

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1. Capital Market**

According to Sartono (2015), the capital market is the place for long-term financial asset transactions or long-term financial assets.

#### **2.2. Stock Price**

According to Halim (2016), Movement and changes in stock prices are determined by supply and demand for these shares. Demand increases, stock price rise and vice versa. The trigger factors for supply and demand are:

- a. Movements in bank interest rates
- b. Inflation Rates
- c. Rupiah Exchange Rates
- d. Company performance: sales and profit increase, dividend distribution, etc.
- e. Non-economic factors, such as social and political condition.

#### **2.3. Composite Stock Price Index (CSPI)**

According to Ana Ocktaviana (2007), on the Indonesia Stock Exchange there are 5 (five) types of index, as follows:

1. Sectoral Index, using all shares included in each sector. All companies listed on IDX are classified into 9 (nine) sectors which are based on the industrial classification set by IDX called JASICA (Jakarta Stock Exchange Industrial Classification).
2. The LQ-45 index consists of 45 shares selected after going through several criteria so that this index consists of stocks that have high liquidity and also consider the market capitalization of these stocks.
3. The Jakarta Islamic Index or commonly called JII is one of the stock indices in Indonesia that calculates the average stock price index for the types of stocks that meet Syariah criteria.
4. The Composite Stock Price Index (CSPI), also known as the Jakarta Composite Index (JSI), covers the price movements of all ordinary shares and preferred shares listed on IDX.
5. The Individual Stock Price Index is an index for each share based on the base price.

Of the various types of stock price indices, in this study only uses the Composite Stock Price Index (CSPI) as the object of research because CSPI is a projection of the movement of all ordinary shares and preferred shares listed on the JSX. The Composite Stock Price Index was first introduced on April 1, 1983 as an indicator of the price movements of all shares listed on the Jakarta Stock Exchange for ordinary and preferred shares.

Anoraga and Piji (2001: 100-104) say, simply called a price index is a number used to compare an event with another event. Likewise, with the stock price

index that compares changes in stock prices from time to time, so it will be seen whether a stock price has decreased or increased compared to a certain time.

As in the determination of other indices, in measuring the stock price index we also need two kinds of time, namely the base time and the prevailing time. The basic time will be used as part of the comparison basis, while the valid time is the time when the activity will be compared with the base time.

The movement of the index value will show changes in the market situation that occurs. A market that is in high spirits or an active transaction shows that the stock price index is experiencing an increase. This condition usually shows the desired condition. A stable condition is indicated by a fixed stock price index, while a sluggish one is indicated by a stock price index that has decreased.

To find out the size of the Composite Stock Price Index, the following formula is used (Pandji Anoraga and Piji Pakarti, 2001):

$$CSPI = \frac{\sum H_t}{\sum H_o} \times 100$$

Explanation:

$\sum H_t$  = The total price of all shares at the time in effect

$\sum H_o$  = The total price of all shares at the base time

## **2.4. Inflation**

Inflation is condition when prices of goods or services generally experience continuous increases so that they can reduce the value of the currency in the local country (Purnomo, 2013).

According to Putong (2017) inflation is defined as an increase in commodity prices caused by the synchrony between the commodity procurement system program and the level of income owned by the community in a particular country. Inflation will not be an economic problem if accompanied by the availability of sufficiently needed commodities and followed by an increase in the level of income greater than the inflation rate. If the production costs to produce commodities are higher, then the selling price is relatively constant, there is no change, inflation will become an economic problem if it takes place in relatively fixed time, there is no change, and inflation will become an economic problem if it lasts for a relatively long period of time income level.

## **2.5. Exchange Rate**

According to an Indonesian Bank ([www.bi.do.id](http://www.bi.do.id)) “the interest rate or BI rate is the policy interest rate that reflects the monetary policy stance or stance set by Indonesian Bank and announced to the public”.

Foreign exchange rates can also be defined as the amount of domestic money needed, namely the amount of rupiah needed to obtain a unit of foreign currency (Sukirno, 2010). The exchange rate is determined by the amount of

demand and supply on the market for that currency. Experts say there are two exchange rates, namely nominal exchange rates and real exchange rates.

## 2.6. Previous Research

Table 2.1. Previous Research

No	Researcher's Name	Journal Title	Dependent Variable	Variable Independent	Result Research
1.	Ardelia Rezeki Harsono Saparila Worokinasih (2018)	Title: The Effect of Inflation, Interest Rate, and Rupiah Exchange Rate to Composite Stock Price Index	CSPI	Exchange Rate of Rupiah, Interest Rate, and Inflation	The data analysis used multiple linear regression analysis using SPSS23.0 are inflation, interest rate, and exchange rate simultaneously have significant effect on Indonesia Composite Index (ICI).
2.	M. Budiantara (2012)	Title: Effect of Interest Rate, Rupiah Exchange Rates, and Inflation	CSPI	Interest Rate, Exchange Rate, and Inflation 2005- 2010	There is a significant effect between interest rates, exchange rates and

		to CSPI on IDX period 2005-2010			inflation rates on composite stock price index in Indonesia Stock Exchange 2005-2010.
3.	Lusiana Silim (2013)	The Influence of Economic Macro Variable Toward Composite Stock Price Index on IDX 2002-2011 period	CSPI	Interest Rates, Net Export, Exchange Rates, Gold Price, Oil Prices	This study uses a quantitative approach and employs a regression model analysis. The results of this study found that macroeconomic variables simultaneously influenced on BEI 2003-2012 period.
4.	Gede Budi Satrio (2006)	Analysis of Macroeconomic Variable Effects on CSPI on the JSX in the Period 1999-2005 (With Engle	CSPI	Rupiah Exchange Rate, Inflation, Bank Indonesia Certificate Interest Rate	The short-term regression results of the rupiah exchange rate have a negative effect, inflation has a

		Granger's ECM Approach Method)			positive effect, and the interest rate of Bank Indonesia Certificates has a negative effect. The long-term regression results of the rupiah exchange rate have a positive effect; inflation has a positive effect on the interest rate of Bank Indonesia Certificates which has a negative effect.
5.	Dedy Pratikno (2006)	Analysis of Effects of Exchange Rates, Inflation, Bank Indonesia Certificate Interest Rate, and Dow Jones Index Against	CSPI	Rupiah Exchange Rate, Inflation, Bank Indonesia Certificate Interest Rate,	Using Ordinary Least Square (OLS) where the rupiah exchange rate, inflation, interest rates on Bank Indonesia

		the Movement of the Composite Stock Price Index (CSPI) on the Indonesia Stock Exchange (IDX)		Dow Jones Index	Certificates have a negative influence on CSPI while the Dow Jones Index has a positive influence on CSPI
--	--	---	--	--------------------	---

**Source: Data Processed**

## **2.7. Relationships Between Variables**

### **2.7.1 The Relationship between Inflation and Composite Stock Price Index (CSPI)**

Agustina (2016) argues that the result of inflation is an increase in the cost of production and administrative expenses that must be borne by the company, so that even though the level of sales of the company increases, it cannot provide a greater contribution of profits, so dividends distributed to investors will certainly have an effect. In conditions of high inflation, investors are more likely to wait and choose to see the policies taken by the government in overcoming the problem of inflation, and then take the next step.

The results of the research conducted by Cahya (2015) indicates that if there is a significant and negative effect of inflation on the stock price index of the property and real estate sector listed on the Indonesia Stock Exchange in 2011-



2013. Different results are found in the research conducted by Maslikha (2017) where the inflation rate has a significant and positive effect on CSPI. Similar results were found in the study conducted by Maurina (2015) where the inflation rate had a positive and not significant effect on CSPI.

### **2.7.2 The Relationship between US Dollar / Exchange Rates (Exchange) against the Composite Stock Price Index (CSPI)**

According to Mohamad Samsul (2016), the change in one macroeconomic variable has a different impact on stock prices, that is, a stock can be positively affected while other shares are negatively affected. For example, an import-oriented company, the sharp depreciation of the rupiah exchange rate against the US dollar will have a negative impact on the company's stock price. Meanwhile, export-oriented companies will receive a positive impact from the depreciation of the rupiah exchange rate against the US dollar. This means that the price of shares that are negatively affected will decline in the Indonesia Stock Exchange (IDX), while companies that are positively affected will experience an increase in their share prices. Furthermore, the Composite Stock Price Index (CSPI) will also be affected negatively or positively depending on the dominant group of impacts.

For investors themselves, the depreciation of the rupiah against the dollar indicates that the outlook for the Indonesian economy is bleak. Because the depreciation of the rupiah can occur if Indonesia's economic fundamentals are not strong so that the US dollar will strengthen and will reduce the Composite Stock Price Index on the IDX (Sunariyah, 2006).

This certainly adds risk to investors if they want to invest in the Indonesian Stock Exchange (Robert Ang, 1997). Investors will certainly avoid risk, so investors will tend to sell and wait until the economic situation is felt to improve. This sell-off by investors will encourage a decline in the stock price index on the IDX and transfer investment to the US Dollar (Jose Rizal, 2007).

Based on several previous studies conducted by Theresia Puji Rahayu (2002), Sudjono (2002), Gede Budi Satrio in the short January (2006) and Dedy Pratikno (2006), the rupiah exchange rate has a negative effect on the Composite Stock Price Index (CSPI). While the research conducted by Shanty Ocktavilia proves that the rupiah exchange rate has a positive effect on the Composite Stock Price Index (CSPI).

### **2.7.3. The Relationship between Bank Indonesia Interest Rates Against the Composite Stock Price Index (CSPI)**

Classical economists state that demand and investment offerings in the capital market determine the interest rate. The interest rate will determine the balance between the amount of savings and investment demand. The high and low offer of investment funds is determined by the high and low interest rates of public savings (Novitasari, 2013). With the increase in the BI Rate it will also cause an increase in bank interest rates, causing stock prices to fall and impact on the decline in CSPI Property and real estate sector at IDX (Maslikha,H; Puspitaningtyas, Z; & Prakoso, A., 2017).

The results of research conducted by Maslikha et al. (2017) shows that the BI Rate has a negative and significant effect on CSPI. Similar results were also shown by researchers conducted by (Maurina, 2015) which indicates that the BI Rate has a negative and significant effect on CSPI. Different results are shown from the research conducted by Aliyah (2016) which shows that the BI rate has a positive and significant effect on the Jakarta Islamic Index (JII) stock price index.

## **2.8.Hypothesis**

The term hypothesis comes from Greek, namely hupo and Thesis. Hupo means weak, lacking or below and thesis means theory, proposition, or statement that is presented as evidence. So, a hypothesis can be interpreted as a statement that is still weak in truth and needs to be proven or a presumption that is still transient (Hasan, 2003: 140)

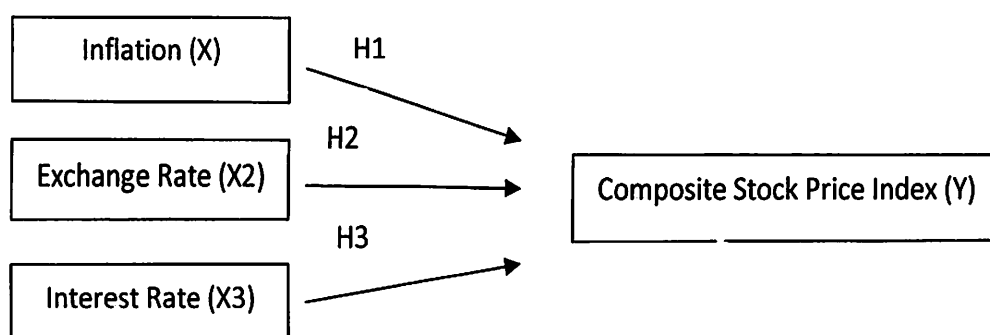
The hypotheses proposed in this study are as follows:

1. It is assumed that the inflation value has a positive influence on the Composite Stock Price Index (CSPI) on the Indonesia Stock Exchange (IDX) in 2013-2018.
2. It is assumed that the US dollar exchange rate has a negative influence on the Composite Price Index (CSPI) in the Indonesia Stock Exchange (IDX) in 2013-2018.
3. It is assumed that interest rates have a negative effect on the Composite Stock Price Index (IHSG) on the Indonesia Stock Exchange (IDX) in 2013-2018.

## 2.8. Research Model

In this study, there are four Macroeconomic variables which are thought to influence the Composite Stock Price Index (CSPI) on the Indonesia Stock Exchange.

The macroeconomic variables predicted to influence the Composite Stock Price Index (CSPI) are the exchange rate (exchange rate) of US dollars / Rupiah, Bank Indonesia Interest Rate, and Inflation.



**Figure 1. Research Mode**

In this Research model, according to Cooper and Schindler (2011) there are an independent variable, dependent variable and intermediate variables (Moderating variable). Independent variable is variables that affect the dependent variable, the dependent variable is a variable that can be measured, predicted, or in other words can be monitored and is expected to be affected by variables free. While the intervening variables are variables that affect the relationship between

independent and dependent variables into a direct don't relationship can be observed and measured (Sugiyono, 2017).



**UNIVERSITAS ATMA JAYA YOGYAKARTA**  
Fakultas Bisnis Dan Ekonomika

**BUKTI PENGAMBILAN KELAS**

Semester : Gasal TA 2019/2020  
Program Studi : Akuntansi

Nama Mahasiswa : Fransiscus Aditya Bayu Saputra  
Nomor Pokok Mahasiswa : 160422860

NOMOR	NAMA Mata Kuliah	KODE	SKS	KLS	DOSEN	KULIAH	UTS	UAS
1	Akuntansi Kombinasi Bisnis	AKT1353	3	J	Tabita I. Iswari, SE., M.Acc. Ak	Rabu-4	07/10/2019-3	09/12/2019-4
	Seminar Sistem Informasi	AKT3273	3	C	SAMIAJI SAROSA, Ph.D., MIS.	Rabu-1	02/10/2019-4	04/12/2019-4
	Kuliah Kerja Nyata	UNU0502	2	C	MENDAFTAR KEMBALI KE LPPM	Sabtu-5		

Jumlah SKS : 8 SKS  
Biaya Variabel : Rp 1,280,000 (satu juta dua ratus delapan puluh ribu rupiah)  
Waktu Pembayaran : 02 September 2019 s/d 09 September 2019

Yogyakarta, 30/07/2019

Kepala Bagian Tata Usaha

F. Joki Hartono Tri Nugroho, SE.

