_3$$

Information :

Y = Share Price

a = Constant Value

X_1, X_2, X_3 = Inflation, Interest Rate, Stock Transaction Volume

b_1, b_2, b_3 = Inflation Coefficient, Coefficient *The Fed* Interest Rate, Coefficient of Stock Transaction Volume

RESULTS AND DISCUSSION

This study examines the effect of Inflation, The Fed Interest Rates, and Stocks Transaction Volume on stock prices of the consumer goods sector listed in the Indonesia Stock Exchange with data from January 2018 to April 2021 using multiple linear regression analysis. The data obtain source from the official website of the Indonesia Stock Exchange, investing.com, CEIC Data, the Central Bureau of Statistics and Bank Indonesia.

Normality test

Based on the normality test results with a probability of 0.192788, which is greater than 0.05 or H_0 is accepted. So, it can conclude that the residuals are normally distributed or free from normality test symptoms.

Multicollinearity Test

Based on the multicollinearity test, the results of the variance inflation factors have a VIF value < 10 , so it can conclude that the regression model in this study does not have multicollinearity problems.

Heteroscedasticity Test

Based on the heteroscedasticity test using the test Breusch-Pagan-Godfrey that the probability value of Inflation is 0.0780; the fed interest rate of 0.0636, and stock transaction volume of 0.2955 concluded that heteroscedasticity was not detected.

Autocorrelation Test

The results of the autocorrelation test obtain the value of Chi-Square probability is 0.0007, which is smaller than 0.05, then it can be concluded that there is no autocorrelation problem.

Multiple Linear Regression Test

Multiple linear regression analysis in this study, the effect of the independent variable on the dependent variable, which state as follows

$$Y = 6.99612 + 0.08171X_1 + 0.07576*X_2 + 0.14135*X_3$$

1. The regression coefficient value of the X_1 variable is positive, which is 0.0817129816504, meaning that every 1% increase in the X_1 variable predicts to increase in Y by a coefficient of 0.0817129816504.

2. The regression coefficient value of the X2 variable is positive, namely 0.0757675713226, meaning that every 1% increase in the X2 variable predicts to increase in Y by a coefficient of 0.0757675713226.
3. The regression coefficient value of the X3 variable is positive, namely 0.141350496865, meaning that every 1% increase in the X3 variable predicts to increase in Y by a coefficient of 0.141350496865.

The Effect of Inflation (X1) on Share Prices of the Consumer Goods Sector (Y)

The results of the analysis of the inflation variable know that the regression coefficient is 0.0817129816504, tcount is 2.231257 with a probability value of tcount of 0.0320, which is smaller than the predetermined significance value of 0.05. In this study, inflation significantly affects the stock price of the consumer goods sector.

This research, in line with previous researchers Mardiyati & Rosalina (2018), explains that inflation positively influences the stock price index. Inflation affects the conditions in the capital market, so investors need to consider their investment decisions. A high inflation rate will cause people's purchasing power to decrease and reduce the real income received by the community.

The Effect of The Fed Interest Rate (X2) on Share Prices of the Consumer Goods Sector (Y)

The results of the analysis in this study variable, The Fed Interest Rate it is known that the regression coefficient is 0.0757675713226, t-count is 2.556549 with a probability value of t-count of 0.0149 which is smaller than the predetermined significance value of 0.05, it can conclude in this study that the Fed Interest Rate have a significant effect on the stock price of the consumer goods sector.

This research, in line with previous researchers Akua Miyanti & Wiagustini (2018), explains that the Fed's interest rate significantly positively affects stock prices. Even though the Fed's interest rate increased, the investment opportunities in stocks in the Indonesian capital market are still considered attractive and promising. It is because Indonesia's economic growth is stable compared to other countries.

The Effect of Stock Transaction Volume (X3) on Share Prices of the Consumer Goods Sector (Y)

The results of the analysis in this study of the Stock Transaction Volume variable it know that the regression coefficient is 0.141350496865, t-count is 3.485522 with a probability value of t-count of 0.0013 which is smaller than the predetermined significance value of 0.05, it can conclude in this study that the Volume of Stock Transactions has a significant effect on the Stock Price of the Consumer Goods sector.

This research is in line with previous researchers Rahayu & Masud (2019); the volume of stock transactions has a significant and positive effect on the price of a stock because it causes investors in

the capital market an increase in buying and selling activities. Therefore, when the transaction volume increases and then there is a combination with an increase in the price of a stock, this indicates that the signs of an increasing situation are improving (bullish) the price of a company, including the Consumer Goods sector.

CONCLUSIONS AND SUGGESTION

Conclusion

Based on the analysis carried out by multiple linear regression with a t-count probability of 0.0320 less than the predetermined significance level, it can conclude that Inflation has a significant and positive effect on stock prices in the consumer goods sector. Multiple linear regression with a t-count probability of 0.0149, smaller than the predetermined significance level, can conclude that the Fed Interest Rate has a significant and positive effect on the Consumer Goods sector stock price. Based on the analysis conducted with multiple linear regression with the t-count probability of 0.0013 less than the predetermined significance level, it can conclude that the Volume of Stock Transactions has a significant and positive effect on the Stock Price of the Consumer Goods sector.

SUGGESTION

The suggestion in the research are as follows:

1. For investors

Investors who want to invest in stocks in the Consumer Goods sector need to consider macroeconomic factors such as Inflation, The Fed's Interest Rate and Stock Transaction Volume because, based on the results of these macroeconomic factors, they affect the Share Price of the Consumer Goods sector.

2. Next research

For further research on similar problems, conduct additional research by examining other independent variables. For further study, extend the research period so that it can obtain a better explanation of the condition of the Consumer Goods Sector Stock Prices and cover other sectors on the Indonesia Stock Exchange.

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