



The Effect of Rupiah/US\$ Exchange Rate, Inflation and SBI Interest Rate on Composite Stock Price Index (CSPI) in Indonesia Stock Exchange

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Abstract: The capital market is one of the tools for economic growth for a country because the stock market is a means of capital formation and accumulation of long-term funds that are directed to increase community participation in the mobilization of funds to support national development financial. The sample used in this research are the data of Rupiah/US\$ exchange rate, inflation, SBI interest rates and the Composite Stock Price Index (CSPI) in 2009 – 2013. Types of data used are monthly secondary quantitative data in 2009 – 2013 periods that were obtained from the official website of Bank Indonesia, SEKI and Indonesia Stock Exchange (IDX). The data analysis technique used is multiple linear regressions. The results of this research are: (1) there is a negative and significant effect of Rupiah/US\$ exchange rate and SBI interest rate on Composite Stock Price Index (CSPI), while there is positive and significant effect of inflation on Composite Stock Price Index (CSPI), (2) there is a simultaneous effect of Rupiah/US\$ exchange rate, inflation and interest SBI rate on Composite Stock Price Index (CSPI), (3) SBI interest rate is the dominant factors which affect the Composite stock price index (CSPI).

Keywords: rupiah/US\$ exchange rate, inflation, SBI interest rate, composite stock price index (CSPI)

Capital Market is known as one of the tools for economic growth in a country due to the fact that capital market is a means of capital formation and accumulation of long-term funds and are directed to increase community's participation in the mobilization of funds in order to support national development funds. Samson (2006: 43) stated that the capital market is a meeting place or means between the demand and supply for long-term financial instruments, generally more than one year. Furthermore, the capital market is also a representation to assess the condition of the company in a country, because almost all industries in a country are represented by the capital markets. Capital markets have increased or decreased visible from the rise and fall of stock prices listed are reflected through a movement of the index.

The growth of investment in a country will be affected by the country's economic growth. The better the economy of a country level, the better the level of affluence of the population. A higher level of prosperity which is generally characterized by an increase in income levels. With the increase in the income, the more people who have excess funds, these surplus funds may be used to be stored in the form of savings or invested in securities that has been marketed in the capital market.

Fundamentally, the price of a type of stock is affected by the macro and micro economic factors (Samson, 2006). Micro factors are factors that originate from within the company, such as earnings per share, operating income per share, and others - others. Macro factors are factors that come from outside the company but directly affects the performance of the stock, as the factors that come from abroad (external) and a factor derived from the domestic (internal). Factors that comes from outside the country can come from other countries foreign stock indices (Dow Jones, Hang Seng, Nikkei, etc.), the trend of changes in world oil prices, the trend of gold



prices, market sentiment abroad, and so forth. While the factors that originate from within the country is influenced by several factors which are economic factors or non-economic factors. Economic factors affecting the investment activity in the equity markets is reflected in the macro conditions that monetary indicators covering the rupiah against the US dollar, inflation and interest rates of SBI which will ultimately determine the rise and fall of stock index in the Indonesia Stock Exchange (Hismendi, 2013).

Tapering off to the policy conducted by the Fed have indirect effect on CSPI. Finance Minister Muhammad Basri said that the turmoil caused by the US Federal Reserve (the Fed) is planning to hold Quantitative Easing result in the weakening of the rupiah and index (tempo.co). The weakening of the exchange rate resulted in SBI interest rate rises. Rising interest rates SBI is followed by decline in CSPI. The phenomenon illustrates the fluctuating exchange rate, interest rate SBI and CSPI. It has given a strong reason in explaining the inter-relationship between the variables of exchange rate and interest rate of SBI with stock prices.

The rupiah weakened also increasingly sparked fears of market participants. The impact of the falling value of the rupiah against the dollar allows negatively affect the capital markets given that most companies that go - public on the Stock Exchange has a foreign debt in foreign currency. Products - products produced by the public companies are using materials that have a high import content. Recorded at the close of trading on Monday, February 10, 2014, the rupiah fell 12 points (0.10 percent) to Rp 12 173. In trading today, Tuesday, February 11, 2014, the rupiah is predicted to be above the support level of USD 12 182 per US dollar. Bank Indonesia middle rate is in the interval Rp 12172-12158 per dollar (tempo.co). In the long run, it is quite possible to market participants busy to switch to the currency investment instruments. Nine sectors listed in Indonesia Stock Exchange fell entirely with the greatest weakness experienced by various industry sectors which amounted to 1.97 percent. 27 business index also closed down 2.2 percent. On December 12, 2013, the Composite Stock Price Index (CSPI) closed down 1.39 percent. Of the 483 stocks traded, as many as 81 stocks rose, 155 stocks fell, and 247 shares remain stagnant. This shows that the rupiah weakened against the dollar have a negative impact on CSPI.

Besides exchange rate, macro-economic factor that influence CSPI is inflation. In each country, the state of inflation is inevitable just that the levels of inflation itself different, in the category of mild inflation and moderate, the economy is not too / disturbed, but when the category inflation severe and even hyperinflation, it can damage the economy and state a country. Inflation effect on CSPI because inflation affects the demand and supply of shares, the interest rate will be set so as to affect the stock price.

Similarly, the interest rate of SBI. In theory, interest rates and stock prices have a negative relationship (Tandelilin, 2010). Increasing the SBI interest rate resulted in investors prefer to save their money in banks in the form of savings. This is because the benefits of savings interest rate higher than the dividends obtained by investor per year. The drop in demand caused CSPI shares declined. Meanwhile, when the SBI interest rate decreases, CSPI tends to increase due to lack of interest of investors to invest in the stock exchange.

To see the development of the Indonesian capital market is one indicator that is often used is the Composite Stock Price Index (CSPI), which is one of the stock market index used by the Indonesian Stock Exchange (BEI). Their policy of tapering off will be conducted by the Fed have indirect effect on CSPI. Composite Stock Price Index (CSPI) listed on the Stock Exchange are affected by exchange rate, inflation, interest rates SBI.

LITERATURE REVIEW

Exchange Rate

Exchange rate is the price of one currency on the other currency (Salvatore, 1997). Exchange rate can also be defined as the price of one unit of the domestic currency in units of foreign currency. Given a currency is always facing the possibility of a decrease in the exchange rate on a currency or depreciation - other currency, or otherwise increase or appreciation, the international financial circles prefer using the effective exchange rate indicators. Effective exchange rate is the average exchange rate between the domestic currencies with the currencies of other countries who are partners - most important trading partner. Depreciation refers to the increase in the price of foreign exchange in units of domestic currency. While appreciation refers to the decrease in the price of foreign exchange in units of domestic currency. When the currency appreciates, the currency is said to be stronger because it can buy more foreign currency. Similarly, when a currency depreciates then the money is said to be weakened.

The exchange rate is divided over the exchange rate and the nominal value of the real exchange rate. The nominal exchange rate is the value that a person uses when exchanging currency of a country by another country's currency. While the real exchange rate is the value that a person uses when exchanging goods and services of a country with goods and services from other countries (Mankiw, 2006).

Inflation

The definition of inflation according to the Central Statistics Agency is the rising prices of goods and services in general in which goods and services are basic needs of society or a decline in purchasing power of a country's currency. Simply put, Bank Indonesia stated that inflation as rising prices - the prices in general and continuously. Bank Indonesia explains that inflation arises because of the pressure from the supply side (cost push inflation), on the demand side (demand pull inflation), and from inflation expectations. Factors occurrence of cost push inflation can be caused by the depreciation of the exchange rate, the impact of inflation abroad, especially countries trading partners, increased commodity prices are regulated by the government (administered price), and going negative supply shocks caused by natural disasters and disruption of distribution.

In addition, Bank Indonesia also explains the causes of demand pull inflation occurs is high demand for goods and services relative to availability. In the macroeconomic context, this condition is illustrated by real output exceeds potential output or total demand (aggregate demand) is greater than the capacity of the economy. Meanwhile, the factor of inflation expectations are influenced by the behavior of the people and economic players using the inflation rate expectations in the decision of economic activities. The inflation expectations are more likely to be adaptive or forward looking. This is reflected in the behavior of price formation at the level of producers and traders, especially on the eve of the religious holidays (Eid, Christmas and New Year) and the national minimum wage (UMR). Despite the availability of goods in general is estimated to be sufficient in support of the increase in demand, but the price of goods and services at times of religious festivals increases higher than the supply-demand conditions. Similarly, when deciding on the minimum wage, traders were also increases the price of goods despite the wage increase is not very significant in driving increased demand.

SBI Interest Rate

According to Bank Indonesia Circular Letter No. 10/28 / DPM on Bank Indonesia Certificate through an auction, it is mentioned that the SBI interest rate is securities in rupiah currency issued by Bank Indonesia in recognition of short-term debt. SBI interest rate is offered through auction, the sale of SBI interest rate is conducted by Bank Indonesia in the implementation of monetary policy.

When Bank Indonesia uses interest rates as a monetary policy variable, control is straightforward. BI can affect the interest rate by open market operations. Open market operations such as those set forth in Bank Indonesia Circular Letter No. 10/28 / DPM issuance of Certificate of Bank Indonesia, the transaction activity in the money market conducted by Bank Indonesia with Banks and other parties for the purpose of monetary control. If Bank Indonesia raised interest rates, means the central bank to withdraw money from the market. So that Value bonds prices will fall. Conversely, if Bank Indonesia lowered interest rates, means that BI offers money on the market. So that Value bonds prices will rise.

SBI interest rate is one of the mechanisms used by Bank Indonesia to control the stability of the Rupiah. By selling the SBI interest rate, Bank Indonesia can absorb excess money supply. The interest rate applicable on each sale of SBI interest rate is determined by market forces based on an auction system. Since its inception in July 2005, BI using Bank Indonesia interest rate mechanism, which announced the desired target of SBI interest rate interest rate for auction during the given period. BI rate is then used as a reference for market participants in the auctions.

Composite Stock Price Index

Composite Stock Price Index is a composite index of all stocks which are listed on the stock exchange and published by the stock exchange (Samson, 2006). Composite Stock Price Index (CSPI) an indicator showing the movement of stocks. Index serves as an indicator of market trends, meaning that the index movement describe, measure and report on market conditions at any time, whether the market is active or lethargic. Meanwhile, the parties outside the stock exchange are not interested in publishing CSPI because the index is still losing benefits with partial stock price index.

CSPI is calculated every day or every second during trading hours after the needs. CSPI changed every day because of changes in market prices that occur every day and the presence of additional shares. In the number of outstanding shares is derived from new emissions, namely the entry of new issuers listed on a securities exchange. The movement of the index an indicator for investors to determine whether they will sell, hold or buy one or more shares. Because stock prices move in seconds and minutes, then the value of the index was moving up and down within a short time anyway.

Stock market price changes occur due to demand and supply factors. There are variables that rational and irrational factors affecting demand and supply. The influence of the rational nature includes corporate performance, interest rates, inflation, and foreign exchange rates or share price index from other countries. The effect of irrational includes rumors in the market, follow a dream, whisper friends, or the price game.

METHOD

The method used in this research is a quantitative method. The data used as a sample in this research is secondary quantitative data in the form of time series is the data exchange rate,

the rate of inflation, SBI interest rate and stock price index is restricted to the data of each end of the month during observation period between January 2009 to December 2013. The data is accessed through the official website of the official website of Bank Indonesia, SEKI and BEI. Once data is collected, the data were analyzed using analysis techniques linear with SPSS for Windows 16.0. The researcher also test the hypothesis with T test and F-test and then test the classical assumption.

RESULTS AND DISCUSSION

Exchange Rate

Table 1: Exchange Rate Period 2009 – 2013

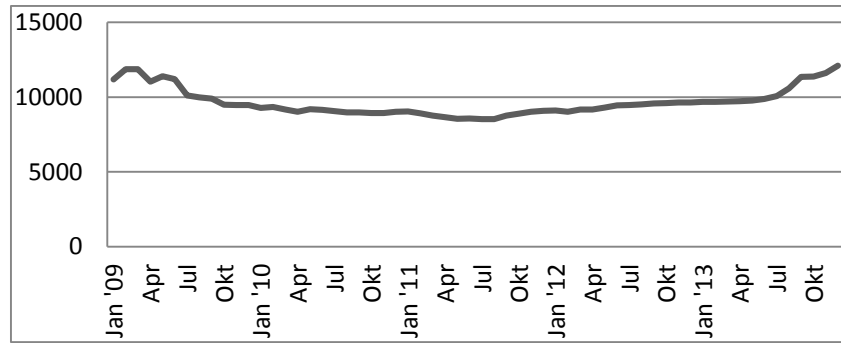
Month	Exchange Rate (Rp)				
	2009	2010	2011	2012	2013
January	11167,2	9275,45	9037,38	9109,14	9687,33
February	11852,8	9348,21	8912,56	9025,76	9686,65
March	11849,6	9173,73	8761,48	9165,33	9709,42
April	11025,1	9027,33	8651,3	9175,5	9724,05
May	11392,1	9183,21	8555,8	9290,24	9760,91
Juny	11206,6	9148,36	8564	9451,14	9881,53
July	10111,3	9049,45	8533,24	9456,59	10073,4
August	9977,6	8971,76	8532	9499,84	10572,5
September	9900,72	8975,84	8765,5	9566,35	11346,2
October	9482,73	8927,9	8895,24	9597,14	11366,9
November	9469,95	8938,38	9015,18	9627,95	11613,1
December	9457,75	9022,62	9088,48	9645,89	12087,1

Source : Bank Indonesia 2014

Based on Figure 1, it can be seen that the rupiah / US \$ from the year 2009 to 2013 has fluctuated. As for the increase or decline in the rupiah / US \$ are not too many changes. Rupiah most powerful occurred in August 2011 in the amount of Rp 8532, while the value of the rupiah weakness occurred in December 2013 in the amount of USD 12087.1.

In 2009, the rupiah/US\$ has strengthened. It can be seen from January 2009 the rupiah/US\$ is Rp 11.167.2 then progressively stronger until December 2009 amounted to USD 9457.75. In the following year the rupiah / US \$ is relatively stable. In 2011 the rupiah/US\$ continues to strengthen until August 2011 amounted to Rp 8532. But in the month - next month fell to \$ 12087.1 which occurred in December 2013 in which the position of becoming the weakest position of the rupiah/US \$.

Based on Figure 2, it can be seen that in 2009-2013, the rupiah / US \$ at first weakened and then strengthened and eventually weaken. The graph above shows the rise and decline of the rupiah / US \$ is not too big. In which the weakening and strengthening rupiah / US \$ changes gradually, not drastically changed.



Graphics 1: Graph Exchange Rate Period 2009-2013

Source: BI Data 2014 that have been processed

Inflation

Table 2: Inflation Period 2009 – 2013 (%)

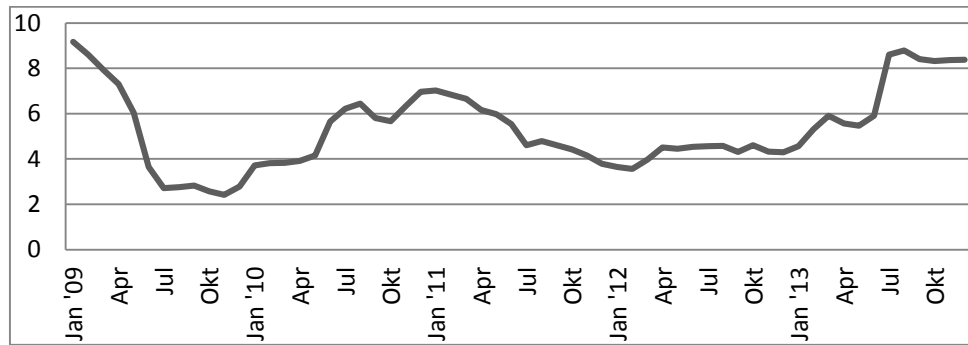
Month	Inflation (%)				
	2009	2010	2011	2012	2013
January	9,17	3,72	7,02	3,65	4,57
February	8,60	3,81	6,84	3,56	5,31
March	7,92	3,83	6,65	3,97	5,90
April	7,31	3,91	6,16	4,50	5,57
May	6,04	4,16	5,98	4,45	5,47
June	3,65	5,65	5,54	4,53	5,90
July	2,71	6,22	4,61	4,56	8,61
August	2,75	6,44	4,79	4,58	8,79
September	2,83	5,80	4,61	4,31	8,40
October	2,57	5,67	4,42	4,61	8,32
November	2,41	6,33	4,15	4,32	8,37
December	2,78	6,96	3,79	4,30	8,38

Source : Bank Indonesia 2014

The inflation data showed that the rate of inflation from the year 2009 - 2013 is a significant change. The highest inflation was in January 2009 amounted to 9.17%, while the lowest was in November 2009 by 2.41%. Year 2009 was a year in which there is a reduction enormous. In 2010 inflation began to rise again slowly until the month of December 2010 inflation rate of 6.96%. However, in 2011 inflation back down which occurred in February 2011 was 6.84%.

In February 2012, inflation is at 3.56%. This is because of the 66 CPI cities, 40 cities experienced inflation and 26 cities experienced deflation. Deflation caused abundant supply of red peppers and tomatoes that experienced price declines of up to 47% in some cities. Many cities experiencing deflation resulting in low levels of inflation in the month of February 2012.

In the following month inflation experienced ups and downs until rebounded by 8.61% in July 2013. This is because the impact of rising fuel oil (BBM) in June 2013. When fuel went up in June inflation is only 5, 9%. However, in July increased to reach 8.61%. The increase in fuel causes the price - the price of food rises so that the community needed more money to meet their needs. Thus, the amount of money circulating in the community is increasing and causing high inflation.



Graphics 2: Graph Inflation Period 2009-2013 (%)
Source: BI Data 2014 that have been processed

Based on Figure 4, it can be seen that inflation has increased quite dramatically in the period of 2009 - 2013. The sharp drop in inflation that occurred in 2009. The inflation rate at the beginning of 2009 amounted to 9.17% and decreased at the end of the year by 2.41%. Then begins to rise to a peak of 7.02% in January 2011. But inflation back down to the lowest point is 3.56% in February 2012. In the month - next month, the inflation rate has increased continuously until the month of December 2013 the rate of inflation amounted to 8.38%.

SBI Interest Rate

Based on the data obtained, the value of SBI interest rate fluctuated sharply in the period 2009 - 2013. In the year 2009 decreased every month. This can be seen in January SBI rate is in the highest position of 9.5% and continued to fall until the position of 6.46% in December. In 2010 the SBI interest rate does not fluctuate sharply. In the first half of 2011 the interest rate increased from 6.08% to 7.36%. However, in the second half of 2011 the interest rate decreased from 7.27% to 5.04%.

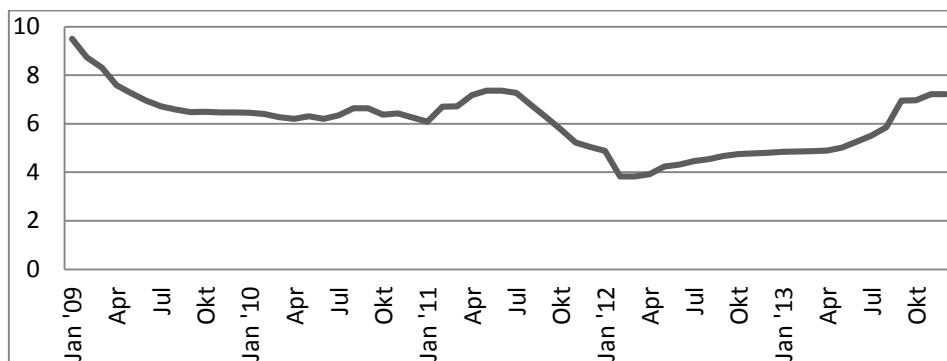
SBI interest rate reached the lowest value in February and March 2012 which is valued at 3.82%. After experiencing the lowest value, Bank Indonesia gradually raising interest rates SBI. In December 2013, SBI interest rate increased again to reach 7.22%.

Table 3: SBI Interest Rate Period 2009 – 2013

Month	SBI Interest Rate (%)				
	2009	2010	2011	2012	2013
January	9,50	6,45	6,08	4,88	4,84
February	8,74	6,40	6,70	3,82	4,86
March	8,31	6,27	6,72	3,82	4,87
April	7,59	6,20	7,18	3,92	4,89
May	7,25	6,30	7,36	4,24	5,02
June	6,95	6,20	7,36	4,32	5,27
July	6,71	6,34	7,27	4,46	5,52
August	6,58	6,63	6,77	4,54	5,86
September	6,48	6,64	6,28	4,67	6,95
October	6,49	6,37	5,77	4,75	6,97
November	6,47	6,42	5,22	4,77	7,22
December	6,46	6,26	5,04	4,80	7,22

Source: Financial Statistics Indonesia 2014

Based on Figure 6 can be seen that the SBI interest rate fluctuated sharply. From January 2009 to January 2011 there occurred a continuous decline. However, in April 2011, Bank Indonesia began to fix the interest rate of SBI and only lasted four months. After that the SBI interest rate has been going down until it reaches the lowest number in March 2012 in the amount of 3.82%. Post to decline, Bank Indonesia decided to fix by raising interest rates SBI little by little until the end of 2013 reached 7.22%.



Graphics 3: Graph SBI Interest Rate Period 2009 – 2013 (%)
Source: SEKI Data 2014 that have been processed

Composite Stock Price Index

Composite Stock Price Index in the Indonesia Stock Exchange is always changing from time to time. It occurs because the number of transactions of purchase and sale of shares occur every Monday - Friday in the stock market. The more the demand and supply of the CSPI shares will rise, and vice versa. The forces of demand and supply also affect stock price fluctuations, in which stock prices based auction trading system.

Composite Stock Price Index studied is the value of CSPI per month in the period 2009 - 2013. The development of Value bonds issuance value can be seen in Figure 7. Based on Figure 7 it can be seen that the CSPI has fluctuated during the period 2009 - 2013. The highest CSPI occurred in May 2013 that is equal to 5069 points and the lowest was in February 2009 that was 1285 points. Overall, CSPI has increased from year to year.

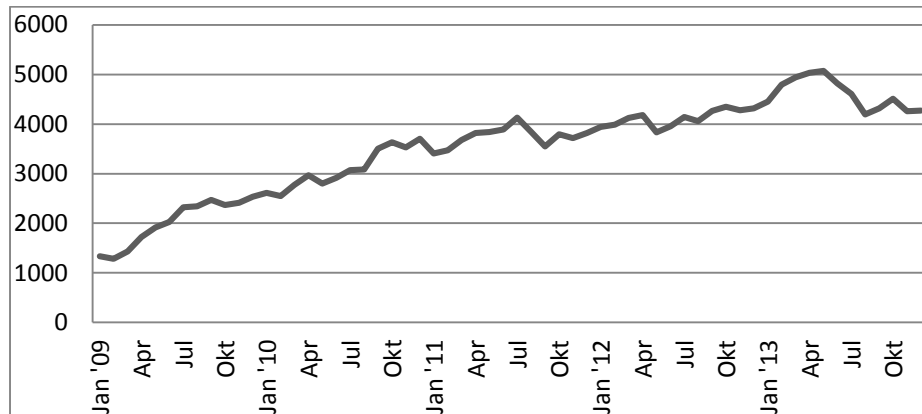
Table 4: Composite Stock Price Index Period 2009-2013 (Point)

Month	Composite Stock Price Index (Poin)				
	2009	2010	2011	2012	2013
January	1333	2611	3409	3942	4454
February	1285	2549	3470	3985	4796
March	1434	2777	3679	4122	4941
April	1723	2971	3820	4181	5034
May	1917	2797	3837	3833	5069
Juny	2027	2914	3889	3956	4819
July	2323	3069	4131	4142	4610
August	2342	3082	3842	4060	4195
September	2468	3501	3549	4263	4316
October	2368	3635	3791	4350	4511
November	2416	3531	3715	4276	4256

December	2534	3704	3822	4317	4274
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Source: Financial Statistics Indonesia 2014

During 2009, CSPI has increased; seen in January 2009 CSPI is at 1333 points by December 2009 rose to 2534 points. In 2010, also rose in January where CSPI reached 2611 points and at the end of the year rose to 3704 points. In 2011, CSPI also increased, where in January CSPI currently on 3409 points and in December CSPI was on 3822 in points. In the following year, CSPI has fluctuated in May 2013 in which CSPI has the highest position that is 5069 points. Then CSPI decreased to be in the position of 4274 points in December 2013.



Graphics 4: Composite Stock Price Index Period 2009-2013 (Point)

Source: Data SEKI 2014 that have been processed

Figure 8 shows graphically that in the period 2009-2013 fluctuated. But overall composite stock price index has increased from year to year. Starting from the beginning of 2009 composite index was at 1333 points until the December 2013 stock index is at 4274 points, which during the period composite stock price index increased by 2941 points.

The Effect of Exchange Rate, Inflation and Interest Rates on Composite Stock Price Index

Based on the results of multiple linear regression analysis, it is known that large regression coefficient value of the rupiah/US\$ at -0.254. This means that the rupiah/US\$ has a negative influence on the composite stock price index. If the rupiah/US\$ up 1 Rupiah/US\$, the composite stock price index will be decreased by 0.254 points. The results of the analysis in chapter IV also indicates the probability Sig value of the rupiah/US\$ is smaller than $\alpha = 0.05$. That is, the rupiah/US \$ has a significant impact on composite stock price index. Based on the analysis, the rupiah/US\$ a significant negative effect on composite stock price index period 2009-2013.

Based on the results of multiple linear regression analysis regression coefficient is known that the great inflation of 312.738. This means that inflation has a positive influence on composite index. If inflation rose by 1%, the composite index would be increased by 312.738 points. The analysis also showed inflation Sig probability value smaller than $\alpha = 0.05$. That is, inflation has a significant effect on the composite index. Based on the analysis, inflation has positive and significant impact on composite stock price index period 2009-2013.

Based on the results of multiple linear regression analysis, it is known that large regression coefficient of SBI rate is at -648.853. This means that inflation has a negative

influence on the composite stock price index. If the SBI rate rise 1%, the composite index will be down by 648.853 points. The analysis also shows the probability value Sig SBI rate is smaller than $\alpha = 0.05$. That is, the SBI interest rate has a significant impact on composite stock price index. Based on the analysis, the SBI interest rate a significant negative effect on composite stock price index period 2009-2013.

Simultaneously, based on the analysis of the rupiah/US\$, the SBI interest rate and inflation significant effect on the Indonesia Stock Exchange Composite Index in the period 2009 - 2013. In the long-term effects, in addition to the rupiah/US\$, inflation and interest rates SBI, there are other macroeconomic factors that are not mentioned in this study, but also affected investor to invest in the capital market, especially the stock. Before buying stocks, an investor usually do the analysis by comparing the market price and intrinsic value of the stock. The intrinsic value of the stock can be seen by knowing the inherent characteristics of these shares as the company's net profit, the company's assets, dividends and prospects of the company.

Besides, considering the intrinsic value of the stock, changes in macroeconomic factors are also important to consider. Yet, these factors will not immediately affect the stock but slowly over the long term. When changes in economic factors that happens, investors will calculate their impact both positive and negative, and then make a decision to buy or sell shares in question. Estimates or forecasts future price of a stock can be done by knowing the amount - the amount of macroeconomic variables and trends in changes in the future as the number of the money supply, national investment, GDP (Gross Domestic Product), as well as other government policies.

Partially, the rupiah/US\$ have a significant effect on composite stock price index. The Rupiah / US\$ a significant negative effect on the composite stock price index period of 2009 - 2013. This is because if rupiah/US\$ depreciates, the composite index will weaken anyway. For the investors themselves, the weakening of the rupiah showed Indonesia's economic fundamentals situations in adverse conditions. When the economic outlook is not good, then investors tend to release their stock - its shares to avoid risk when going to invest in the Indonesian stock market and wait until the economic situation improves perceived. Sell shares this will certainly push down the composite stock price index.

In addition, if the rupiah/US\$ weakening would increase production costs, especially the cost of imported raw materials. This will give a negative impact on corporate profits ultimately reduce earnings per share. The decline in earnings per share would make investors less interested in investing in stocks, so that there will be a sell stocks that caused demand to decline. Decline in demand will lead to decline in composite stock price index shares in the capital market.

The results of this study are consistent with results from studied conducted by Kewal (2012) and Hismendi (2013) which states that the rupiah/US\$ a significant negative effect on composite stock price index. The strengthening of the exchange rate (appreciation) of the US\$ will add to the rapid flow of capital into the country. In these conditions the investor will invest in shares. The number of investors who invest in shares resulted in an increase of composite stock price index. Conversely, when the rupiah to depreciate, investors will race - a race to release their shares to invest in US\$. This led to the fall in the stock price so that composite stock price index has decreased.

The inflation rate that occurred during the period 2009 - 2013 fluctuated sharply. But overall composite stock price index has increased despite inflation fluctuated sharply. This occurs because when inflation increased demand for shares will also increase. This happens because when inflation reached its highest point the stock price will reach its lowest point, which would certainly be an opportunity for investors to invest in stocks that have a long term

with the expectation of higher yields. When the stock price declines, investors will buy shares that causes increasing demand for stocks. Increased demand will lead composite stock price index shares increased as well.

The results of this study are consistent with results from studies Pratikno (2009) which stated that inflation has positive and significant impact on composite stock price index in BEI. This implies that if inflation increases, composite stock price index will also rise. At the time of inflation at the highest position, the investor expects that the movement of the stock will increase in line with the decline in interest rates.

In this study, the result is that the SBI interest rate have a significant effect on composite stock price index. When viewed from the monetary policy, the investment is more influenced by real interest rates and real interest rates are influenced by the SBI rate. When the SBI interest rate is higher than real interest rates will be high so that the public chose to save their money in banks rather than investing in stocks. This caused demand to decline so composite stock price index shares will decrease, and vice versa. So the relationship between the SBI rate indirectly affect the composite stock price index.

SBI rate has a significant and negative effect on composite stock price index in period of 2009 - 2013. This is because of rising interest rates SBI may increase the burden on companies to fulfill obligations / debts to banks. Thus, declining corporate profits and ultimately make the stock prices down. SBI interest rate hikes also potentially encourage investors to shift their funds to savings and time deposits, as interest rates of savings and deposits are higher than profits shares granted by the company. Declining demand resulted in composite stock price index shares to be down, and vice versa.

The results of this study are consistent with results from study by Hismendi (2013) and Astuti (2013) which stated that the SBI interest rate has a significant negative effect on composite stock price index. High interest rates certainly will have an impact on the allocation of investment funds by investors. Investment products such as bank deposits and savings clearly smaller risk than investing in stocks. So investors will sell their shares and then will save their money in banks. Simultaneously, sale of shares will impact on the stock price significantly so that composite stock price index will decline.

CONCLUSION AND RECOMMENDATION

Based on the findings of research and discussion, the results can be summarized as follows: (1) the rupiah/US\$ and the SBI interest rate influence both significantly and negatively affect the Composite Stock Price Index in Indonesia Stock Exchange period 2009-2013, while inflation has positive and significant impact on the Composite Stock Price Index in Indonesia Stock exchange in period of 2009-2013, (2) simultaneously, the rupiah/US\$, inflation and interest rates SBI have significantly influence the Composite Stock Price Index in Indonesia Stock exchange period 2009-2013, (3) the SBI interest rate is the dominant factor affecting the Composite Stock Price Index in Indonesia Stock Exchange period 2009-2013.

Based on the above conclusions, the recommendation which can be given in this study are as follows: (1) investors should pay attention to the information about rupiah / US \$, inflation and interest rates of SBI issued by Bank Indonesia. Because of the presence of such information can be used to predict the Composite Stock Price Index (CSPI) in Indonesia Stock Exchange (BEI) which is then to take the appropriate decisions with respect to investments, (2) further research should consider the addition of a period of study so that the results can represent the existing conditions. In addition, future studies should add other variables that are expected to give better results.

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