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The Influence of Inflation, Exchange Rate, BI Rate, and Federal Funds Rate on the Indonesia Composite Index during the Global Monetary Policy Tightening Era 2022–2025

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ABSTRACT

The era of global monetary policy tightening between 2022 and 2025 has introduced significant uncertainty into the Indonesian capital market, creating an urgent need to identify which macroeconomic factors most effectively dictate stock price movements. This research investigates the influence of Inflation, the Rupiah Exchange Rate, the BI Rate, and the Federal Funds Rate on the Indonesia Composite Index. Using a quantitative descriptive method, this study analyzed 48 monthly secondary data observations. The statistical analysis was performed using SPSS 26 for Windows, employing Multiple Linear Regression Analysis as the primary method. To ensure the reliability of the model, the researchers conducted a series of Classical Assumption Tests, including Kolmogorov-Smirnov for normality, VIF for multicollinearity, the Runs Test for autocorrelation, and the Rank Spearman method for heteroskedasticity. The results of the partial significance test (t-test) demonstrate that only the Rupiah Exchange Rate has a significant effect on the IHSG, while Inflation, the BI Rate, and the Federal Funds Rate show no significant impact. The F-test confirms the model's accuracy, with an Adjusted R^2 of 0.153. In conclusion, the findings suggest that in a high-interest-rate environment, the volatility of the national currency is the most critical signal for the market, whereas other macroeconomic shifts were largely anticipated and absorbed by investors.

Keywords
BI Rate
Exchange Rate
Federal Funds Rate
IHSG
Inflation
Monetary Policy

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Introduction

The capital market serves as a strategic intermediation medium between surplus entities and those requiring funding, thereby playing a vital role in national economic growth [1]. In Indonesia, the aggregate performance of the capital market is represented by the Indonesia Composite Index (IHSG), which reflects the price movements of all listed stocks on the Indonesia Stock Exchange (IDX). However, the IHSG has recently exhibited high volatility and strong sensitivity to both global and domestic economic shifts, indicating increased market uncertainty. This volatility suggests that IHSG movements are not solely driven by corporate fundamentals but are significantly influenced by dynamic macroeconomic factors and monetary policies [2]. These shifts affect capital flows, funding costs, and investor expectations, making it challenging for stakeholders to accurately predict market directions during periods of economic instability.

The current economic landscape is characterized by a global "monetary tightening" phase that began in early 2022, triggered by post-pandemic inflation. To combat four-decade high inflation, the Federal Reserve aggressively raised the Federal Funds Rate (FFR) throughout 2022–2023 [3]. This global shift triggered capital outflows from emerging markets like Indonesia, as the interest rate differential prompted investors to shift toward dollar-based assets [4]. Data from 2022 to 2025 highlights these pressures: while the IHSG saw a significant dip to 6,270.60 in February 2025, the Rupiah weakened to Rp 16,787 per USD by April 2025 [5]. Domestically, Bank Indonesia responded by maintaining the Bank Indonesia (BI) Rate, which reached a peak of 5.95% in September 2022 to curb inflation and stabilize the exchange rate [5], [6].

Inflation remains a critical fundamental factor, as high inflation can erode the purchasing power of invested capital and increase corporate production costs, eventually depressing stock prices [7],[8]. Similarly, the exchange rate reflects Indonesia's economic strength in the foreign exchange market; a weakening Rupiah increases costs for import-dependent companies, thereby reducing profitability. To manage these domestic pressures, Bank Indonesia utilizes the BI Rate as a primary instrument [9]. While raising rates can

stabilize the currency, it often pressures the stock market by increasing borrowing costs and shifting investor preference toward interest-bearing instruments [10].

Despite the theoretical links between these variables, empirical results remain contradictory, creating a significant research gap. Regarding inflation, Astuti et al. [8] found no significant effect on the IHSG, whereas Yudhistira & Indriastuti [11] demonstrated a significant impact. Similarly, for the exchange rate, Zakiyya and Edward [12] reported no significant positive effect, while Yunanto & Medyawati [13] argued that exchange rate volatility significantly influences the index during global monetary pressure. Conflicting evidence also exists for interest rates; Saputra et al. [10] found the BI Rate to be non-significant during monetary tightening, while others found it significant [11]. Furthermore, studies on the Federal Funds Rate show divergent results, with some identifying it as a significant risk factor [14] and others finding no significant effect on the IHSG [15].

This research is urgent as it addresses the limitations of previous studies by integrating both domestic and global monetary variables, specifically the Federal Funds Rate, within the specific timeframe of the 2022–2025 tightening era. The objective of this study is to analyze the significance of inflation, the Rupiah exchange rate, the BI Rate, and the Federal Funds Rate on the IHSG. By examining these factors simultaneously, this study aims to provide a comprehensive understanding of how international and domestic policies interact to influence the Indonesian capital market. The findings are expected to offer valuable insights for investors in assessing market performance and for future researchers exploring macroeconomic impacts on stock indices.

Literature Review

A. Literature Review

1. Arbitrage Pricing Theory (APT)

The Arbitrage Pricing Theory (APT), developed by Ross, posits that the return of an asset is influenced by various systematic macroeconomic factors rather than a single risk factor [16]. APT explains that any fundamental change in economic variables, such as inflation, exchange rate stability, and domestic or global interest rate policies, will alter the risk structure perceived by market participants. This change in risk perception prompts investors to adjust their portfolios, creating an automatic asset price adjustment mechanism through supply and demand in the capital market [16].

In a relatively efficient market, any price imbalance that creates risk-free profit opportunities is immediately eliminated by rational investors through arbitrage activities. Thus, fluctuations in stock prices and market indices, including IHSG, are reflections of the market's adjustment process to new information regarding macroeconomic factors. Within the 2022–2025 monetary tightening era, aggressive interest rate hikes by central banks

and inflationary pressures are seen as systemic factors that heighten market sensitivity to external and internal shocks [17]. APT remains flexible, allowing researchers to select factors most relevant to a specific economic context [17].

2. Indonesia Composite Index (IHSG)

The IHSG is a market index reflecting the aggregate movement of all stocks listed on the Indonesia Stock Exchange (IDX) and is frequently used as a proxy for investor confidence in the national economy. Conceptually, the IHSG combines market valuations based on future cash flow expectations, meaning its fluctuations represent the collective reaction of investors to economic information and global sentiment [18]. Because of its aggregative role, the IHSG is a primary dependent variable in studies examining macroeconomic impacts [10]. Various factors such as general interest rates, inflation, and international economic cycles are known to drive the volatility of the IHSG [2].

3. Inflation

Inflation is defined as a general and sustained increase in the price level of goods and services over a specific period [19]. It reflects a decline in purchasing power, where the same nominal amount of money yields fewer goods and services than before. High inflation can suppress corporate profitability due to rising input costs, which negatively impacts stock prices and the IHSG [20]. However, controlled inflation is often perceived as part of economic growth, making its impact on the stock market dynamic and contextual [17]. In capital market research, monthly inflation data is considered more sensitive in capturing short-term price dynamics [17], [21].

4. Rupiah Exchange Rate

The exchange rate is the price of a foreign currency against the domestic currency [23]. The Rupiah exchange rate reflects Indonesia's economic strength in the foreign exchange market and is a critical indicator for companies reliant on imports, exports, and foreign financing. Changes in the exchange rate are driven by the interaction of supply and demand arising from international trade and capital flows [24]. A significant depreciation of the currency indicates a weakening economy, which often prompts investors to exit the stock market to avoid risks associated with the domestic currency's decline [12].

5. BI Rate

The BI Rate is the benchmark interest rate set by Bank Indonesia (BI) as a reference for financial institutions to determine lending and savings rates. Its primary function is to control inflation and maintain the stability of the Rupiah [25]. In late 2023, Bank Indonesia reintroduced the term "BI Rate" to replace the BI-7 Day Reverse Repo Rate (BI7DRR) to strengthen monetary communication [5]. An increase in the BI Rate typically pressures the

stock market by increasing borrowing costs for companies and encouraging investors to shift their capital toward interest-bearing instruments like deposits [10].

6. Federal Funds Rate (FFR)

The Federal Funds Rate is the benchmark interest rate of the United States central bank, which significantly influences global liquidity and international capital flows [3]. Changes in the FFR trigger cross-border investment shifts, particularly from emerging markets to developed nations. An aggressive hike in the FFR, as observed during the 2022–2023 period, tends to drive capital outflows from Indonesia, putting pressure on the Rupiah and the IHSG [10]. Thus, the FFR is a vital external variable in explaining IHSG dynamics during global monetary tightening phases [26].

B. Hypothesis Development

Fig. 1 illustrates the PRISMA-ScR flow diagram outlining the study selection process. It presents the stages of identification, screening, eligibility, and inclusion, showing how initial records were filtered through systematic criteria to obtain the final set of articles analyzed in this scoping review.

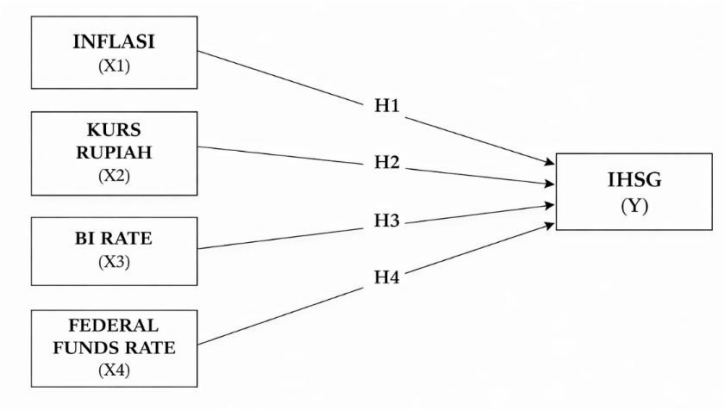


Fig. 1. Conceptual Framework

1. The Effect of Inflation on the IHSG

Inflation acts as a macroeconomic signal that influences investor expectations. High inflation erodes purchasing power and increases production costs, which subsequently depresses corporate profit margins and stock valuations [7]. While some studies suggest a significant impact [11], [21], others find it non-significant depending on the economic context [8]. Given its potential to increase economic uncertainty, the following hypothesis is proposed:

H1: Inflation has a significant effect on IHSG.

2. The Effect of the Rupiah Exchange Rate on the IHSG

The exchange rate reflects domestic economic strength against foreign currencies. A depreciating Rupiah increases operational costs for import-dependent firms and triggers capital flight as investors seek to mitigate currency risk [19],[24]. This mass sell-off often leads to a decline in the market index [12], [14]. Therefore:

H2: The Rupiah Exchange Rate has a significant effect on IHSG.

3. The Effect of the BI Rate on the IHSG

The BI Rate dictates the cost of capital within the domestic economy. Rising interest rates increase corporate interest expenses and drive investors toward safer assets like deposits, reducing the demand for equities [9], [11]. This transmission mechanism is a key determinant of market performance during policy tightening [10],[27]. Thus:

H3: The BI Rate has a significant effect on IHSG.

4. The Effect of the Federal Funds Rate on the IHSG

As a pivot for global liquidity, a rise in the FFR increases the attractiveness of US dollar-denominated assets. This often causes "interest rate differentials" that prompt global investors to pull capital from emerging markets like Indonesia [4], [10]. This external pressure is a critical factor for the IHSG in the current era [26]. Therefore:

H4: The Federal Funds Rate has a significant effect on IHSG.

Material and Methods

This research employs a quantitative approach with a descriptive design to analyze the impact of macroeconomic variables, including inflation, the Rupiah exchange rate, the BI Rate, and the Federal Funds Rate, on IHSG. According to Sugiyono, quantitative data is defined as data in the form of numbers or qualitative data that has been quantified [22]. The scope of the study is specifically focused on the period from 2022 to 2025, representing the era of global and domestic monetary policy tightening. The data used are secondary time-series data on a monthly basis, sourced from official documents and publications such as Bank Indonesia, the Ministry of Trade, Federal Reserve Economic Data (FRED), and Yahoo Finance [22]. Data collection was conducted through documentation and library research to ensure the validity of information concerning factual data related to the research problem and objectives.

The population of this study encompasses all monthly time-series data for the variables of Inflation, Rupiah Exchange Rate, BI Rate, Federal Funds Rate (FFR), and the IHSG throughout the four years from 2022 to 2025 [22]. The sampling technique applied is total sampling (census), where the entire population is utilized as the research sample, resulting in a total of 48 observations (n = 48) [22]. The operational definitions of the variables involve specific measurements: Inflation is calculated based on the Consumer Price Index (CPI) [11]; the

Rupiah Exchange Rate is measured using the middle rate between selling and buying prices [11]; the BI Rate is based on the BI-7 Day Reverse Repo Rate (BI7DRR) [11]; the Federal Funds Rate follows the Taylor Rule [28]; and the IHSG is represented by the monthly closing index points. To ensure data stationarity, this study performs data transformation using the first difference method since level data often exhibit non-stationary characteristics.

Data analysis is performed using Multiple Linear Regression analysis, which is used for regression models with more than one explanatory variable. Before conducting hypothesis testing, the model must fulfill the classical assumption tests, including the normality test using the One-Sample Kolmogorov-Smirnov method, the multicollinearity test through VIF and Tolerance values, the autocorrelation test via the Run Test, and the heteroskedasticity test using the Glejser Test [29]. Descriptive statistical analysis is also carried out to provide an overview of the minimum, maximum, mean, and standard deviation of each variable [22]. Finally, the significance of the influence is tested using the t-test for partial analysis, the F-test for model accuracy (goodness of fit), and the Coefficient of Determination (R^2) to measure the extent to which the independent variables explain the variation [22] in the IHSG.

Results

A. General Overview and Data Development

1. Historical Context of the IHSG

IHSG, also known as the IDX Composite, serves as the primary benchmark for tracking the performance of all common and preferred stocks listed on the Indonesia Stock Exchange (IDX). Introduced on April 1, 1983, with a base value of 100 established on August 10, 1982, the index initially tracked only 13 companies [18]. In the current era of monetary tightening between 2022 and 2025, the IHSG has demonstrated a resilient performance, reaching a peak of 8,646.94 points in late 2025. The index acts as a vital tool for investors to forecast market trends and estimate potential returns based on aggregate market capitalization [2].

2. Development of Macroeconomic Variables (2022-2025)

The dynamics of the Indonesian capital market are inextricably linked to macroeconomic stability, which is reflected through inflation, exchange rates, and interest rate policies. Inflation influences purchasing power and corporate production costs, while the Rupiah exchange rate determines the competitiveness of companies engaged in international trade [19]. Domestically, the BI Rate is utilized by Bank Indonesia to maintain monetary stability [25]. Externally, the Federal Funds Rate (FFR) remains a critical global factor, as shifts in U.S. monetary policy often trigger international capital flows that affect emerging markets such as Indonesia [26]. The following table presents the monthly development of these variables.

Table 1. Development of Inflation, Exchange Rate, BI Rate, FFR, and IHSG (2022-2025)

Year	Period	Inflation (%)	Exchange Rate (IDR)	BI Rate (%)	Federal Funds Rate (%)	IHSG
2022	Januari	2.18	14.381.00	3.50	0.08	6631.15
	Februari	2.06	14.371.00	3.50	0.08	6888.17
	Maret	2.64	14.349.00	3.50	0.20	7071.44
	April	3.47	14.418.00	3.50	0.33	7228.91
	Mei	3.55	14.544.00	3.50	0.77	7148.97
	Juni	4.35	14.848.00	3.50	1.21	6911.58
	Juli	4.94	14.958.00	3.50	1.68	6951.12
	Agustus	4.69	14.875.00	3.75	2.33	7178.59
	September	5.95	15.247.00	4.25	2.56	7040.80
	Oktober	5.71	15.542.00	4.75	3.08	7.098.89
	November	5.42	15.737.00	5.25	3.78	7.081.31
	Desember	5.51	15.731.00	5.50	4.10	6.850.62
2023	Januari	5.28	14.979.00	5.75	4.33	6.839.34
	Februari	5.47	15.274.00	5.75	4.57	6.843.24
	Maret	4.97	15.062.00	5.75	4.65	6.805.28
	April	4.33	14.751.00	5.75	4.83	6.915.72
	Mei	4.00	14.969.00	5.75	5.06	6.633.26
	Juni	3.52	15.026.00	5.75	5.08	6.661.88
	Juli	3.08	15.083.00	5.75	5.12	6.931.36
	Agustus	3.27	15.239.00	5.75	5.33	6.953.26
	September	2.28	15.526.00	5.75	5.33	6.939.89
	Oktober	2.56	15.916.00	6.00	5.33	6.752.21
	November	2.86	15.384.00	6.00	5.33	7.080.74
	Desember	2.61	15.416.00	6.00	5.33	7.272.80
2024	Januari	2.57	15.796.00	6.00	5.33	7.207.94
	Februari	2.75	15.673.00	6.00	5.33	7.316.11
	Maret	3.05	15.853.00	6.00	5.33	7.288.81
	April	3.00	16.249.00	6.25	5.33	7.234.20
	Mei	2.84	16.253.00	6.25	5.33	6.970.74
	Juni	2.51	16.421.00	6.25	5.33	7.063.58
	Juli	2.13	16.320.00	6.25	5.33	7.255.76
	Agustus	2.12	15.409.00	6.25	5.33	7.670.73
	September	1.84	15.138.00	6.00	5.13	7.527.93
	Oktober	1.71	15.732.00	6.00	4.83	7.574.02
	November	1.55	15.864.00	6.00	4.64	7.114.27
	Desember	1.57	16.162.00	6.00	4.48	7.079.90
2025	Januari	0.76	16.259.00	5.75	4.33	7.109.20
	Februari	-0.09	16.431.00	5.75	4.33	6.270.60
	Maret	1.03	16.588.00	5.75	4.33	6.510.62
	April	1.95	16.787.00	5.75	4.33	6.766.79
	Mei	1.60	16.255.00	5.50	4.33	7.175.82
	Juni	1.87	16.233.00	5.50	4.33	6.927.68
	Juli	2.37	16.387.00	5.25	4.33	7.484.34
	Agustus	2.31	16.356.00	5.00	4.33	7.830.49
	September	2.65	16.680.00	4.75	4.22	8.061.06
	Oktober	2.86	16.640.00	4.75	4.09	8.163.88
	November	2.72	16.644.00	4.75	3.88	8.508.71
	Desember	2.92	16.782.00	4.75	3.72	8.646.94

B. Data Analysis

1. Descriptive Statistical Analysis

Descriptive statistics provide a comprehensive summary of the research variables by highlighting the minimum, maximum, mean, and standard deviation values. This analysis is crucial for understanding the distribution and volatility of the data during the observation period. According to Sugiyono [22], a standard deviation value smaller than the mean indicates that the data points are clustered closely around the average, suggesting a relatively stable trend in the variable's growth. The results of the descriptive analysis for this study are presented in Table 2.

Table 2. Results of Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
X1_Inflation	48	-.09	5.95	3.0269	1.39217
X2_Exchange Rate	48	14349	16787	15636.21	722.842
X3_BI Rate	48	3.50	6.25	5.2969	.92204
X4_Federal Funds Rate	48	.08	5.33	4.0158	1.59593
Y_IHSG	48	6271	8647	7155.64	469.080
Valid N (listwise)	48				

2. Interpretation of Results

The descriptive data reveal several significant trends during the 2022-2025 period. Inflation fluctuated dynamically, reaching a peak of 5.95% due to post-pandemic recovery pressures before stabilizing, which directly influenced corporate profitability and market sentiment [20]. The Rupiah exchange rate showed a steady depreciation trend, moving from a minimum of Rp14,349 to Rp16,787 per USD, reflecting the impact of global capital flows and trade dynamics [24]. Furthermore, interest rate policies were characterized by aggressive tightening; the BI Rate peaked at 6.25% in 2024 to curb inflation, while the FFR surged from near-zero levels (0.08%) to 5.33%, significantly affecting global liquidity [10],[26]. Despite these pressures, the IHSG maintained a positive growth trajectory with a mean value of 7,155.64, signaling sustained investor confidence in Indonesia's economic resilience [18].

C. Classical Assumption Tests

To ensure the validity and reliability of the multiple linear regression model, a series of classical assumption tests was conducted. These tests include normality, multicollinearity, autocorrelation, and heteroskedasticity. Adherence to these assumptions is critical to ensuring that the Best Linear Unbiased Estimator (BLUE) properties are met before interpreting the regression results [10].

1. Normality Test

The normality test aims to determine whether the residual values in the regression model are normally distributed. This study utilizes the Kolmogorov-Smirnov method, which compares the theoretical cumulative distribution frequency with the empirical distribution frequency. Based on the results in Table IV, the *Asymp. Sig (2-tailed)* value is 0.096, which is greater than the significance threshold of 0.05. Therefore, it can be concluded that the residuals of the model are normally distributed [28].

2. Multicollinearity Test

This test identifies whether there is a high correlation between the independent variables. A good regression model should not exhibit multicollinearity. The criteria for this test are a Tolerance value > 0.10 and a Variance Inflation Factor (VIF) < 10.0. The results in Table V show that Inflation (0.949), Exchange Rate (0.922), BI Rate (0.627), and Federal Funds Rate (0.644) all have Tolerance values exceeding 0.10. Furthermore, all VIF values are below 10.0, indicating that the model is free from multicollinearity issues [28].

3. Autocorrelation Test

The autocorrelation test is conducted to detect correlation between the current residual and previous residuals, which is a common issue in time-series data. Using the Runs Test, the results show an *Asymp. Sig. (2-tailed)* value of 0.997. Since this value is significantly higher than 0.05, it indicates that there is no autocorrelation in the model [28].

4. Heteroskedasticity Test

Heteroskedasticity occurs when the variance of the residuals is not constant across observations. Using the Glejser method (regressing absolute residuals against independent variables), the results show that all variables, Inflation (0.071), Exchange Rate (0.554), BI Rate (0.852), and Federal Funds Rate (0.749), have significance values greater than 0.05. This confirms that the model is homoscedastic (no heteroskedasticity) [28].

The summary of the classical assumption test results is presented in Table 3.

Table 3. Summary of Classical Assumption Test Results

No	Assumption Test	Method	Statistical Result	Criteria	Status
1	Normality	Kolmogorov-Smirnov	0.096	Sig. > 0.05	Valid
2	Multicollinearity	VIF & Tolerance	VIF < 1.596	VIF < 10	Valid
			Tol. > 0.627	Tol. > 0.10	Valid
3	Autocorrelation	Runs Test	0.997	Sig. > 0.05	Valid
4	Heteroskedasticity	Glejser Test	Sig. > 0.071	Sig. > 0.05	Valid

D. Hypothesis Testing and Regression Analysis

1. Multiple Linear Regression Analysis

Multiple linear regression analysis is employed to quantify the influence of independent variables (Inflation, Rupiah Exchange Rate, BI Rate, and Federal Funds Rate) on the dependent variable (IHSG). The regression coefficient (b) serves as the primary

indicator: a coefficient of zero indicates no influence, while a non-zero coefficient signifies a functional relationship between the variables [26]. Based on the SPSS output in Table VIII, the following regression equation is derived:

$$Y = 62.504 + 141.645\ X1 - 0.283\ X2 - 356.126\ X3 + 27.063\ X4 + e \quad (1)$$

The interpretation of the regression results is as follows:

- Constant (a) = 62.504: If all independent variables (Inflation, Exchange Rate, BI Rate, and FFR) are zero, the IHSG is predicted to be at 62.504 points.
- b1 (Inflation) = 141.645: Inflation has a positive coefficient, meaning a 1% increase in Inflation corresponds to a 141.645 point increase in the IHSG, assuming other variables remain constant.
- b2 (Exchange Rate) = -0.283: The Rupiah Exchange Rate has a negative coefficient; for every 1 Rupiah increase (depreciation) against the USD, the IHSG is predicted to decrease by 0.283 points.
- b3 (BI Rate) = -356.126: The BI Rate shows a negative influence, where a 1% hike in the interest rate results in a 356.126 point decline in the IHSG.
- b4 (FFR) = 27.063: The Federal Funds Rate has a positive coefficient, indicating that a 1% increase in the FFR corresponds to a 27.063 point increase in the IHSG.

2. Partial Significance Test (t-test)

The t-test evaluates the significance of each independent variable on the IHSG individually. A hypothesis is accepted if the p-value is less than 0.05. According to the results in Table 4.

- Inflation (X1): The p-value is 0.05, indicating a non-significant effect. Thus, H1 is rejected.
- Exchange Rate (X2): The p-value is 0.022 (< 0.05), indicating a significant effect. Thus, H2 is accepted.
- BI Rate (X3): The p-value is 0.149 (> 0.05), indicating a non-significant effect. Thus, H3 is rejected.
- Federal Funds Rate (X4): The p-value is 0.887 (> 0.05), indicating a non-significant effect. Thus, H4 is rejected.

3. Model Accuracy Test (F-test)

The F-test measures the goodness of fit of the regression model. Table X shows an F statistic of 3.076 with a significance value of 0.026 (< 0.05). This confirms that the model is accurately specified and that the independent variables (Inflation, Exchange Rate, BI Rate, and FFR) simultaneously influence the IHSG [26].

4. Coefficient of Determination (R^2)

As shown in Table XI, the *Adjusted R-Square* value is 0.153. This indicates that 15.3% of the variation in the IHSG can be explained by the four macroeconomic variables in this model. The remaining 84.7% is influenced by external factors not included in this study, such as GDP, global gold prices, or world oil prices.

The summary of the hypothesis testing results is presented below.

Table 4. Summary of Hypothesis Testing Results

Hypothesis	Relationship	p-value	Threshold	Result
H1: Inflation → IHSG	Positive / Non-Significant	0.05	< 0.05	Rejected
H2: Exchange Rate → IHSG	Negative / Significant	0.022	< 0.05	Accepted
H3: BI Rate → IHSG	Negative / Non-Significant	0.149	< 0.05	Rejected
H4: FFR → IHSG	Positive / Non-Significant	0.887	< 0.05	Rejected
F-Test: Model Accuracy	Simultaneous Influence	0.026	< 0.05	Valid

Discussion

A. The Influence of Inflation on the IHSG

The statistical results of this study indicate that inflation does not have a significant effect on IHSG for the 2022–2025 period, as evidenced by a significance value of 0.05. Theoretically, an increase in inflation lowers public purchasing power and the real value of invested funds, potentially reducing investor returns [9]. However, the data show that during the observation period, the average inflation rate was maintained at a manageable 3.02%. This stability suggests that price increases remained within reasonable limits, preventing a drastic decline in consumer demand. Consequently, corporate financial performance remained stable, and the market continued to respond positively. These findings align with research by Gunawan & Megawati [17] and Saputra et al. [10], which concluded that controlled inflation lacks a significant direct impact on the composite index.

B. The Influence of the Rupiah Exchange Rate on the IHSG

The analysis proves that the Rupiah exchange rate has a significant negative influence on the IHSG, with a significance value of 0.022 < 0.05. This confirms that the Indonesian capital market is highly sensitive to currency dynamics [29]. A weakening Rupiah (depreciation) against the USD typically increases operational costs for companies dependent on imported raw materials or foreign debt, leading to reduced net profits. As profitability drops, stock prices weaken, causing the IHSG to decline. This result is consistent with research by Widodo & Fadillah [11] and Asmara [30], proving that the exchange rate remains a primary signal for stock market health in Indonesia.

C. The Influence of the BI Rate on the IHSG

The study proves that the BI Rate does not significantly influence the IHSG (Sig. 0.149 > 0.05). This indicates that changes in the policy rate set by Bank Indonesia did not directly dictate IHSG movements during 2022–2025. Although higher interest rates theoretically increase borrowing costs and reduce corporate margins [13], the market appears to have "priced in" these changes. The lack of significant impact implies that investors were more focused on global sentiments or specific sectoral performance. These findings are supported by Widodo & Fadillah [11], stating that the BI Rate transmission to asset prices is not always direct.

D. The Influence of the Federal Funds Rate (FFR) on the IHSG

The study finds that the Federal Funds Rate (FFR) does not have a significant effect on the IHSG (Sig. 0.887 > 0.05). While international economic theory suggests that a rise in the FFR should trigger capital outflows from emerging markets to the U.S., the 2022–2025 period shows a level of resilience in the Indonesian market [31]. This indicates that the IHSG's dynamics were more heavily dictated by domestic fundamentals and macro-prudential policies that successfully mitigated external shocks. This finding resonates with Wahbi et al.[26], which states that U.S. policy shifts do not automatically result in domestic market volatility if local fundamentals remain strong.

Conclusion

This study examines the influence of inflation, the Rupiah exchange rate, the BI Rate, and the Federal Funds Rate on IHSG listed on the Indonesia Stock Exchange for the 2022–2025 period. Based on the multiple linear regression analysis conducted using 48 monthly observations, several key conclusions are drawn. First, the results indicate that Inflation does not have a significant impact on the IHSG, as the stability of price levels during this period kept market reactions neutral. Similarly, both the BI Rate and the Federal Funds Rate were found to have no significant influence, suggesting that these interest rate changes were already anticipated or "priced-in" by market participants.

In contrast, the Rupiah exchange rate proved to be the only variable with a significant impact on the IHSG. The statistical significance confirms that the Indonesian capital market remains highly sensitive to currency fluctuations, where depreciation tends to pressure corporate profits and investor sentiment. In summary, while interest rates and inflation did not directly dictate the index's direction during this specific tightening era, the stability of the Rupiah remains the most critical macroeconomic determinant for the performance of the Indonesia Composite Index.

Limitation and Suggestions

Despite the valuable findings of this study, several limitations must be acknowledged, which provide a basis for future improvement. The primary limitation is that the research focus was restricted solely to IHSG, which is only one of many indices on the Indonesia Stock Exchange. Consequently, the findings may not apply to other specific benchmarks such as the LQ-45, Jakarta Islamic Index (JII), or various sectoral indices. Furthermore, this study only utilized four independent variables. Given that the coefficient of determination showed that a large portion of the IHSG's movement is explained by factors outside this model, the exclusion of variables such as Gross Domestic Product (GDP), the Dow Jones Index, and global commodity prices represents a significant constraint. The study was also limited by the availability of contemporary literature regarding the 2022–2025 period, which may have affected the depth of the comparative analysis.

In light of these limitations, several suggestions are offered for both investors and future researchers. Investors are advised to prioritize monitoring the Rupiah exchange rate over other macroeconomic indicators when making decisions on the Indonesia Stock Exchange, as it has a more direct and significant impact on the index. For future researchers, it is highly recommended to expand the research framework by incorporating additional variables such as taxation policies, money supply, or the indices of major global economies that exert a stronger influence on the global financial landscape. Additionally, comparing the impact of these variables across different indices or extending the observation period would provide a more comprehensive understanding of the factors driving the volatility of the Indonesian capital market.

Conflict of Interest

The authors declare that there is no conflict of interest.

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