THE IMPACT OF MONETARY POLICY AND MACROECONOMIC CONDITIONS ON THE PORTFOLIO INVESTMENT IN INDONESIA FROM JANUARI 2015 - SEPTEMBER 2025

THESIS

SUBMITTED TO THE FACULTY OF ISLAMIC ECONOMIC AND BUSINESS
SUNAN KALIJAGA ISLAMIC STATE UNIVERSITY YOGYAKARTA
AS ONE OF THE REQUREMENTS FOR OBTAINING A BACHELOR'S DEGREE ECONOMICS

AUTHORED BY:
INDI RITSINA
22108010097

THESIS SUPERVISOR:
Dr. MUH RUDI NUGROHO, S.E., M.Sc
NIP. 19820219 201503 1 002

SHARIA ECONOMIC STUDY PROGRAM
FACULTY ISLAMIC ECONOMIS AND BUSSINESS
SUNAN KALIJAGA STATE ISLAMIC UNIVERSITY
2026

RATIFICATION SHEET

KEMENTERIAN AGAMA
UNIVERSITAS ISLAM NEGERI SUNAN KALIJAGA
FAKULTAS EKONOMI DAN BISNIS ISLAM
Jl. Marsda Adisucipto Telp. (0274) 550821, 512474 Fax. (0274) 586117 Yogyakarta 55281

PENGESAHAN TUGAS AKHIR

Nomor : B-253/Un.02/DEB/PP.00.9/02/2026

Tugas Akhir dengan judul	: THE IMPACT OF MONETARY POLICY AND MACROECONOMIC CONDITIONS ON THE PORTFOLIO INVESTMENT IN INDONESIA FROM JANUARI 2015 - SEPTEMBER 2025

yang dipersiapkan dan disusun oleh:

Nama	: INDI RITSINA
Nomor Induk Mahasiswa	: 22108010097
Telah diujikan pada	: Senin, 26 Januari 2026
Nilai ujian Tugas Akhir	: A-

dinyatakan telah diterima oleh Fakultas Ekonomi dan Bisnis Islam UIN Sunan Kalijaga Yogyakarta

TIM UJIAN TUGAS AKHIR

Ketua Sidang

Muh. Rudi Nugroho, S.E., M.Sc.
SIGNED

Valid ID: 6995809e7863c

Penguji I

Dr. Taosige Wau, S.E., M.Si.
SIGNED

Valid ID: 69957ee23ce76

Penguji II

Dr. Miftakhul Choiri, S.Sos.I., M.S.I.
SIGNED

Valid ID: 697e8e3966803

KEMENTERIAN AGAMA
UIN SUNAN KALIJAGA YOGYAKARTA
FAKULTAS EKONOMI DAN BISNIS ISLAM
REPUBLIK INDONESIA

Yogyakarta, 26 Januari 2026
UIN Sunan Kalijaga
Dekan Fakultas Ekonomi dan Bisnis Islam

Prof. Dr. Misnen Ardiansyah, S.E., M.Si., Ak., CA., ACPA.
SIGNED

Valid ID: 699699113ea08

THESIS APPROVAL LETTER

To:

Dear Dean of the Faculty of Islamic Economics and Business

UIN Sunan Kalijaga Yogyakarta

In Yogyakarta

Assalamualaikum wr.wb.

After reading, researching, providing clues and correcting and making corrections as necessary, I as a supervisor am of the opinion that your thesis:

Name : Indi Ritsina

NIM : 22108010097

Thesis Title : The Impact of Monetary Policy and Macroeconomics Conditions on The Indonesia Stock Composite Index in 2020-2024

It can be submitted to the Faculty of Islamic Economics and Business, Department Sharia Economics Study Program, Sunan Kalijaga State Islamic University Yogyakarta as one of the requirements to obtain a Bachelor of Science degree in the field of Islamic Economics.

With this, I hope that the thesis mentioned above can be submitted soon. I thank you for your attention.

Yogyakarta, 12 January 2026

Acknowledged,

Supervisor	Head of Program Study
Dr. Muh. Rudi Nugroho, S.E., M.SC.	Dr. Miftakhul Choiri, S. Sos., M.S.I
19820219 201503 1 002	19820219 201503 1 002

STATEMENT OF AUTHENTICITY OF THESIS

The undersigned:

Name	: Indi Ritsina
NIM	: 22108010097
Study Program	: Sharia Economics
Faculty	: Islamic Economics and Business

Declare that the thesis entitled "The Impact of Monetary Policy and Macroeconomics Conditions on The Indonesia Stock Composite Index in 2020-2024" is truly a work of authorship, not a duplication or adaptation of the work of others except in the parts that have been referred to and mentioned in the body note and bibliography.

If in the future there is evidence of any deviation in this work, then the responsibility lies entirely the compiler.

Thus I make this statement so that it can be understood.

Yogyakarta, 12 January 2026

SEPULUH RIBU RUPIAH 10000 METERAI TEMPEL 9A95DANX192400264

Indi Ritsina
22108010097

PUBLICATION APPROVAL SHEET

As one of the academic saties of Sunan Kalijaga Yogyakarta State Islamic University, I am the undersigned:

Name	: Indi Ritsina
NIM	: 22108010097
Study Program	: Sharia Economics
Faculty	: Islamic Economics and Business
Type of Work	: Thesis

For the sake of scientific development, I agree to grant Sunan Kalijaga Yogyakarta Islamic State University Non-Exclusive Royalty-Free Rights for my scientific work entitled:

"The Impact of Monetary Policy and Macroeconomics Conditions on The Indonesia Stock Composite Index in 2020-2024"

Along with existing devices (if needed). With this Non-Exclusive Royalty-Free Right, Sunan Kalijaga Yogyakarta Islamic State University has the right to store, transfer/format, manage in the form database, maintain and publish my final project as long as I still include my name as the author/creator and as the owner of the copyrights.

Thus, I made this statement

Made in Yogyakarta
On date January 12nd 2026
Undersigned,

Indi Ritsina
22108010097

MOTTO

"The future cannot be predicted, but the future can be created"

-Dennis Gabor

"FORTUNE FAVOURS THE BOLD"

ACKNOWLEDGMENT SHEET

With all gratitude, this thesis is
dedicated to: My beloved family

Who have been the light in my every step. Thank you for your never-ending prayers, sincere support, and irreplaceable love. All these achievements are the prove of the sacrifice and boundless love that you always give. May this work be my pride, be a small form of respect and gratitude for everything you have struggled for me.

PREFACE

All praise be to Allah, the Most Gracious, the Most Merciful. The grateful author offers thanks to Allah SWT for His abundant mercy and guidance, which enabled the successful completion of this thesis entitled **"-".** May peace and blessings be upon our Prophet Muhammad SAW, his family, companions, and all his followers until the end of time.

Thanks to the support of various parties, this thesis has finally been completed successfully. Therefore, on this occasion, the author would like to express her deepest gratitude to:

1. Prof. Noorhaidi Hasan, S.Ag., M.A., M.Phil., Ph.D., as the Rector of Sunan Kalijaga State Islamic University.
2. Prof. D.r. Misnen Ardiansyah, S.E., M.Si., K.CA., ACPA., as Dean of the Faculty of Islamic Economics and Business, Sunan Kalijaga Yogyakarta State Islamic University.
3. Dr. Miftakhul Choiri, S.Sos.I., M.S.I., as Head of the Sharia Economics Study Program, Faculty of Islamic Economics and Business., Sunan Kalijaga Yogyakarta State Islamic University.
4. Dr. Sunaryati, S.E., M.Si., as the Academic Advisor who has dedicated a significant amount of time and thought to guiding and advising on all matters related to the academic process.
5. Dr. Muh. Rudi Nugroho, S.E., M.SC., as author's Thesis Advisor, who has patiently provided guidance, direction, and valuable input so that this thesis could be well-structured and organized.
6. All lecturers of the Sharia Economics Study Program, Faculty of Islamic Economics and Business, who have shared their knowledge and insights during my studies.
7. All employees and administrative staff of the Faculty of Islamic Economics and Business, Sunan Kalijaga Yogyakarta State Islamic University.

8. All members of the IUP class, fellow students, family for those who have traveled abroad, thank you for all the beautiful stories that filled every day in class during our 3 years together, see you later, friends, hopefully we can become successful people and achieve our dreams.
9. Duta FEBI UIN SUKA 2022, the first organization I joined while in college, thank you to the Duta Febi association, because from here I can learn a lot of new things and change my perspective, my first step in growing and wanting to always learn new things.
10. Friends who accompanied me to carry out student exchange at Wuxi Institute of Technology China, thank you for the togetherness, stories and thousands of kindnesses that have been given, we embraced, hugged and survived in the same foreign country for the first time we set foot in China, hopefully this step will be a door for us to be able to visit other countries in this world.
11. To my closest friends, Faridlotun Muthoharoh and Salma Eka Putri Syatibi, thank you for all the kindness you have given me. I am happy to be good friends with you. I hope we will not only be friends during college, but also forever.
12. And lastly, to one person whose name the author cannot mention, thank you for the encouragement given, for always being ready to listen to complaints, worries, and stories about anything, I hope we will be successful together and can achieve our dreams.

TABLE OF CONTENTS

TABLE LIST

GRAPHICS LIST

APPENDIX LIST

ABSTRACT

Portfolio investment in the capital market reflects investors' responses to monetary policy and macroeconomic conditions developing within an economy. In Indonesia, the dynamics of portfolio investment can be observed through movements in the Composite Stock Price Index as an indicator of stock market performance. This study analyses the effect of inflation, interest rates, exchange rates, and economic growth (GDP growth) on portfolio investment in Indonesia during the period from January 2015 to September 2025 using a time series approach and the Autoregressive Distributed Lag (ARDL) method. The results of the analysis show that exchange rates and economic growth have a significant effect on portfolio investment, while inflation and interest rates do not have a significant effect on the IDX composite during the observation period. These findings indicate that investors in the Indonesian capital market are more concerned with external stability and economic growth prospects than with monetary variables, whose changes have been relatively anticipated by the market.

Keywords: Portfolio Investment, IDX composite, Inflation, Interest Rates, Exchange Rates, GDP Growth, ARDL.

CHAPTER I

INTRODUCTION

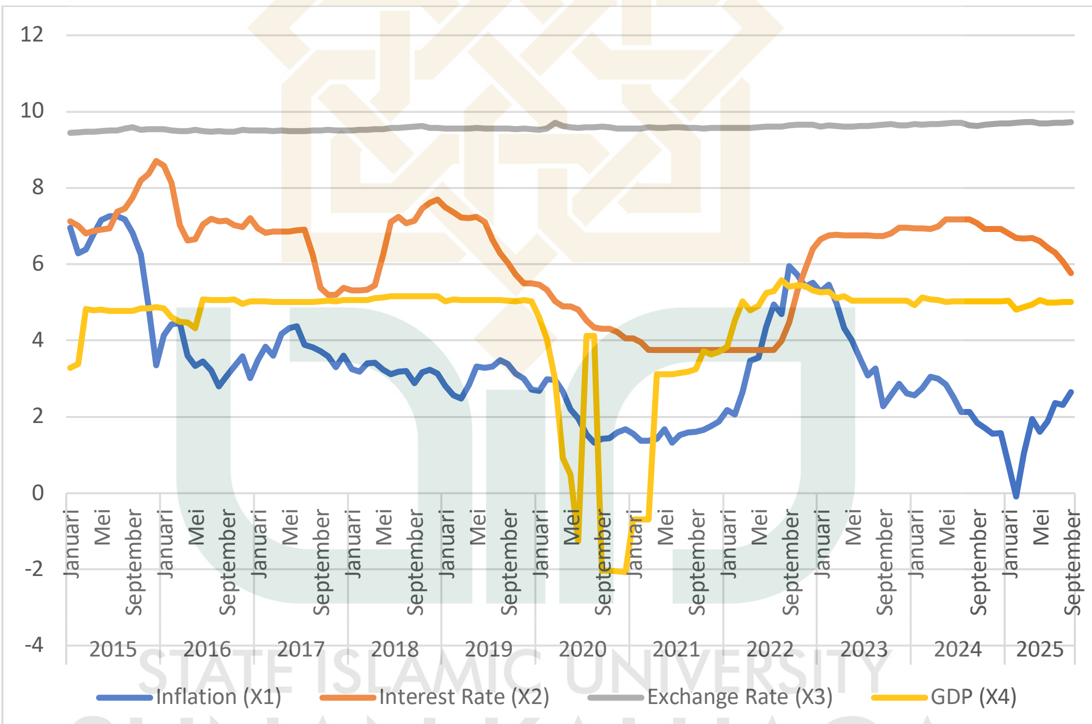
A. Background

The capital market is one of today's economic instruments experiencing rapid development. The capital market in Indonesia is an emerging market, which is highly vulnerable to general macroeconomic conditions (Goeltom 2005). The capital market is the place where various long-term instrument are traded. Instruments traded in the capital market can be in the form of debt or equity. According to (Novotný and Jaklová 2021), the capital market is an alternative investment option that can optimize the profits generated by investors. One of the instruments traded in the capital market is shares. Shares are proof of ownership of the company in which investors have invested (Madyan et al. 2020). The capital market plays a crucial role in a country's economy because it serves two functions: first, it serves as a means of business funding, or a means for companies to obtain funds from the capital market or investors. Funds obtained from the capital market can be used for business development, expansion, additional working capital, and other purposes. Second, the capital market provides a means for the public to invest in financial instruments such as stock, bonds, mutual funds and others. This allows the public to invest their funds according to the profit and risk characteristics of each of the financial instruments mentioned above (Saydimaqsudxoja 2021).

The Indonesia Stock Composite Index or IDX Composite serves as a key barometer of capital market health and investor expectations regarding Indonesia's economic outlook, reflecting its reactions to changes in macroeconomic conditions and monetary policy (Koapaha 2022). During 2020-2024, the Indonesian stock market experienced a period of the sharp volatility contracting at the onset of the COVID-19 pandemic and recovering under the influence of fiscal and monetary policy changes and international capital flows making the 2020-2024 period a highly relevant period for examining the influence of monetary policy and macroeconomic variables on the IDX Composite (Sugandi 2022).

The Composite Stock Price Index is not just a market figure, but is used by investors as a benchmark for the performance of stock investment portfolios in Indonesia because it reflects the combined movement of all stocks listed on the Indonesia Stock Exchange. Movements in the IDX composite provide an indication of whether the value of stock portfolios is increasing or decreasing in line with market conditions, making it a key reference for investment decision-making and evaluation of domestic capital market performance. Previous studies have shown that the IDX composite greatly influences investor behaviour in portfolio investment and can be used as a basis for comparing investment returns against changes in economic conditions and the stock market as a whole (Fuad and Yuliadi 2021).

Monetary policy through benchmark interest rates and exchange rate fluctuations, along with macroeconomic conditions such as inflation and GDP growth, are believed to influence the performance of the IDX Composite , as changes in interest rates and exchange rates can affect capital costs and investment attractiveness, while inflation and economic growth (GDP) determine purchasing power and corporate prospects, which are ultimately reflected in the stock index (Fauzi and Wijoyo 2025). Empirical studies and official reports also confirm the IDX Composite's role as a sensitive indicator to shocks in inflation, interest rates, exchange rates, and GDP growth (Marpaung and Pangestuti 2024).



Graphics 1. 1 Monetary Policy and Macroeconomic Condition in January 2015 until September 2025

Inflation affects stock prices through several channels reducing purchasing power and demand, increasing corporate input costs and fulling expectations of rising interest rates, which depress risky asset valuations (Chiang 2023). Inflation, for instance, erodes purchasing power, which can negatively impact specific sectors within the market, such as retail, banking, and consumer goods (James and Chin 2022). International literature and bibliometric studies indicate that the relationship between inflation and stock returns is often negative in the aggregate, but results vary across countries and periods particularly in emerging markets where price and volatility pass through channels are greater (Hoong et al. 2023). Various contextual studies in Indonesia also find mixed evidence (some suggesting a negative effect, others finding an insignificant or even positive effect depending on the sample and period), so a specific empirical analysis for 2015-2025 is needed (Endri et al. 2024).

Monetary policy particularly Bank Indonesia's benchmark interest rate setting influences the IDX's through the cost of capital (discounting future cash flows), investor preferences between risky assets and fixed income instruments, and international portfolio capital flows. During 2015-2025, Bank Indonesia implemented a monetary policy responsive to the pandemic shock and global normalization, resulting in changes in the BI Rate and money market instruments affecting market volatility and the portfolio decisions of both domestic and foreign investors (Bernanke and Kuttner 2004). Several empirical studies in the Indonesian context demonstrate a significant relationship between interest rates and IDX movements, although the direction and strength of the effect depend on the time horizon and transmission channel analysed (Reinal and Samuel 2025).

Movements in the rupiah exchange rate against the US dollar influence the Indonesia Stock Composite Index (IDX) through its impact on the profits of export and import oriented companies, external debt exposure, and market sentiment toward currency risk in developing countries (Abnaina et al. 2024). Sharp rupiah depreciation is often associated with increased systemic risk and a decline in stock indices, while rupiah depreciation and market panic during an after the pandemic demonstrate how external pressures and global policies quickly permeate the domestic stock market, making the exchange rate-IDX relationship worthy of quantitative testing over the 2015-2025 sample (Pramudito 2023).

GDP growth determines the outlook for corporate earnings and medium tern profit expectations strong growth generally supports stock sentiment, while contraction or slowing growth depresses valuations (Zhang 2024). The 2015-2025 period encompasses a major shock the pandemic, a recovery process and a policy normalization phase, making it important to understand GDP variability and its interaction with inflation, interest rates and the exchange rate as shared factors influencing the IDX (Redy Susila 2022). Reports from (Fact Book 2024) international institutions and national authorities (World Bank, IMF, OJK, Bank Indonesia) capture these economic dynamics, supporting the need for empirical research that examines the partial and simultaneous effects of macroeconomic variables on the IDX over this timeframe.

Relevance of Macroprudential Policy and Policy Implications Academic research on the influence of macroeconomic variables on the Indonesia Stock Composite Index (IDX) also has important implications for monetary and macroprudential policymakers. (Triwardana et al. 2025) found that inflation, BI's interest rate and the rupiah exchange significantly influence the IDX Composite. These result indicate that BI's policy of adjusting interest rates and intervening in the exchange rate can have a direct impact on stock market stability, while also influencing foreign and domestik capital flows. Furthermore, findings from (Valensia et al. 2022) also demonstrate the influence of interest rates, inflation and exchange rate on the IDX, confirming that the combination of monetary policy and exchange rate supervision is crucial for mitigating the risk of volatility in the equity market.

Numerous studies have examined the influence of macroeconomic variables such as inflation, interest rates, exchange rates and GDP growth on the Indonesia Stock Composite Index (IDX), but previos research has shown inconsistent findings. Some studies found that inflatios has a significant negative impact on the IDX, while other found that inflation has no effect or can even have a positive impact in certain contexts. Similiarly, research findlings on the impact of the benchmark interest rates on the Indonesia Stock Composite Index (IDX) continue to show inconsistencies (Suharyanto and Zaki 2021).

Some studies found a significant negative effect through the cost of capital mechanism, while other showed a weak or insignificant effect, suggesting that situational factors such as investor behaviour, market conditions, and global monetary policy may moderate the relationship. Inconsistencies also emerged in the rupiah exchange rate variable, where rupiah depreciation in some studies was shown to depress the IDX due to increased import risk and costs, while other studies found a positive effect for export-oriented sectors. As in the result of the research (Kewal 2012) it shows that only the exchange rate has a significant effect on the IDX Composite, while inflation, interest rate and GDP growth do not, different from research by (Rizki 2021), the result of which show that the exchange rate has a significant negative influence on the IDX return partially, and in research it (Silalahi and Sihombing 2021) was found that the exchange rate had a significant negative effect, inflation had a significant negative effect, BI interest rates had a positive effect and GDP had a significant positive effect. These differing results indicate that the relationship between inflation, interest rate, exchange rate, GDP growth and IDX movements remains inconclusive, particularly during periods of economic instability.

On the other hand, GDP growth is relatively rarely studied directly alongside other macroeconomic variables in an integrated model, particularly in the Indonesian context. Most studies focus solely on inflation, interest rates and exchange rates, without incorporating fundamental economic indicator such as GDP, even though national economic growth can influence investor sentiment and long-term stock valuations. The lack of research examining these variables simultaneously creates a conceptual gap in the literature.

The novelty of this research lies in positioning the IDX Composite as a benchmark for portfolio investment performance over the 2015-2025 period, which reflects Indonesia's stock market dynamics across different phases of monetary policy and macroeconomic conditions. Unlike previous studies that often examine individual macroeconomic variables in isolation or focus on shorter observation periods, this study simultaneously analyses the effects of inflation, the benchmark interest rate, the exchange rate, and GDP growth within an integrated empirical framework. By treating IDX composite as a representative indicator of portfolio investment value, this research provides a more comprehensive understanding of how macroeconomic fundamentals influence portfolio investment decisions in the Indonesian capital market. Consequently, this study contributes empirically and theoretically by clarifying the role of key macroeconomic variables in shaping portfolio investment performance, while offering a more consistent explanation of mixed findings in prior literature on the sensitivity of the IDX Composite to macroeconomic conditions in Indonesia.

Based on the explanation above, the author is interested in conducting a study entitled **"The Impact of Monetary Policy and Macroeconomic Conditions on The Portfolio Investment in January 2020 until September 2025"**

B. Problem Formulation

Based on the comprehensive background above, the formulation on the problem in this study is as follows:

1. How does inflation affect the movement of the portfolio investment during the January 2015 until September 2025 period?
2. How does the interest rate affect the movement on the portfolio investment during the January 2015 until September 2025 period?
3. How does the rupiah exchange rate against the US dollar affect the movement on the portfolio investment during the January 2015 until September 2025 period?

4. How does Gross Domestic Product (GDP) growth affect the movement on the portfolio investment during the January 2015 until September 2025 period?

C. Research Purpose

In the line with the established research problem formulation, this study aims to provide a deeper empirical understanding of how monetary policy dynamics (interest rates dan exchange rates) and macroeconomic conditions (inflation dan GDP growth) influence the performance of the Indonesian capital market, particularly portfolio investment using Indonesia Stock Composite Index, during the January 2015 until September 2025 period.

The specific objectives of this research are as follows:

1. To analyze the effect of inflation on the movement of the portfolio investment during the January 2015 until September 2025 period?
2. To determine the influence of the interest rate on the movement of the portfolio investment during the January 2015 until September 2025 period?
3. To identify the effect of the rupiah exchange rate against the US dollar on the movement of the portfolio investment during the January 2015 until September 2025 period?
4. To analyze the effect of Gross Domestic Product (GDP) growth on the movement of the portfolio investment during the January 2015 until September 2025 period?

D. Research Benefit

Based on the purpose of the research, the benefits that can be taken in this research among others:

1. Theoretical Contributions
   a. This research provides new empirical evidence on the relationship between monetary policy and macroeconomic conditions on the Portfolio investment using Indonesia Stock Composite Index (IDX) in Indonesian context, particularly during 2015-2025 period, which was rife with economic turmoil. This study can enrich the literature, which has so far yielded mixed results.
   b. This research supports academic understanding of how variables such as inflation, interest rates, exchange rates and GDP growth influence capital market behavior and the monetary policy transmission process in developing countries.
   c. By using a relevant research period and a measurable analysis approach, this research can be a methodological reference for subsequent research that wants to examine the integration of macroeconomic variables in capital market analysis.
2. Practical Contributions
   a. This research provides empirical insight into how macroeconomic variables influence the movement of the portfolio investment using Indonesia Stock Composite Index (IDX). This information can serve as

a reference for investors in analyzing economic conditions before investing capital, ensuring that investment decisions are not based solely on speculation but also on relevant fundamental indicators. This way, investors can minimize risk and increase the opportunity for optimal returns.

b. By understanding the extent to which inflation, interest rates, exchange rates, and GDP growth affect the stock market, market participants can develop more adaptive risk management strategies. This research helps investors, portfolio managers, and securities firms anticipate changing economic conditions and make timely portfolio adjustments. This becomes even more crucial in the 2015-2025 period, which is characterized by high volatility due to the global crisis and changes in monetary policy.

3. Social Contributions

a. This research contributes to improving public financial literacy, especially for prospective investors who are still unfamiliar with how economic conditions affect the capital market. With this information, the public can make more responsible and informed financial decisions. In the long term, increased public financial literacy will help create a healthier, more transparent, and more inclusive investment ecosystem.

b. When the public has a better understanding of the relationship between macroeconomic variables and capital market performance, they tend to make more rational investments and are less easily swayed by fleeting sentiment. This can help reduce collective panic in the market, which often triggers excessive volatility. Thus, this research can indirectly contribute to strengthening financial market stability and supporting national economic development.

E. Research Systematics

The writing systematics in this study are described in five chapters as follows:

Chapter I Introduction, in this chapter consists of the background of the problem that contains issues and a brief explanation of the Indonesian capital market, particularly portfolio investment using Indonesia Stock Composite Index (IDX) and briefly explains the variables that affect it. This background becomes a reference for the formation of the problem formulation, research purpose, research benefits and systemic discussion to provide research direction.

Chapter II Theoretical Foundation, in this chapter contains the theoretical foundation that explains the relationship between variables and research objects. This chapter also contains a literature review containing relevant previous research, research frameworks and hypothesis development.

Chapter III Research Methodology, this chapter explains the methods used to analyse the effects of variables on the object using a quantitative approach based on time series data for the January 2025 until September 2025. This chapter includes an explanation of the research variables, operational definitions, data collection techniques, and the analysis method using Autoregressive Distributed Lag (ARDL).

Chapter IV Research Result and Discussion, this chapter presents the results of an empirical analysis based on data on inflation, interest rates, exchange rates, GDP growth, and the Indonesia Stock Composite Index (IDX) for the 2020–2024 period. This section presents a description of the data, the results of classical assumption tests, and estimates of the regression models used in the study. Next, the empirical findings are comprehensively interpreted to explain the direction, magnitude, and significance of the influence of each macroeconomic variable on the Indonesia Stock Composite Index (IDX).

Chapter V Closing, this chapter contains the research conclusions, implications of the results, and recommendations for future researchers, investors, and other relevant parties. The chapter concludes the overall discussion by summarizing the main findings and recommendations generated by the research.

CHAPTHER V

CLOSING

A. Conclusion

This study aims to analyse the effect of monetary policy and macroeconomic conditions proxied by inflation, interest rates, exchange rates, and GDP growth on portfolio investment as proxied by the Composite Stock Price Index in Indonesia during the period January 2015 to September 2025, it can be concluded that macroeconomic variables have different effects on stock market movements. Using the Autoregressive Distributed Lag (ARDL) approach, this study comprehensively explains the dynamics of short-term and long-term relationships between variables in the context of the Indonesian capital market.

The results show that exchange rates and economic growth are the main factors affecting portfolio investment in Indonesia. Conversely, inflation and interest rates did not have a significant effect on the IHSG during the research period. These findings indicate that investors are more responsive to macroeconomic indicators that directly reflect external stability and economic growth prospects than to monetary variables, whose changes have been relatively anticipated by the market.

1. Hypothesis 1 (Inflation) Inflation does not have a significant effect on portfolio investment, indicating that price pressures during the study period were not a major factor in stock investment decisions.

2. Hypothesis 2 (Interest Rates) Interest rates do not have a significant effect on portfolio investment, indicating that changes in benchmark interest rates do not directly affect investor interest in the Indonesian stock market.
3. Hypothesis 3 (Exchange Rate) The exchange rate has a significant effect on portfolio investment, reflecting the sensitivity of the stock market to fluctuations in the rupiah exchange rate, especially through foreign capital movements.
4. Hypothesis 4 (Economic Growth) Economic growth has a positive and significant effect on portfolio investment, confirming that increased economic activity drives corporate performance and enhances the attractiveness of the stock market.

B. Research Limitations

In this study, there are several limitations that can affect the results of the analysis obtained, including:

1. Limitations of aggregate data

   This study uses the Composite Stock Price Index as a proxy for portfolio investment, so the data used is aggregate and does not represent portfolio investment behavior at the sectoral or individual stock level.

2. Limitations of research variables

   The independent variables in this study are limited to inflation, interest rates, exchange rates, and economic growth, so other factors that could potentially affect portfolio investment, such as fiscal policy, foreign capital flows, money supply, investor sentiment, and global economic factors, have not been included in the research model.

3. Limitations of time series scope

   The observation period used is an aggregate time series, so it is not yet able to capture differences in stock market responses between industrial sectors to changes in macroeconomic conditions.

4. Limitations of the methodological approach

   The Autoregressive Distributed Lag (ARDL) method used has limitations in accommodating nonlinear relationships and potential long-term structural changes in the capital market, which can affect the stability of the relationship between variables.

C. Suggestions

For future research, some suggestions that can be considered to improve the quality and depth of analysis include:

1. Disaggregation of portfolio investment data

   Further research should use more detailed data, such as sectoral indices or individual stock data, in order to capture more specific differences in portfolio investment responses to changes in macroeconomic variables.

2. Expansion of macroeconomic and financial variables

Future research could add other relevant variables, such as fiscal policy, foreign capital flows, money supply, investor sentiment, and global factors, to obtain a more comprehensive picture of the determinants of portfolio investment.

3. Comparative and sectoral analysis

Further research could develop the analysis using a comparative approach between industrial sectors or between specific time periods to identify differences in stock market sensitivity to macroeconomic conditions.

4. Application of alternative econometric models

To enrich the research results, further studies are recommended to use alternative econometric methods capable of capturing nonlinear relationships and structural changes, such as VAR, VECM, or regime-switching approaches.

Further research is expected to expand the scope of data, variables, and analytical methods in order to provide a deeper understanding of the dynamics of portfolio investment in the Indonesian capital market. Thus, future research results will not only reinforce empirical findings, but also make a greater contribution to investor decision-making and the formulation of effective economic policies.

REFERENCES

Abnaina, Elma, A Firsa Ariza, Zahrah Rahmawati, and Avriluna Dewi. 2024. "The Influence of The Rupiah Exchange Rate and Gold Exchange on The Banking Sector Stock Price Index on The Indonesian Stock Exchange In 2020-2023." https://journalmab.ulm.ac.id/index.php/jbts.

Andika Triwardana, Akbar Lufi Zulfikar, and Selly Swandari. 2025. "The Influence Of Inflation and Interest Rates and The Rupiah Exchange Rate On The Composite Stock Price Index in Indonesia." *International Journal of Economics and Management Research* 4(1): 266–74. doi:10.55606/ijemr.v4i1.311.

Bernanke, Ben S, and Kenneth N Kuttner. 2004. *What Explains the Stock Market's Reaction to Federal Reserve Policy?*

Betancourt, Erico Wulf, and Ryszard Piasecki. 2023. "The Mundell-Fleming Model and Macroeconomic Stabilization Policies." *Comparative Economic Research* 26(3): 145–57. doi:10.18778/1508-2008.26.25.

Boughton, James M. 2003. 50 IMF Staff Papers *On the Origins of the Fleming-Mundell Model*.

Chen, Linda H., George J. Jiang, and Kevin X. Zhu. 2018. "Total Attention: The Effect of Macroeconomic News on Market Reaction to Earnings News." *Journal of Banking and Finance* 97: 142–56. doi:10.1016/j.jbankfin.2018.10.004.

Chiang, Thomas C. 2023. *Inflation Risk and Stock Returns: Evidence from US Aggregate and Sectoral Markets*. https://ssrn.com/abstract=4179777.

D'Amico, Guglielmo, and Ricardo De Blasis. 2020. *A Review of the Dividend Discount Model: From Deterministic to Stochastic Models*.

Demir, Ishak. 2025. *Empirical Evidence from Panel Data Analysis The Role of Stock Markets in Economic Growth: Empirical Evidence from Panel Data Analysis*.

Deo, Malabika. 2021. International Journal of Finance, Entrepreneurship & Sustainability (IJFES) ISSN Print: XXXX-XXXX *The Influence of Macroeconomic Variables on the Stock Market Performance*.

El-Diftar, Doaa. 2023. "The Impact of Exchange Rates on Stock Market Performance of the Emerging 7." *Journal of Capital Markets Studies* 7(2): 125–39. doi:10.1108/JCMS-03-2023-0005.

Endri, Endri, Firman Fauzi, and Maya Syafriana Effendi. 2024. "Integration of the Indonesian Stock Market with Eight Major Trading Partners' Stock Markets." *Economies* 12(12). doi:10.3390/economies12120350.

Eugene F. Fama. 1970. "Efficient Capital Markets: A Review of Theory and Empirical Work."

Fact Book. 2024. *Capital Market, Financial Derivative, and Carbon Exchange*.

Fauzi, Abdullah, and Amin Wijoyo. 2025. "The Impact of Inflation, Exchange Rate, Interest Rate, and Economic Growth on The Indonesia Stock Exchange Composite Index." *International Journal of Multidisciplinary Sciences and Arts* 4(3): 1–7. doi:10.47709/ijmdsa.v4i3.6326.

Fichtner, Ferdinand, and Heike Joebges. 2022. *Stock Market Returns and GDP Growth *.*

Frenkel, Jacob A, and Assaf Razin. 1990. *The Mundell-Fleming Model A Quarter Century Later A Unified Exposition The Mundell-Fleming Model of International Macroeconomics Originated in the Early*.

Fuad, and Imamudin Yuliadi. 2021. "Determinants of the Composite Stock Price Index (IHSG) on the Indonesia Stock Exchange." *Journal of Economics Research and Social Sciences* 5(1). doi:10.18196/jers.

Ghazanvi, Aamir, and Muhammad Akram. 2025. "Impact of Interest Rate on Stock Market Returns: A Study of the Karachi Stock Exchange." *International Journal of Business and Management* 20(2): 94. doi:10.5539/ijbm.v20n2p94.

Goeltom, Miranda S. 2005. 7 Gadjah Mada International Journal of Business *Balance Sheet Vulnerability and Macroeconomic Management in Indonesia*.

Gordon, M J. 1959. 41 Source: The Review of Economics and Statistics *Dividends, Earnings, and Stock Prices*.

Hilman, Akbar, Sabas Damanik, and ; Masno Marjohan. 2025. "The Effect of Exchange Rate, Inflation and GDP Growth on The Share Price of The Mining Sub-Sector Listed on The Indonesia Stock Exchange." *Indonesian Development of Economics and Administration Journal* 3(3). doi:10.70001/idea.v3i3.313.

Hoong, Tay Bee, Tan Yan Ling, Suzana Hassan, and Norhasniza Mohd Hasan Abdullah. 2023. "Stock Returns and Inflation: A Bibliometric Analysis." *International Journal of Professional Business Review* 8(2). doi:10.26668/businessreview/2023.v8i2.1547.

Husam Rjoub. 2012. "Stock Prices and Exchange Rates Dynamics: Evidence from Emerging Markets." *AFRICAN JOURNAL OF BUSINESS MANAGEMENT* 6(13). doi:10.5897/ajbm11.2761.

James, Nick, and Kevin Chin. 2022. "On the Systemic Nature of Global Inflation, Its Association with Equity Markets and Financial Portfolio Implications." doi:10.1016/j.physa.2022.126895.

Karagiannopoulou, Sofia, and Nikolaos Sariannidis. 2024. "The Relationship between Stock Market and Inflation in the Period of COVID-19 and Ukrainian War: Evidence from Greece." *Journal of Infrastructure, Policy and Development* 8(8). doi:10.24294/jipd.v8i8.5692.

Kewal, suramaya suci. 2012. *Pengaruh Inflasi, Suku Bunga, Kurs, Dan Pertumbuhan PDB Terhadap Indeks Harga Saham Gabungan*.

Kim, Jeongsim. 2023. "Stock Market Reaction to US Interest Rate Hike: Evidence from an Emerging Market." *Heliyon* 9(5). doi:10.1016/j.heliyon.2023.e15758.

Koapaha, Hartini Pop. 2022. "The Impact of Macroeconomics Factors on the Jakarta Composite Index." *East Asian Journal of Multidisciplinary Research* 1(10): 2161–72. doi:10.55927/eajmr.v1i10.1898.

Madyan, Muhammad, Nugroho Sasikirono, Sumiati, and Harlina Meidiaswati. 2020. "The Impact of Public Ownership and Share Warrants on Market Performance of IPOs: Evidence from the Indonesian Stock Exchange (IDX)." *Asia Pacific Management Review* 25(4): 226–34. doi:10.1016/j.apmrv.2020.05.002.

Magweva, Rabson, and Mabutho Sibanda. 2020. "Inflation and Infrastructure Sector Returns in Emerging Markets-Panel ARDL Approach." *Cogent Economics and Finance* 8(1). doi:10.1080/23322039.2020.1730078.

Majok, Alith Jacob, David Kaluge, and Dias Satria. 2024. "Analyzing the Effects of Interest Rates, Inflation, and Exchange Rates on Stock Market Performance: A Comparative Study Of Indonesia and Japan." *Journal of Indonesian Applied Economics* 12(1): 13–26. doi:10.21776/ub.jiae.2024.012.01.2.

Marpaung, Netti Natarida, and Irene Rini Demi Pangestuti. 2024. "Macroeconomic Factors and Jakarta Stock Exchange: A Comparative Analysis Pre- and Until the COVID-19 Pandemic." *SAGE Open* 14(2). doi:10.1177/21582440241247894.

Novotný, Josef, and Iveta Jaklová. 2021. "The Importance of Global Financial Indices for Investors in Alternative Investment." *SHS Web of Conferences* 92: 07045. doi:10.1051/shsconf/20219207045.

Pramudito, Agung. 2023. “The Effect of Macroeconomics on Stock Prices Through Financial Performance as an Intervening Variable.” *Journal of World Science* 2(9): 1298–1313. doi:10.58344/jws.v2i9.414.

Purnamasari, Mutiara Indah, Enji Azizi, and Djaka Adiwinata. 2025. “The Effect of Inflation, Exchange Rates, and Interest Rates on The Jakarta Composite Index in The Indonesia Stock Exchange During The Period Of 2017-2022.” *International Journal of Management Research and Economics* 3(1): 503–25. doi:10.54066/ijmre-itb.v3i1.2970.

Redy Susila, Muktar. 2022. 21 Jurnal Ekonomi Pembangunan *Causal Influence between the JSX Composite Index and the FTSE Straits Times Index in Time Series*. www.marketwacth.com.

Reinal, Davi, and martono Samuel. 2025. “Pengaruh Tingkat Suku Bunga Dan Nilai Tukar IDR/USD Terhadap Harga Saham Pada Perusahaan Sektor Teknologi Tahun 2020-2023 Yang Terdaftar Di Bursa Efek Indonesia.”

Rizki, Muhammad. 2021. 3 Journal of Business Administration Economic & Entrepreneurship *Dampak Suku Bunga, Inflasi, Nilai Tukar, Dan Cadangan Devisa Terhadap Return IHSG Di Bursa Efek Indonesia*.

Sari, Indah Devi Novian, and Emmelia Tan. 2023. 11 *Pengaruh Inflasi, Suku Bunga, Nilai Tukar Dan Pertumbuhan GDP Terhadap Indeks Harga Saham (Perusahaan Properti Dan Real Estate Tahun 2017-2021)*.

Sasongko, Ghalih, and Moh. Athoillah. 2025. “The Impact of Monetary Policy on Stock Price Index Movement.” *Journal of Development Economic and Social Studies* 4(1): 61–76. doi:10.21776/jdess.2025.04.1.06.

Saydimaqsudxoja, S Saydaliev. 2021. “The Role and Importance of The Capital Market in The National and World Economy.” https://uza.uz/uz/posts/kapital-bozori-achon-rivozhlanadi-.

Silalahi, Esli, and Rido Sihombing. 2021. “Pengaruh Faktor Makro Ekonomi Terhadap Pergerakan Indeks Harga Saham Gabungan (IHSG) Di Bursa Efek Indonesia Periode 2017-2020.” 7(2): 139–52. www.idx.co.id,.

Sugandi, Eric Alexander. 2022. “Indonesia’s Financial Markets and Monetary Policy Dynamics Amid the COVID-19 Pandemic.” *Asia-Pacific Financial Markets* 29(3): 411–47. doi:10.1007/s10690-021-09354-4.

Suharyanto, and Achmad Zaki. 2021. "The Effect of Inflation, Interest Rate, and Exchange Rate on Stock Returns in Food & Beverages Companies." *Jurnal Aplikasi Manajemen* 19(3): 616–22. doi:10.21776/ub.jam.2021.019.03.14.

Suriyani, Ni Kadek, and Gede Mertha Sudiartha. 2018. "Pengaruh Tingkat Suku Bunga, Inflasi Dan Nilai Tukar Terhadap Return Saham Di Bursa Efek Indonesia." 7(6): 3172–3200. doi:10.24843/EJMUNUD.2018.v7.i06.p12.

Tampubolon, Kristanty Monica, H M Roy Sembel, and Juaniva Sidharta. 2021. "The Effect of Inflation, Interest Rate, Exchange Rate and Gross Domestic Product Growth on Composite Stock Price Index (Study at Indonesia Stock Exchange Period of 2010-2019)." (6).

Thapa, Krishna Bahadur, and Ram Adhikari. 2025. "Impact of Inflation on Stock Market Performance: A Vector Autoregression Approach." *Journal of Accounting And Financial Issue*.

Valensia, Angelina, Angeline Goh, Cindy Fransiska, Peter Khosasih, and M Rifqi Taufiqurahman. 2022. 5 EKLEKTIK: Jurnal Pendidikan Ekonomi dan Kewirausahaan *Analisis Pengaruh Interest Rate, Inflation Dan Exchange Rate Rupiah Terhadap IHSG Di Indonesia*.

Wardani, Nita Kusuma. 2024. *Menelusuri Dinamika Ekonomi: Dampak PDB, Inflasi, Dan Kurs Terhadap Investasi Portofolio Di Indonesia*.

Wijayanti, Siska, and Lyandra Aisyah Margie. 2024. "Pengaruh Inflasi, Tingkat Suku Bunga, Dan Kinerja Keuangan Terhadap Return Saham (Studi Empiris Pada Perusahaan Consumer Non-Cyclicalss Yang Terdaftar Di Bursa Efek Indonesia Periode 2017–2022)." *Jurnal EMT KITA* 8(1): 486–91. doi:10.35870/emt.v8i1.2164.

Zhang, Xiaomo. 2024. 2024 Business, Economics and Management PGMEE *The Impact of Macroeconomic Factors on Stock Valuation*.