

## Composite Stock Price Index during Covid-19 Pandemic at the Indonesian Stock Exchange

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**Abstract.** COVID-19 pandemic has affected economic conditions, especially markets and industries this year. Covid-19 pandemic resulted in reduced economic growth, decreased investment in the capital market, which was marked by the weakening of the Composite Stock Price Index on the Indonesia Stock Exchange. This study aims to analyze changes in the Composite Stock Price Index in covid-19 pandemic conditions. The research method used is descriptive and verification methods with a quantitative approach. The data used are secondary data including inflation data, Dow Jones Index and Composite Stock Price Index (IHSG), research analysis through multiple regression analysis, classical assumption test, Pearson correlation analysis, coefficient of determination analysis, and hypothesis testing. The results showed that during Covid-19 Pandemic, the Composite Stock Price Index decreased significantly. The relatively high inflation rate and the decline in the Dow Jones Index during Covid-19 pandemic had an impact on the decrease in the Composite Stock Price Index on the Indonesia Stock Exchange. Inflation partially has a significant negative effect on the Composite Stock Price Index (CSPI), while the partial Dow Jones Index has a significant positive effect to the Composite Stock Price Index (CSPI). The results of this study have an impact in determining investment policies for investors and also for making the right decisions by the issuer so as not to cause a decline in stock value.

### 1. Introduction

Covid-19 outbreak is a world problem, in fact inflation is considered to have decreased due to the decline in public consumption after the outbreak. According to the Governor of Bank Indonesia (BI), Perry Warjiyo, this happened because of slowing volatile food inflation caused by deflation of shallots and slowing inflation of various chilies and rice. [1][13]. However, the JCI's performance did not reflect a downturn since the beginning of the month in 2020, until this March. The main trigger is clear because of Covid-19 outbreak which has been declared by WHO as a world pandemic. It is not only the Composite

Stock Price Index that has experienced this downturn. The Dow Jones Index also experienced it. Therefore, this phenomenon is the ultimate perfect storm. [4]. What is meant by the ultimate perfect storm is the fall in stock prices and Covid-19 outbreak. High inflation has an impact on the decline in the composite stock price index on the Indonesian stock exchange. . [8][10]

Meanwhile, that the decline in inflation that occurs will actually cause economic growth in Indonesia to slow down [4]. This situation will reduce investors' interest to invest in the capital market. In the end, it will cause the stock price index to slow down.[2]

Since the arrival of corona virus or Covid-19 outbreak, this has become a threat not only to the United States but to the world economy including inflation and the Dow Jones Index and the Composite Stock Price Index in Indonesia. Therefore, an immediate decline occurred in all variables except for inflation in February and March 2020. In addition, the fear of the global economic crisis is the driving force behind the global economic downturn. But on a positive note, the decline that occurred in the JCI was ended with an increase in the performance of the JCI in April due to a number of analysts projecting the Bisnis-27 index to be still prospective. This is in accordance with previous research[5][7]

## 2. Method

The research method is a step that researchers must have and take in collecting information or data that will be used and investigating the data that has been obtained. Meanwhile, according to [11] the research method is "a way or a way to regain solutions to all problems." The research method has two types of methods, namely descriptive methods and verification methods. [12] The descriptive method according to is "The method used to describe or analyze a research result but is not used to make broader conclusions." While the verification method according) is "a study aimed at testing theory and will trying to produce a scientific method, namely the status of the hypothesis in the form of a conclusion, whether a hypothesis is accepted or rejected." [11]

This research was conducted with an analysis design in the form of multiple regression analysis and analysis of the coefficient of determination by testing the research hypothesis as follows:

H1: during the Covid-19 pandemic, it is assumed that the decline in the Composite Stock Price Index is influenced by inflation

H2: During the Covid-19 pandemic, it is suspected that the decline in the Composite Stock Price Index was influenced by the Dow Jones Index

## 3. Results and Discussion

Based on regression analysis and analysis of the coefficient of determination and hypothesis testing, the following results are obtained:

**Table 1. Inflation Hypothesis Testing Results and the Dow Jones Index against the JCI**

Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients			t	Sig.	
	B	Std. Error	Beta			
1 (Constant)	2733,557	802,419		3,407	,002	
Inflation	-567,715	225,470	-,342	-2,518	,016	

DowJones	,090	,036	,389	2,490	,017
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a. Dependent Variable: IHSG

The development of the Composite Stock Price Index for the period tends to increase. Even though in 2017 it experienced a fairly good index, in the following year, namely 2018 IHSG experienced a period of slumping from the last 3 years. Some of the reasons for the decline were due to the Sino-American trade war which impacted trade in Indonesia, the outflow of foreign funds from the Indonesian stock exchange and increased interest rates. The JCI did not escape the influence of Covid-19 which caused the index to fall out in the early 2020 period. [7][8]. However, during the research period the Composite Stock Price Index also experienced an increase due to an increase in investment grade for Indonesia which succeeded in attracting investors to invest in the Indonesian stock market. the results of this study are in line with the research results[3] [4]

Based on the results of the analysis that partially inflation has a significant negative effect on the Composite Stock Price Index (IHSG). This means, if inflation is increasing, this will cause the performance of the Composite Stock Price Index to decline.[8]

This is in accordance with the research conducted by which states that if the market price is increasing, it will affect production costs to increase, but like it or not, companies cannot immediately increase the market price of their products.[18] Therefore, the company's revenue and profits will also decrease. Decreasing profits is a negative signal for investors, so it is only natural that the demand for stocks decreases and will have an impact on falling stock prices so that the performance of the Composite Stock Price Index also decreases.[9]

However, it is different from the research results of in their journals that even though inflation will have a negative impact on the performance of the Composite Stock Price Index, it will not affect much, because the state of the inflation rate which is very volatile is not a reason for investors not to choose the stock market as a place to invest.[9]

The results of the research on the Dow Jones index variable on the Composite Stock Price Index (IHSG) in a positive direction. This means that if the Dow Jones Index is experiencing an increase in index, this will have a good effect on the Composite Stock Price Index which will also increase. This is in accordance with the research results of [14] in his research journal which states that a strong state capital market will affect a weak capital market. The United States is one of the countries with a strong stock market, but Indonesia is currently still in the developing stock market category. Therefore, if the stock market in the United States is increasing, it will affect the stock market in Indonesia.

Another thing with research from [9] in the study stated that the Dow Jones Index during her research did not affect the JCI. This was because in the 1960s the United States experienced political unrest which caused its stock market to plummet. Therefore, investors in Indonesia no longer respond to the increase or decrease that occurred in the Dow Jones Index. The condition of investors who did not really respond to changes in the Dow Jones Index also occurred during the research period. The reason is due to the heat of the US trade war with several countries in Asia, which caused the US President to increase the new import duties which made investors worried about the benefits that would later be obtained. In addition, the prolonged anti-government pro-democracy demonstrations succeeded in causing the Hang Seng Index to collapse until it was not well responded to by world stock markets.

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- [15][www.bi.go.id](http://www.bi.go.id)