CHAPTER 5
CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter will conclude all the chapters that we have previously worked on in this chapter. In addition, this chapter is answering the hypotheses that researcher have been made in the second chapter of this study. This chapter is intended to review all the summary of research findings, contribution of the study, limitations, and future research.

5.2 Summary of Research Findings

There are four (4) research questions in the study that are discussed as follows:

5.2.1 The Effect of Inflation (IF) on Stock Return (SR)

This study’s findings indicated that the inflation variable partially has a significant effect 10% on stock return. The first research question is “What is the effect of the inflation towards the stock returns?”. Hypothesis 1 is formed to determine the effect of inflation on stock return.

According to the study's findings, the inflation variable's t-count has a greater value than the t-table. When examined from the probability value, which is lower than the significant level 10% (α= 0.10), it indicates that the inflation variable partially has a significant effect on stock return. This indicates that inflation has a negative effect because if the value of inflation rises, then stock prices and stock returns will tend to fall. Conversely, if inflation falls, stock prices and stock returns will rise. Based on this, inflation has an effect on company stock returns, especially for stock returns of companies listed on the IDX30 Index, so H_1 can be accepted.

In this study, the findings are consistent with previous studies by Agustinus (2021) and Jefry & Abid (2020), who discovered that inflation partially has a significant effect on stock returns. However, the findings of this study conflict with research from Faizal (2022), who obtained the result that inflation partially has no significant effect on stock returns.

5.2.2 The Effect of Interest Rate (IR) on Stock Return (SR)

This study's findings indicated that the interest rate variable partially has a significant effect 5% on stock return. The second research question is "What is the effect of the interest rates towards the stock returns?". Hypothesis 2 is formed to determine the effect of interest rate on stock return.

According to the study's findings, the interest rate variable's t-count has a greater value than the t-table. When examined from the probability value, which is lower than the significant level 5% (α= 0.05), it indicates that the interest rate variable partially has a significant effect on stock return. This indicates that interest rates have a negative effect because if interest rates rise, the company's burden will increase, which will reduce the level of company profits and make stock prices and stock returns depressed. Conversely, if interest rates fall, the company's burden will decrease, which will increase company profits and make stock prices and stock returns rise. Based on this, the interest rate has an effect on company stock returns, especially for stock returns of companies listed on the IDX30 Index, so H_2 can be accepted.

In this study, the findings are consistent with previous studies of Jihadi et al. (2021) and Abu (2019), who discovered that interest rate partially has significant effect on stock returns. However, the findings of this study conflict with research from Agustinus (2021), who obtained the result that interest rate partially has no significant effect on stock returns.

5.2.3 The Effect of Exchange Rate (ER) on Stock Return (SR)

This study's findings indicated that the exchange rate variable partially has a significant effect 1% on stock return. The third research question is "What is the effect of the exchange rates towards the stock returns?”. Hypothesis 3 is formed to determine the effect of exchange rate on stock return.

According to the study's findings, the exchange rate variable's t-count has a greater value than the t-table. When examined from the probability value, which is lower than the significant level 1% (α= 0.01), it indicates that the exchange rate variable partially has a significant effect on stock return. This indicates that the rupiah exchange rate has a negative effect because if the rupiah exchange rate against the US dollar decreases, it will cause stock prices and stock returns to decrease. Conversely, if the rupiah exchange rate against the US dollar increases, it will increase stock prices and stock returns. Based on this, the exchange rate has an effect on company stock returns, especially for stock returns of companies listed on the IDX30 Index, so H_3 can be accepted.

In this study, the findings are consistent with previous studies of A10 Suharyanto & Achmad (2021), who discovered that exchange rate partially has significant effect on stock returns. However, the findings of this study conflict with research from Sugiharti & Emi (2019) and Jefry & Abid (2020), who obtained the result that exchange rate partially has no significant effect on stock returns.

5.2.4 The Effect of Money in Circulation (MIC) on Stock Return (SR)

The money in circulation variable was not tested in the t and f tests because the money in circulation has a relationship between variables > 0.9, which means there is a multicollinearity problem. According to Asteriou and Hall (2016), a value of 0.9 or higher indicates highly correlated variables, which can create bias in the regression analysis. Thus, this study proceeds with maintaining only three variables in the regression model, which are inflation, interest rate, and exchange rate.

5.3 Contribution of Study

5.3.1 Body of Knowledge

Based on the reviews of several academics who have conducted multiple studies on stock returns, this research project is not significantly different from past research papers on the issue. This research considers the relevance of the effect of inflation, interest rate, and exchange rate on stock returns. At the same time, this study allows future academics to use it as a literature review and point of reference for their own relevant research issues.

5.3.2 Theory

This study is grounded in signal theory and agency theory. Signal theory is an action taken by company management that gives instructions to investors about how management sees the company's prospects. An increase in stock prices or a high share price for a company is an indication that the company has a high firm value. Therefore, value can provide welfare for shareholders as the company's share price increases (Nguyen, 2018). Signal theory is related to company value; if the company fails or cannot convey a good signal regarding the company's value, the company's value will experience a mismatch with its position, meaning that the company's value can be above or below the actual value. While agency theory discusses the relationship between management (the agent) and shareholders (the principal), The principal provides facilities and funds to run the company. On the other hand, the management has an obligation to manage what is entrusted to it by the shareholders. The agent, as the party given the responsibility for managing the company's assets, has an interest in increasing its interests through compensation. On the other hand, the owner of capital, as a party that authorizes the agent (management) to manage his wealth, has an interest in increasing his welfare through the distribution of dividends or an increase in company shares.

5.3.3 Practical

This research adds insight and knowledge about the effect of inflation, interest rates, and exchange rates on stock returns. Furthermore, it can raise investor awareness, allowing them to make more informed investment decisions.

5.4 Limitation

The limitation of this study will be the sample size. This research only focuses on companies included in the IDX 30 index listed on the Indonesian Stock Exchange. The sample size may be too small for the findings to be generalizable. Furthermore, all companies with incomplete data must be deleted through data cleaning and cannot be used as samples in this study. After being eliminated, the sample contains only 26 of the 30 companies in the IDX30 index on the Indonesia Stock Exchange. When selecting the sample for this study, keep in mind that data availability is not limited for analysis. And there are also many other macroeconomic factors, but in this case the researcher only focuses on macroeconomic factors that affect stock returns, such as information on inflation, interest rates (BI rate), exchange rates, and money in circulation. It can be identified that money in circulation has a multicollinearity issue. Thus, this study proceeds with maintaining only three variables in the regression model, which are inflation, interest rate, and exchange rate.

5.5 Future Research

Based on the findings of this study, several suggestions are presented as follows:

1) It is hoped that more and more researchers will expand their population, not only focusing on companies listed on the IDX30 index but also adding other industries listed on the Indonesia Stock Exchange or increasing the number of research samples by increasing the research period.

2) Researchers who wish to conduct similar research should add other stock return factor variables to measure their effect on stock returns, because the variable in this study that affects stock returns is only 8.7%.

5.6 Concluding Remarks

Basically, this research was conducted in order to achieve a goal. The purpose of this study was to examine the macroeconomic factors that affect stock returns in companies included in the IDX30 index on the Indonesia Stock Exchange. The dependent variable in this study is stock returns, while the independent variables are inflation, interest rates, exchange rates, and money in circulation. The conclusion from the findings of this study is that the money in circulation variable has a multicollinearity problem. Thus, this research is continued by maintaining only three variables in the regression model, namely inflation, interest rates, and exchange rates. Where the three variables have a significant effect on stock returns.

In order to achieve more precise and better results in future research efforts regarding stock returns, it is very important to carry out further investigations into additional variables such as gold price, Gross Domestic Product (GDP), oil price, etc. Finally, it is advisable for future studies to change the variables, include a wider sample and population, and improve the methodology used in the research. This will help professionals in this field identify solutions for a given subject and enable researchers to develop future-oriented research frameworks that enhance understanding of the topic.