

## THE INFLUENCE OF THE BI RATE, INFLATION, AND EXCHANGE RATES ON THE JCI DURING THE COVID 19 PANDEMIC

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### Abstract

*This study aims to determine the factors that affect the Composite Stock Price Index during the covid 19 pandemic. Several factors were tested such as the influence of the BI Rate, Inflation, Exchange Rate. The Composite Stock Price Index is one of the stock market indexes used by the Indonesia Stock Exchange. This index includes the price movements of all common shares and preferred shares listed on the IDX. the method used in this study is to use the multiple linear regression method). The data in the research is sourced from the world stock website, Bank Indonesia, the official website of the global stock exchange, and the official OJK website which is processed through the Eviews application. The results of this study indicate that The results of this study indicate that 32,43% of the JCI is influenced by the variables in this study. The BI rate has a negative effect of -5.819273 but has no significant effect on the JCI. inflation has a positive effect of 25633.30 and does not have a partial significant effect on the JCI. And the exchange rate has a significant effect partially on the JCI variable with a positive effect of 0.513*

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### Abstrak

Penelitian ini bertujuan untuk mengetahui faktor yang mempengaruhi Indeks Harga saham Gabungan pada masa pandemic covid 19. Beberapa faktor diuji seperti pengaruh BI Rate, Inflasi, Kurs. Indeks Harga Saham Gabungan merupakan salah satu indeks pasar saham yang digunakan oleh Bursa Efek Indonesia. Indeks ini mencakup pergerakan harga seluruh saham biasa dan saham preferen yang tercatat di BEI. metode yang digunakan dalam penelitian ini adalah dengan menggunakan metode regresi linear berganda. Data yang digunakan dalam penelitian ini bersumber dari web saham dunia, Bank Indonesia, website resmi bursa global, dan website resmi OJK yang diolah melalui aplikasi Eviews. Hasil penelitian ini menunjukkan bahwa 32,43% IHSG dipengaruhi oleh variabel variabel di dalam penelitian ini. BI rate berpengaruh negatif sebesar - 5.819273 tetapi tidak berpengaruh signifikan terhadap IHSG. inflasi memiliki pengaruh positif sebesar 25633.30 dan tidak berpengaruh signifikan secara parsial terhadap IHSG. Dan kurs berpengaruh signifikan secara parsial terhadap variabel IHSG dengan pengaruh positif sebesar 0,513

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## INTRODUCTION

IHSG is the Composite Stock Price Index covering all stock price fluctuations as a listing on the IDX as a basis for developments in activities that occur in the capital market and the Indonesian economy. The JCI is very important and can show how the condition of the economy and the capital market in general is, so that there are many different elements that can affect the rate of movement of the JCI, such as the money supply (Pratama, 2021).

The Covid 19 pandemic hit the world in 2019, where this pandemic was allegedly able to change the economic order of a country. World stock prices fluctuated when the Covid 19 pandemic hit the world. It is recorded that the IDX composite moves around the highest of 6572 and the lowest of 6093. The IDX compass moves between USD 1204 to USD 1201. The following is a graph of the development of the JCI when the world was hit by the covid 19 pandemic (Ministry of Finance of the Republic of Indonesia) .

## LITERATURE REVIEW

**Table 1.1 Table of JCI Development**

<b>Year-Quartal</b>	<b>IHSG</b>
2019-1	6181.0
2019-2	6425.7
2019-3	6379.7
2019-4	6000.6
2020-1	6257.4
2020-2	4811.8
2020-3	5064.5
2020-4	4906.9
2021-1	6104.9
2021-2	6104.9
2021-3	6104.9
2021-4	6104.9

table 1.1 JCI Development Table  
Source: idx.co.id

Table 1.1 shows that the JCI value tends to fluctuate during the Covid pandemic. In the first quarter of 2019, the JCI was at 6181. Then in the second quarter of 2019 the JCI was at 6379.7. In the first quarter of 2020, the JCI was at 6,257.4. The JCI in the fourth quarter of 2021 closed at the level of 6,104.9. during the pandemic, even though the JCI failed to take off like other Asian stock exchanges, foreign companies still saw opportunities in the national

stock market. This is reflected in the foreign net buy in the regular market which reached Rp 948 billion

Changes in the Jakarta Composite Index are inseparable from changes in macroeconomic conditions. Seeing this situation, during the Covid 19 pandemic, investors tended to look for bonds with short term tenors because they were considered to have a lower risk when there was an agenda for normalizing monetary policy like now (Cnbc Indonesia, 2021)

BI rate Under the inflation targeting framework (ITF) regime which was fully adopted starting in July 2005, Bank Indonesia set the Bank Indonesia reference rate (BI rate) based on the intended inflation rate target, as a guide for the market. The BI rate is a policy rate, as a reference interest rate (benchmark). The impact of the BI rate is felt in the implementation of monetary operations conducted by BI through liquidity management in the market. The instrument is the overnight interbank money market interest rate (O/N PUAB). For banks, PUAB is an alternative way of meeting daily liquidity needs (Bank Indonesia, 2017).

**Table 1.2 Table of development of bi rate**

<b>Year Quartal</b>	<b>BI Rate</b>
2019-1	6
2019-2	6
2019-3	6
2019-4	6
2020-1	5
2020-2	4.5
2020-3	4
2020-4	4
2021-1	3.75
2021-2	3.5
2021-3	3.5
2021-4	3.5

table 1.2 Table of development of bi rate

Source: bi.go.id

Table 1.2 shows that the BI rate fluctuated in the first quarter of 2019 at 6%, in the second quarter of 2019 it was at 6%, in the third quarter of 2019 the BI rate was at 6%, in the fourth quarter of 2019 the BI rate the 6%, in the first quarter of 2020 the BI rate is at 5% in the first quarter of 2021 the BI rate is at 3.75%. And in the fourth quarter of 2021 the BI rate will be at 3.5%. This indicates that the covid 19 pandemic has an influence on the determination of the BI rate policy (I. Faiz, 2017).

The sharp increase in inflation in various countries, especially the US, made the central bank begin to take tightening steps (hawkish). The Fed itself took steps to accelerate the process of reducing liquidity injection, or better known as tapering. In addition, the Fed's

boss, Jerome Powell, also said he was prepared to raise interest rates as needed to tame inflation. The issue of increasing the Fed's interest rate again made the rupiah weaken. On the spot market, the rupiah corrected 0.1% against the US dollar to a level of IDR 14,315/US\$ (I. Faiz, 2017).

In previous studies, it was concluded that the BI rate, inflation and exchange rates have an influence on the composite stock price index when the BI rate or interest rates rise. The BI rate is a policy rate, as a reference interest rate (benchmark). The impact of the BI rate is felt in the implementation of monetary operations conducted by BI through liquidity management in the market. The instrument is the overnight interbank money market interest rate (Bank Indonesia, 2017).

In addition, when inflation occurs, prices will rise and aggregate demand will decrease, and when demand for goods and services decreases, it will affect the turnover obtained by companies, so profits will decrease. When this happens to companies that offer their shares, it will cause the market to immediately respond negatively and result in a sluggishness in the stock market. Conversely, when inflation decreases, the price level of goods and services will decrease, and will increase public interest in increasing their aggregate spending, so that the profits received by companies will increase, and will strengthen the JCI. So based on this description, inflation has a negative influence on the JCI (Gojali et al., 2021).

**Table 1.3. Table of Inflation Developments**

<b>Tahun-Kuartal</b>	<b>Inflasi</b>
2019-1	0.0282
2019-2	0.0283
2019-3	0.0332
2019-4	0.0313
2020-1	0.0283
2020-2	0.0267
2020-3	0.0154
2020-4	0.0144
2021-1	0.0332
2021-2	0.0166
2021-3	0.0152
2021-4	0.0166

Table 1.3 Table of Inflation Development

Source: bi.go.id

In table 1.3. shows that inflation has fluctuated during the covid pandemic 19. In the 2019-2 quarter 0.0283 first year 2019 inflation was at a value of 0.0282 then in the second quarter of 2019 inflation was at a value of 0.0283 then in 2019 the third quarter inflation was at a value of 0.0332 in 2020 the first quarter of inflation is at a value of 0.0283 in 2020-3 0.0154 2020 second quarter inflation is at a value of 0.0287 in 2020 quarter one inflation is at a value of 0.0332 in the final quarter of 2021 inflation is at a value of 0.0166.

In previous research, it was explained that there was no effect of inflation on the JCI during the Covid-19 pandemic in January - December 2020. This was due to the inflation rate in January-December 2020 which was in the category of creeping inflation (Creeping Inflation) which was included in the category mild inflation because it is below 10%. The impact of mild inflation is that people or consumers are still able to buy their needs (Pustaka et al., 2017).

The pandemic has had a major impact on the economy of the Republic of Indonesia. It was recorded that shares in medical and pharmaceutical companies closed positively due to the public's need for drugs and vaccines. The government has also participated in dealing with COVID-19 by issuing macroeconomic policies. Macroeconomic policies are alleged to have influenced the movement of the JCI (RI Ministry of Finance, 2021).

In previous research, Sukirno explained that investment will decrease along with high interest rates and investment will increase along with low interest rates. When interest rates are in high conditions, stock income will tend to decrease, the amount of investment will experience a reduction, and owners of excess funds prefer to invest their funds in the money market rather than in the stock market, so that stock prices will decrease, which has an impact on the JCI. decline. Conversely, when interest rates are at a low level, they will increase the amount of investment, because the profits obtained are greater than the interest rates issued, and they will choose to invest in the capital market. Thus, the BI Rate has a negative influence on the JCI. In investing, the BI Rate is not used as a reference for investment by investors (Dewi Kumalasari, 2016). Increased interest rates will increase capital inflows into the country, making it more profitable to invest money in that country (Sadono Sukirno, 2016: 287), so the BI Rate has a positive influence on the JCI (Laksmono R et al., 2017).

From 2019 to 2021, the Covid 19 pandemic occurred in the world. During this period it occurred fluctuations in economic conditions. There were no researchers who examined the influence of macroeconomic factors on the JCI at that time, therefore, the researchers took the title Effects of the BI rate, inflation and exchange rates on the JCI during the Covid 19 pandemic.

The exchange rate is the price/value of a country's currency compared to another country's currency. In the case of this study the exchange rate in question is the value of the rupiah against the US dollar. Changes in exchange rates can affect the competitiveness of a company. Exchange rate fluctuations can affect a company's income and operational costs and can ultimately affect a company's stock price. In addition, for a country that is highly dependent on imports, a decrease in the exchange rate can raise concerns about inflation. High imported raw materials will cause producers to increase the selling price of their products, and will eventually lead to an increase in the price of goods or inflation (Ilmi, 2017).

**Table 1.4. Exchange Rate Development Table**

<b>Year- Quartal</b>	<b>Kurs</b>
2019-1	14196
2019-2	14064
2019-3	14354
2019-4	14196
2020-1	13895
2020-2	16413
2020-3	14341
2020-4	14516
2021-1	13903
2021-2	14577
2021-3	14542
2021-4	14542

Table 1 4 Table of Exchange Rates Source: bi.go.id

In table 1.4 Exchange rates fluctuate in 2019 the quarter one exchange rate is worth 14064 then in the second quarter in 2019 the exchange rate is worth 14354 in 2020 the quarter one exchange rate is worth 16413. Then in 2021 the quarter one exchange rate is worth 14577. And in 2021 the quarter four exchange rate is closed at number 14542. The occurrence of the Covid 19 pandemic had quite an impact on the Indonesian economy, one of which was the fluctuation of the stock price index and macroeconomic variables, which attracted the author to conduct research entitled The Influence of the BI Rate, Inflation and Exchange Rates on the JCI During the Covid 19 Pandemic.

## **RESEARCH METHODOLOGY**

The method used in this research is a quantitative method. In an effort to answer the formulation of the problem in this study, the method used is multiple regression. This study has three variables that are the object of research where the JCI is the dependent variable (Y). While the independent variables are the BI Rate (X1), Inflation (X2), and the Exchange Rate (X3). Based on the description above, the constellation of the influence of the variables above can be described as follows:

Table 1.  
The Percentage Analysis of Feasibility Criteria

No	Percentages	Description
1.	81.00% - 100.00%	Very valid, very effective, very good, can be used without improvement.
2.	61.00% - 80. 00%	Fair, quite effective, good enough, can be used but needs minor repairs.
3.	41.00% - 60.00%	Less valid, less effective, or less good, need major repairs, it is recommended not to be used.
4.	21.00% - 40.00%	Invalid, ineffective, not good, cannot be used.
5.	00.00% - 20.00%	Very invalid, very ineffective, very bad, unusable

## RESULTS AND DISCUSSION

1. The BI rate has a significant effect on the JCI with a coefficient of -0.5819 because if interest rates rise, people tend to reduce investment in the capital market and prefer to save funds in banks in order to get bigger and constant interest.
2. Inflation has an insignificant effect on the JCI with a coefficient of 2.563 because if inflation rises, investment in the capital market tends to increase and they choose to invest in companies that offer shares for investment.
3. The exchange rate has an insignificant effect on the JCI with a coefficient of -0.513. This is because people tend to invest in foreign currencies if the exchange rate rises and has an impact on decreasing investors in the capital market.

## CONCLUSIONS AND SUGGESTION

Based on the research results that have been determined, the researcher can provide implications for several related parties, including:

1. The BI rate has a significant negative effect on the JCI. The BI rate is the interest rate issued by Bank Indonesia. Bank Indonesia as the central bank must be smart in determining interest rates so that investors in the capital market continue to invest their funds in the capital market
2. Inflation has no significant effect with a coefficient of 2.563 JCI. The government in this case must be able to manage inflation so that the rupiah exchange rate does not fall and have an impact on reducing investment in the capital market
3. The exchange rate has a negative insignificant effect. Therefore, the government must be able to manage the economy so that there is no economic recession which causes the value of the rupiah exchange rate to weaken against the dollar. It is hoped that further research can be carried out by adding factors other than the Exchange Rate (USD/IDR), SBI Interest Rates, Inflation, both from domestic and foreign financial markets and an extended research period to obtain even more accurate results.



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