CHAPTER V

CONCLUSION AND IMPLICATION

A. Conclusion

Based on the research results in the previous chapter, it can be concluded that,

1. Inflation has a negative effect on stock prices and have no long-run effect where when inflation increases it will reduce people's purchasing power and company profits which have an impact on decreasing stock prices.
2. Interest rates have a negative impact on stock prices and have no short-or long-run effect, as interest rates increase, stock prices tend to decrease, and vice versa. Higher interest rates can lead to higher returns on interest-related investments, potentially encouraging investors to shift their funds from stocks to deposits and savings. If many investors make this shift, it will result in a decline in stock prices.
3. The exchange rate negatively affects stock prices and have a short-run effect and no long-run effect, if the rupiah strengthens against the dollar, stock prices tend to decrease.
4. Money supply has a positive effect on stock prices and have a long- run effect. In that when money supply increases, liquidity in the economy also increases, which in turn can encourage investment activity in the capital market. This is because an increase in money supply can lower interest rates, make loans cheaper, and increase people's purchasing power, all of which

can increase demand for stocks and push up stock prices which can encourage the growth of the capital market and the economy as a whole.

B. Implication

1. Inflation to stock price

   Based on the research results, inflation has a negative influence on stock prices where the government and monetary authorities need to prioritize policies that keep inflation stable and low. Inflation stability is not only important to maintain people's purchasing power, but also to support stock market stability which in turn can attract more investment.

2. Interest rate to stock price

   The study's result, which reveal a negative impact of interest rates on stock prices, underscore the importance of careful monetary policy management. Central banks must be wary of raising interest rates, as higher rates can adversely affect the stock market and potentially disrupt economic stability. Thus, interest rate policies should be designed with a comprehensive understanding of their effects on both the capital market and the broader economy.

3. Exchange rate to stock price

   Policies like managing foreign currency reserves or interfering in the foreign exchange market that are intended to preserve exchange rate stability must be taken into account by the government and monetary authorities. By preserving the stability of exchange rates, it is expected that the negative impact on stock prices can be minimized, thus creating a more stable and predictable investment environment.

4. Money suppy to exchamge rate

The study's findings indicate a positive effect of the money supply on stock prices, suggesting that the central bank should adopt a proactive and balanced monetary policy. The goal should be to stabilize both the economy and financial markets while managing inflation to prevent it from becoming excessive as liquidity increases.

C. Research limitations and suggestions

First, the scope of the research time is limited to the period 2013-2023, so that the data collected and analyzed only cover these years and the results and conclusions generated only apply to this period. Second, this study focuses on four main macroeconomic variables, namely inflation, interest rates, exchange rates, and money supply. Thirdly, this study only uses the INFOBANK15 index as the research object, which includes 15 leading banks in Indonesia. Therefore, the results of this study may not apply to other sectors or stock indices in the Indonesian capital market.

As suggestions for future research, there are several things that can be considered to broaden and deepen the analysis. First, future research could cover a longer time period or update the data to the most recent year to observe longer trends and obtain results that are more relevant to current economic conditions. Second, future researchers could consider additional factors that could influence stock prices, such as fiscal policy, market sentiment, unemployment rate, and other global factors. The addition of these variables may provide a more comprehensive insight into the factors that influence stock prices. Third, future research can expand the research object by including other sectors or stock indices in the Indonesian capital market to test whether similar findings also apply in other sectors.