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The Influence of World Gold Prices and Interest Rates on the Stock Price Index with Exchange Rates as a Mediating Variable on the Indonesia Stock Exchange

Farhana Hasmin, Ira Nasriani, Ansar Mustakin, Nurul Muhrisa
Institut Kesehatan dan Bisnis St. Fatimah Mamuju
farhanahasmin@gmail.com

Abstract: *Research was carried out to determine the effect of gold prices and interest rates on the stock price index by using the exchange rate variable as a mediating variable. This relationship was carried out using samples of stock prices, interest rates, stock prices and exchange rates in the last 3 years. Data analysis using SPSS 23.0 software. From the results of the data analysis carried out, the following results were obtained: Gold Prices Have a Significant Negative Influence on the Composite Stock Price Index on the Indonesian Stock Exchange, Interest Rates Have a Significant Negative Influence on the Composite Stock Price Index on the Indonesian Stock Exchange, Exchange Rates Have a Significant Negative Influence on the Stock Price Index Combined on the Indonesian Stock Exchange, the price of gold has no significant negative influence on the exchange rate on the Indonesian Stock Exchange, interest rates have a significant negative influence on the exchange rate on the Indonesian Stock Exchange, the price of gold indirectly has no significant influence on the Composite Stock Price Index through the exchange rate on the Indonesian Stock Exchange , Interest Rates Indirectly Have No Significant Influence on the Composite Stock Price Index Through the Exchange Rate on the Indonesian Stock Exchange.*

Keywords*: Gold price. Interest rates, stock price index, exchange rate*

Abstrak: Penelitian dilaukan untuk mengetahui pengaruh Gold Price dan Interst terhadap indeks harga saham dengan menjadikan variabel Exchange Rate sebagai variabel mediasi. Kaian ini dialkukan dengan menggunakan sampel harga saham, tingkat susu bunga, harga saham dan Exchange Rate dalam 3 tahun terakhir. Analisis data menggunakan bantuan software SPSS 23.0. Dari hasil analisis data yang dilakukan maka diperoleh hasil sebagai berikut : Gold Price Berpengaruh Negatif Signifikan Terhadap Indeks Harga Saham Gabungan Di Bursa Efek Indonesia, Interst Berpengaruh Negatif Signifikan Terhadap Indeks Harga Saham Gabungan Di Bursa Efek Indonesia, Exchange Rate Berpengaruh Negatif Signifikan Terhadap Indeks Harga Saham Gabungan Di Bursa Efek Indonesia, Gold Price Berpengaruh Negatif Tidak Signifikan Terhadap Exchange Rate Di Bursa Efek Indonesia, Interst Berpengaruh Negatif Signifikan Terhadap Exchange Rate Di Bursa Efek Indonesia, Gold Price Secara Tidak Langsung Berpengaruh Tidak Signifikan Terhadap Indeks Harga Saham Gabungan Melalui Exchange Rate Di Bursa Efek Indonesia, Interst Secara Tidak Langsung Berpengaruh Tidak Signifikan Terhadap Indeks Harga Saham Gabungan Melalui Exchange Rate Di Bursa Efek Indonesia.

Kata kunci : Gold Price. Interst , indeks harga saham, Exchange Rate

INTRODUCTION

In general, the capital market is a sub-sector that plays a crucial role in driving a country's economy. The capital market serves two primary functions: first, as a source of financing for business entities. Companies requiring funds can obtain funds from the capital market, which

can be used for business development, additional capital, and so on. Second, as an investment vehicle for the public and investors, it offers options such as stocks, bonds, and other financial instruments. Investors interested in investing in the capital market can invest on the Indonesia Stock Exchange (IDX).

The Jakarta Composite Index (JCI) is a value used to measure the combined performance (issuers) of all stocks listed on the Indonesia Stock Exchange. The Jakarta Composite Index (JCI) is one of the indices investors pay attention to when investing because its calculation uses all companies listed on the main board, along with a series of historical information for a specific period regarding stock price movements. Stock price movements are typically presented daily, based on the closing price on the exchange that day (Sunariyah, 2011).

The JCI's movement can be influenced, among other things, by the price of gold. According to Patel (2019), gold prices provide significant information for predicting the Indian stock price index, the Nifty. Gold is one of the investment instruments that remains highly sought after by all levels of society and investors due to its zero-inflationary nature (Witjaksono, 2020). The year-over-year increase in gold prices and the low level of risk are expected to influence the movement of the Jakarta Composite Index (JCI). This causes investors to consider shifting their investments to gold rather than capital market investments. Low investment interest in the capital market and investor selling will result in a decline in stock prices on the Jakarta Composite Index on the Stock Exchange.

The following is the development of global gold prices for the period 2016-2020:

Table 1. Development of Average Global Gold Prices

Tahun	Gold Price Dunia (USD)	Perkembangan (%)
2019	1.403,23	-
2020	1.780,36	26,88
2021	1.792,27	0,67
2022	1.795,63	0,19
Rata-Rata	**1.692,87**	**9,24**

Sumber: www.harga-emas.org, 2023 (Data diolah).

Table 1 shows the average development of the global gold price per troy ounce in USD from 2019 to 2022, increasing by an average of USD 1,692.87, a growth rate of 9.24%. This can be seen in 2019, when the global gold price was USD 1,403.23. In 2020, the global gold price increased significantly by USD 1,780.36, or 26.88%. In 2021, the global gold price increased by USD 1,792.27, or 0.67%, and in 2022, the global gold price increased by USD 1,795.63, or 0.19%.

The movement of the JCI can also be influenced by interest rates. The interest rate is a certain percentage calculated from the principal loan that must be repaid by the debtor within a certain period and received by the creditor as compensation. The higher the interest rate, the greater the public's desire to save, but the lower the desire to invest in stocks (Nopirin, 2012:167). High interest rates can encourage investors to shift their funds to time deposits. This shift of funds from the capital market to time deposits will undoubtedly result in massive stock sales, which will cause the JCI to decline.

The following is the development of interest rates for the 2016-2020 period:

Tabel 2. Average Interest Rate Developments

Tahun	Tingkat Interst	Perkembangan (%)
2019	10,20	-
2020	9,31	-8,64
2021	8,62	-7,48
2022	8,28	-3,95
Rata-Rata	**9,10**	**-6,69**

Sumber: www.bi.go.id, 2023 (Data diolah)

Table 2. shows that the average interest rate for the 2019-2022 period decreased, with an average of 9.10% and a growth rate of -6.69%. This can be seen in 2019, when the interest rate was 10.20%, 2020 at 9.31% or -8.64%, 2021 at 8.62% or -7.48%, and 2022 at 8.28% or -3.95%.

Research on interest rates on the stock price index (SXI) conducted by Putri (2015) found that interest rates had a negative and significant effect on the Jakarta Composite Index (JCI). Similar research conducted by Palatte (2014) found that interest rates had a negative and significant effect on the Jakarta Composite Index (JCI). Efni's (2013) research found that deposit interest rates significantly influenced the stock price index on the Indonesia Stock Exchange. Research on the influence of interest rates, exchange rates, and the World Market Index on the Jakarta Composite Index (JCI) conducted by Wahyu (2015) found that interest rates and exchange rates negatively impacted the JCI. Research conducted by Utami (2003) also indicated that interest rates and exchange rates influence stock prices.

The exchange rate, the price of one country's currency in terms of another country's currency, is also known as the exchange rate. The exchange rate is a crucial factor in determining whether goods in other countries are cheaper or more expensive than goods sold domestically (Miskhin, 2011). Currency movements in the export and import of goods and services related to listed companies impact capital market activity, thus also affecting the JCI. The exchange rate referred to in this study is the Middle Rate. According to Sukirno (2011), the middle rate is the exchange rate between the selling and buying rates of foreign currency against the national currency, which is set by the central bank at a specific time.

The following is the development of the average exchange rate for the period 2016-2020:

Table 3. Development of the Average Exchange Rate

Tahun	Exchange Rate Tengah	Perkembangan (%)
2019	14.130,58	-
2020	14.629,17	3,53
2021	14.344,92	-1,94
2022	14.916,75	3,99
Rata-Rata	**14.505,36**	**1,86**

Source : www.bi.go.id, 2022 (analysis data).

Table 3. shows that the average exchange rate for the 2019-2022 period fluctuated, averaging Rp 14,505.36, with a growth rate of 1.86%. This can be seen in 2019, when the exchange rate was Rp 14,130.58; in 2020, it was Rp 14,629.17, an increase of 3.53%. In 2021, it was Rp 14,344.92, a decrease of -1.94%; and in 2022, it was Rp 14,916.75, an increase of 3.99%.

Research on the effect of exchange rates on the stock price index conducted by Wibowo (2016), Palatte (2014), and Kewal (2012) found that the exchange rate had a negative and significant effect on the stock price index. Research on exchange rate volatility and financial sector performance conducted by Nurrohim (2013) suggests a causal relationship between the exchange rate and the Jakarta Composite Index. Arifin's (1998) research found that monetary tightening, in terms of interest rates and exchange rates, can change portfolio composition. Increasing interest rates cause investors to prefer holding assets or deposits over buying shares.

An exchange rate is the amount of a particular currency that can be exchanged for one unit of another currency (Joesoef, 2008:24). Exchange rates can influence the value of the Jakarta Composite Index (JCI) (Chabachib and Witjaksono, 2011; Kewal, 2012). In addition to influencing the JCI, exchange rates can also influence gold prices (Pukthuanthong and Roll, 2011; Nair et al., 2015).

RESEARCH METHOD

This study uses descriptive research with a quantitative approach to specific phenomena. This research provides a general overview of the topic under study in the form of data or figures,

which are then analyzed, classified, and interpreted. The data used in this research is quantitative data. Quantitative data is data in the form of numbers or figures.

Secondary data in this study comes from the Indonesia Stock Exchange. In this study, the data was obtained using documentation techniques. Documentation techniques are used to collect secondary data from various sources, both personal and institutional (Sanusi, 2011). In this study, the object of research is the Indonesia Stock Exchange with the Composite Stock Price Index as the dependent variable, while the independent variables are the World Gold Price and Interest Rates with the exchange rate as the mediating variable. Sampling was carried out over the last 4 years with a total of 48 monthly time series data/samples. Researchers used the help of the SPSS software program version 22.0 to obtain more focused results.

RESULTS AND DISCUSSION

Simultaneous Significance Test (F Test) Substructure I

The results of hypothesis testing with the F test are presented in table 4.22 below:

Table 4. Simultaneous Significance Test (F Test) Substructure I

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2074483.799	2	1037241.899	4.337	.019[b]
	Residual	10762565.322	45	239168.118		
	Total	12837049.121	47			

Source: SPSS output results (2023)

The F-test or ANOVA test yielded a calculated F-value of 4.337 with a significance level of p = 0.019. Since the probability value is less than 0.05 and the calculated F-value > F-table, the calculated F-value is 4.337 and the F-table is 3.25 (df denominator = 45 and df numerator = 2), with a significance level of α = 0.000, which is less than α = 0.05. Therefore, H0 is rejected and H1 is accepted. It is stated that gold prices and interest rates simultaneously influence the exchange rate on the Indonesia Stock Exchange.

Path Analysis Model (Path Diagram) Substructure I

The hypothesis states that gold prices and interest rates have a negative and significant effect on the exchange rate on the Indonesia Stock Exchange. The following table shows the results of the path coefficient test for each variable:

Table 5. Results of the Path Coefficient Test for Substructure I

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18816.911	2379.973		7.906	.000
	Gold Price	-.540	.622	-.202	-.869	.390
	Interst	-373.215	158.645	-.548	-2.353	.023

Source: SPSS output results (2023)

Based on the results of the Path Analysis equation for substructure I in the study, the following is obtained:

$$\mathbf{Z = -0.202ZX1 – 0.548ZX2 + €1}$$

Furthermore, to determine the magnitude of the influence of the independent variables on the dependent variable, the coefficient of determination R test is used in Table 4.24 below:

Table 6. Coefficient of Determination for Substructure I

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402[a]	.162	.124	489.04818

Source: SPSS output results (2023)

The R value describes the type of relationship between variables; a higher R value indicates a stronger relationship. In Table 4.24, an R value of 0.402 indicates a moderate relationship between gold prices and interest rates and the exchange rate. (Sugiono's (2012) Correlation Coefficient Interpretation Guidelines indicate that the correlation coefficient studied falls within the 0.400–0.599 range, indicating a moderate or sufficient correlation.

The Adjusted R Square value obtained was 0.124, or 12.4%, indicating the ability of the gold price and interest rate variables to explain 12.4% of the variation in exchange rates, while the remaining 87.6% was influenced by other variables not studied.)

Hypothesis Testing: Probability Value (P-Value) for Substructure I

The results of the hypothesis testing for the probability value (p-value) can be seen in Table 5. as follows:

1. The calculated t-value for the gold price variable is -0.869, which is greater than the t-table value of 1.684, and the significance value is 0.390 (0.390 > 0.05). Therefore, because the probability is greater than 0.05, H0 is accepted and H1 is rejected. This means that the gold price partially has an insignificant negative effect on the exchange rate.
2. The calculated t-value for the interest rate variable, -2.353, is greater than the t-table value of 1.684, and the significance value is 0.000 (0.023 < 0.05). Therefore, because the probability is less than 0.05, H0 is rejected and H1 is accepted. This means that interest rates have a significant partial negative effect on the exchange rate.

Substructure II Test Results

Simultaneous Significance Test (F-Test) for Substructure II

The results of the hypothesis testing using the F-test are presented in Table 4.20 below:

Table 7. Simultaneous Significance Test (F-Test) for Substructure II

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13465771.693	3	4488590.564	20.636	.000[b]
	Residual	9570668.619	44	217515.196		
	Total	23036440.312	47			

Source: SPSS output results (2023)

The F-test or ANOVA test yielded a calculated F-value of 20.636 with a significance level of p = 0.000. Since the probability value is less than 0.05 and the calculated F-value > F-table, the calculated F-value is 20.636 and the F-table is 3.25 (df denominator = 44 and df numerator = 3), with a significance level of $\alpha = 0.001$, which is less than $\alpha = 0.05$. Therefore, H0 is rejected and H1 is accepted. It is stated that gold prices, interest rates, and exchange rates have a simultaneous effect on the Jakarta Composite Index on the Indonesia Stock Exchange.

Path Analysis Model (Path Diagram) Substructure II

The hypothesis states that gold prices, interest rates, and exchange rates have a negative and significant effect on the Jakarta Composite Index on the Indonesia Stock Exchange. The following table shows the results of the path coefficient test for each variable:

Table 8. Results of the Substructure II Path Coefficient Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	30362.396	3508.200		8.655	.000
	Gold Price	-3.914	.598	-1.094	-6.541	.000
	Interst	-1256.858	160.327	-1.378	-7.839	.000
	Exchange Rate	-.421	.142	-.314	-2.961	.005

a. Dependent Variable: Indeks Harga Saham

Source: SPSS output results (2023)

Based on the results of the Path Analysis equation for the substructure equation II in the study, the following is true:

Y = -1.094YX1 – 1.378YX2 - 0.314YZ + €2

Furthermore, to determine the magnitude of the influence of the independent variable on the dependent variable, the coefficient of determination R test is used in Table 4.28 below:

Table 9. Coefficient of Determination for Substructure II

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765[a]	.585	.556	466.38524

Source: SPSS output results (2023)

The R value describes the type of relationship between variables; a higher R value indicates a stronger relationship. In Table 8, an R value of 0.765 indicates a very strong relationship between gold prices, interest rates, and exchange rates and the Jakarta Composite Index. (Sugiono's (2012) Correlation Coefficient Interpretation Guidelines indicate that the correlation coefficient studied falls within the 0.600–0.799 range, indicating a strong correlation. The Adjusted R Square value obtained was 0.556, or 55.6%, indicating the ability of the gold price, interest rate, and exchange rate variables to explain 55.6% of the variation in the Jakarta Composite Index, while the remaining 44.4% was influenced by other variables not studied.

Hypothesis Testing: Probability Value (P-Value) Substructure II

The results of the hypothesis testing for the probability value (p-value) are shown in Table 7. as follows:

1. The calculated t-value for the gold price variable is -6.541, which is greater than the t-table value of 1.684, and the significance value is 0.000 (0.000 < 0.05). Therefore, because the probability is less than 0.05, H0 is accepted and H1 is rejected. This means that the gold price has a partial effect. The calculated t-value for the interest rate variable is -7.839, which is greater than the t-value of 1.684 and has a significance value of 0.000 (0.000 < 0.05). Therefore, because the probability is less than 0.05, H0 is accepted and H1 is rejected. This means that interest rates have a partial, significant, negative effect on the composite stock price index.
3. The calculated t-value for the exchange rate variable is -2.691, which is greater than the t-value of 1.684 and has a significance value of 0.005 (0.005 < 0.05). Therefore, because the probability is less than 0.05, H0 is accepted and H1 is rejected. This means that exchange rates have a partial, significant, negative effect on the composite stock price index.

Structural Model Test Results

Direct Effect

To calculate the direct effect, the following formula is used:

1. Effect of gold prices on exchange rates X1 → Z = -0.202
2. Effect of interest rates on Exchange rate X2 → Z = -0.548
3. The effect of gold prices on the composite stock price index X1 → Y = -6.451
4. The effect of interest rates on the composite stock price index X2 →Y = -7.839
5. The effect of exchange rates on the composite stock price index Z → Y = -2.961

Indirect Effect

To calculate the indirect effect, the following formula is used:

1. The effect of gold prices on the composite stock price index through the exchange rate

$$X_1 \rightarrow Z \rightarrow Y = (X_1 \rightarrow Z) \times (Z \rightarrow Y) = 0{,}202 \times 0{,}314 = 0{,}06$$

2. The effect of interest rates on the composite stock price index through the exchange rate

$$X_2 \rightarrow Z \rightarrow Y = (X_2 \rightarrow Z) \times (Z \rightarrow Y) = 0{,}548 \times 0{,}314 = 0{,}172$$

Total Effect

To calculate the total effect (direct relationship + indirect relationship), the following formula is used:

1. The effect of gold prices on the Jakarta Composite Index through the exchange rate

$$X_1 \rightarrow Y + ((X_1 \rightarrow Z) \times (Z \rightarrow Y)) = 1{,}094 + 0{,}06 = 1{,}157$$

2. The effect of interest rates on the Jakarta Composite Index through the exchange rate

$$X_2 \rightarrow Z \rightarrow Y = (X_2 \rightarrow Z) \times (Z \rightarrow Y) = 1{,}378 + 0{,}172 = 1{,}550$$

Interpretation of Path Analysis

If the indirect effect is greater than the direct effect, it can be concluded that the actual relationship is indirect, or that the exchange rate, as a mediating variable, has a significant indirect effect on the Jakarta Composite Index in this study.

Table 10. Results of the analysis of direct and indirect effects

No	Variabel	Direct	Indirect	Total	Kriteria	Kesimpulan
1	Gold Price	1,094	0,06	1,157	Direct > Indirect	Not significant
2	Interst	1,378	0,172	1,550	Direct > Indirect	Not significant

Source: SPSS output results (2023)

The results of the hypothesis testing are as follows:

H1: Gold prices have a direct negative and significant effect on the Jakarta Composite Index of -1.094, with a calculated t-value of 6.541 (>1.664) and a p-value of 0.000 (<0.05). The first hypothesis (H1) in this study is accepted.

H2: Interest rates have a direct negative and significant effect on the Jakarta Composite Index of -1.094, with a calculated t-value of 6.541 (>1.664) and a p-value of 0.000 (<0.05). The second hypothesis (H2) in this study is accepted.

H3: Exchange rates have a direct negative and significant effect on the Jakarta Composite Index of 0.314, with a calculated t-value of 2.961 (>1.664) and a p-value of 0.005 (<0.05). The third hypothesis (H3) in this study is accepted.

Discussion

The Effect of Gold Prices on the Jakarta Composite Index

The decline in gold prices led to an increase in the Jakarta Composite Index (JCI) on the Indonesia Stock Exchange. This is because investors choose to invest in gold, as gold has proven to be a safe haven for wealth, resistant to inflation and deflation.

Gaur and Bansal (2010) found a negative effect between gold prices and stock prices. This means that if the gold price rises, stock prices will fall. Rising gold prices cause investors to reduce their stock investments, resulting in a decline in stock prices, which in turn affects the JCI. This is because gold is still considered a safer investment than stocks.
The global gold price fluctuates frequently.

The price of gold directly and significantly impacted the Jakarta Composite Index (JCI) by -1.094, with a t-value of 6.541 (>1.664) and a p-value of 0.000 (<0.05).

These results align with research by Gaur and Bansal (2010), which showed a negative relationship between gold prices and stock prices. This means that if the gold price rises, stock prices will fall. Rising gold prices cause investors to reduce their stock investments, resulting in lower stock prices. This is because gold is still considered a safer investment than stocks. This aligns with portfolio theory, which states that portfolio diversification is preferable to reduce investment risk. Investing in gold is one way to diversify a portfolio, given that gold is a safer investment than stocks. These results differ from those of Chabachib and Witjaksono (2011), which showed that rising gold prices trigger an increase in the JCI.

According to Witjaksono (2011), the year-over-year increase in gold prices and its relatively risk-free nature are expected to influence the movement of the Jakarta Composite Index (JCI). When gold prices continue to rise, investors tend to choose gold as their investment rather than investing in the capital market, causing many investors to sell their shares, resulting in a decline in JCI stock prices.

The Effect of Interest Rates on the Jakarta Composite Index

According to Nopirin (2012), the higher the interest rate, the greater the public's desire to save, but the lower the public's desire to invest in stocks. People are motivated to save at high interest rates because they sacrifice or reduce consumption spending to increase their savings. Conversely, people are motivated to invest when the expected profit is greater than the interest rate paid for transaction costs or at low interest rates.

According to Nurwani (2016), changes in the SBI interest rate will impact the capital market. An increase in interest rates will directly increase interest expenses. Companies with high leverage will be severely impacted by rising interest rates. This increase in interest rates can reduce company profitability, thus impacting their stock prices and the movement of the Jakarta Composite Index (JCI).

The average interest rate for the 2019-2022 period decreased, with an average of 9.10% and a growth of -6.69%. This can be seen in 2019, when the interest rate was 10.20%, 2020 at 9.31% or -8.64%, 2021 at 8.62% or -7.48%, and 2022 at 8.28% or -3.95%. Interest rates directly and significantly affected the Jakarta Composite Index (JCI) by -1.094, with a t-value of 6.541 (>1.664) and a p-value of 0.000 (<0.05). The second hypothesis (H2) in this study was accepted.

These results are in line with Putri's (2015) research, which stated that interest rates have a negative and significant effect on the Jakarta Composite Index. The results of the same study conducted by Palatte (2014) stated that interest rates have a negative and significant effect on the Jakarta Composite Index. Efni's (2013) research stated that deposit interest rates have a significant effect on the stock price index on the Indonesian stock exchange. Research on the Dow Jones Index and the Nikkei Index and interest rates on the Jakarta Composite Index conducted by Lestari (2015) stated that interest rates have a negative and significant effect on the Jakarta Composite Index. Research on the effect of interest rates and exchange rates and the World Market Index on the Jakarta Composite Index conducted by Wahyu (2015) stated that interest rates and exchange rates have a negative effect on the Jakarta Composite Index.

Research conducted by Utami (2003) stated that interest rates and exchange rates have an effect on stock prices.

According to Tandelilin (2010), the relationship between interest rates and the Jakarta Composite Index (JCI) is that changes in interest rates will inversely affect stock prices. All other factors remaining constant, meaning that if interest rates rise, stock prices will fall. Conversely, if interest rates fall, stock prices will rise. High interest rates can attract investors to shift their funds to deposits. This shift of funds from the capital market to deposits will inevitably result in massive stock sales, which will cause the JCI to decline.

The Effect of Exchange Rates on the Jakarta Composite Index

According to Tandellin (2010), the rupiah exchange rate is a positive signal for an economy experiencing inflation. A declining rupiah exchange rate increases the cost of importing raw materials and equipment needed by issuers, increases production costs, and many issuers have foreign debt. Therefore, a declining rupiah exchange rate increases the debt burden faced by issuers. According to Witjaksono (2010), the relationship between the exchange rate and the Jakarta Composite Index (JCI) is that when the rupiah depreciates against the US dollar, publicly traded Indonesian companies that still rely on imported raw materials will experience a negative impact due to the resulting increase in raw material prices. Rising production costs will reduce company profits, prompting investors to sell their shares. If many investors do this, it will certainly drive the JCI down.

The exchange rate directly impacts the Jakarta Composite Index (JCI) negatively and significantly, amounting to 0.314, with a t-value of 2.961 (>1.664) and a p-value of 0.005 (<0.05). The third hypothesis (H3) in this study is accepted.

This research aligns with Wibowo (2016), Palatte (2014), and Kewal (2012), which state that the exchange rate has a negative and significant effect on the JCI. Research on exchange rate volatility and financial sector performance conducted by Nurrohim (2013) suggests a causal relationship between the exchange rate and the Jakarta Composite Index. Arifin's (1998) research found that monetary tightening, in terms of interest rates and the exchange rate, can alter portfolio composition. Increasing interest rates lead investors to prefer holding assets or deposits over buying shares.

According to Sylvia (2014), a weakening rupiah exchange rate can impact a company's return on investment. This typically occurs in companies that use imported raw materials or companies that rely on foreign capital loans to finance operations. Rising production costs will reduce company profits. Corporate profits will influence investor interest in the company's shares, ultimately influencing the movement of the Jakarta Composite Index (JCI).

Conclusion

Based on the discussion, the following conclusions can be drawn: Gold prices have a significant negative impact on the Jakarta Composite Index on the Indonesia Stock Exchange. Interest rates have a significant negative impact on the Jakarta Composite Index on the Indonesia Stock Exchange. Exchange rates have a significant negative impact on the Jakarta Composite Index on the Indonesia Stock Exchange. Gold prices have an insignificant negative impact on the Jakarta Composite Index on the Indonesia Stock Exchange. Interest rates have a significant negative impact on the Jakarta Composite Index on the Indonesia Stock Exchange. Gold prices indirectly have an insignificant impact on the Jakarta Composite Index through exchange rates on the Indonesia Stock Exchange. Interest rates indirectly have an insignificant impact on the Jakarta Composite Index through exchange rates on the Indonesia Stock Exchange.

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