



FACTORS AFFECTING JOINT STOCK PRICE INDEX (CSPI) AND THE IMPACT OF FOREIGN CAPITAL INVESTMENT (PMA) PERIOD 2009 TO 2016

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ABSTRACT

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This study aims to analyze Factors Affecting Composite Stock Price Index (IHSG) and Its Impact on Foreign Investment (PMA) Period 2009 Up By 2016. Based on the sample requirements, there are 32 samples in each research variable during the first Quarter 2009 until the fourth Quarter of 2016. Data analysis was performed using multiple linear regression analysis. The results showed that the exchange rate and Dow Jones Index gave positive and significant influence to the Composite Stock Price Index (IHSG), Inflation and BI Rate did not significantly affect the Composite Stock Price Index (IHSG), Composite Stock Price Index (IHSG) Significant and significant impact on the Stock Price Index (IHSG), Exchange Rate and Dow Jones Index have a positive and significant impact on Foreign Direct Investment (PMA), Inflation Rate, Exchange Rate, BI Rate and Dow Jones Index simultaneously Foreign Direct Investment (PMA), the BI Rate has a negative and significant effect on Foreign Investment (PMA), the Inflation Rate has no significant effect on Foreign Investment (PMA), Inflation Rate, Exchange Rate, BI Rate, Dow Jones Index, and Price Index Joint Stocks (JCI) simultaneously (simultaneously) have a significant effect on Foreign Investment (PMA)

Contribution/Originality: This study is one of very few studies which have investigated the influence of macroeconomic variables on the Composite Stock Price Index (IHSG) and its impact on foreign investment (PMA)

1. INTRODUCTION

Foreign Direct Investment (FDI) in Indonesian FDI is also called the foreign investment (PMA) to form investment by building, buying or acquiring the total company (Sumiyarti, 2014). According to Uwubanmwun and Eghosa (2015) PMA can be defined as activities that are to different means, which can be determined by the difference, the origin of capital and so on. The Benefits of FDI by Redemta and Sukarsa (2013) are FDI transfer flow, knowledge, and greater management.

According to Sunariyah (2014) the capital market will be protected if the portion of foreign ownership by 30% and the owner of local investors as much as 70%.

There are factors affecting FDI in the country, one of which is Business reflecting from the Price Index. Investors will only invest capital if the state of a country is in good condition (Salim, 2017).

Joint Stock (CSPI) of a country. Baker *et al.* (2009) describe the way in which the flow of FDI depend on the movement of the stock market in the host country. They reveal that FDI is very strongly positively related to movement in the stock market in the host country. According Halim (2013) stock price index used as a barometer of a country's economic health as well as the basis of statistical analysis of current market conditions (current market).

Differences in the results of previous studies related to factors affecting the Composite Index and the impact of IHS on FDI. Research conducted by Karno (2014) mentioned that there is a positive influence between stock price index and FDI. In contrast to research conducted by Romadhona (2016) mentions that there is no significant effect of stock price index on FDI.

The high rate of inflation has reduced public consumption because of the declining ability of people to buy goods due to high prices. Putong (2013) explains if the inflation is prolonged, then many manufacturers go bankrupt because their products will be relatively expensive so no one can afford to buy. It can be concluded that there is a negative relationship between inflation and investment. That is, the more unstable the macroeconomy of a country the lower the level of investment.

Exchange Rate / US \$ is the amount of rupiah required to acquire one unit of foreign currency. The exchange rate / US \$ may be a driver of investment inflow to the destination country, as the strengthening of the country's currency will increase the investment return of investors (Sunariyah, 2014). Previous research a conducted by Karno (2014) proves that the Exchange / US \$ has a significant effect on Foreign Investment (PMA).

The interest rate is the cost to be borrowed by the borrower of capital on the loan or the use of a sum of money to the lender of the capital. There is a negative relationship between the interest rate and the level of investment. This means that if interest rates are high, the amount of investment will decrease, otherwise, low-interest rates will encourage more investment. Previous research conducted by Nugroho *et al.* (2014) proves that the BI-Rate has a significant effect on Foreign Investment (PMA)

Companies listed in the Dow Jones Index are large companies that have operated globally. The rise of the Dow Jones Index means that the performance of the United States economy is improving. As one of Indonesia's export destination countries, US economic growth can boost Indonesia's economic growth through exports and capital inflows either directly or through the capital market (Sunariyah, 2014). Previous research conducted by Nugroho *et al.* (2014) proves that the Dow Jones Index has a significant effect on Foreign Investment (PMA)

2. THEORETICAL REVIEW

Definition of Foreign Investment (PMA). Foreign investment (PMA) is a form of direct investment by way of building, buying a total or acquiring a company or foreign investment can also be interpreted as an attempt made by a foreign party in order to provide capital in a country with the aim to create a production. Furthermore, Foreign Investment is defined as a minimum share ownership of 10% in companies operating in other countries (Nopirin, 2016). Untono (2015) explains that FDI is the real and not real capital transfer of a country to another country, its purpose for use in that country in order to generate profit under the supervision of the owner of capital, in whole or in part.

Impact of Capital Market on FDI. One of the investment activities that can be selected by investors is to invest in the capital market. In Indonesia, investors who are interested to invest in capital market can invest in Indonesia Stock Exchange (IDX). In addition to happening in the life of society, globalization also occurs in the capital market in Indonesia, this can be proven by the many investors who dominate from foreign countries who participated in the transaction or participate in investing their funds in the stock Indonesia. Capital Market Factors include economic factors that may affect FDI funds inflows. Based on IHS signaling theory can be used to see the benefits to be given a country (Jogiyanto, 2013). According Halim (2013) the capital market is a barometer of a country's economic health as well as the basis of statistical analysis of current market conditions. Baker *et al.* (2009) describe the ways in which the flow of FDI depend on the movement of the stock market in the host country. They

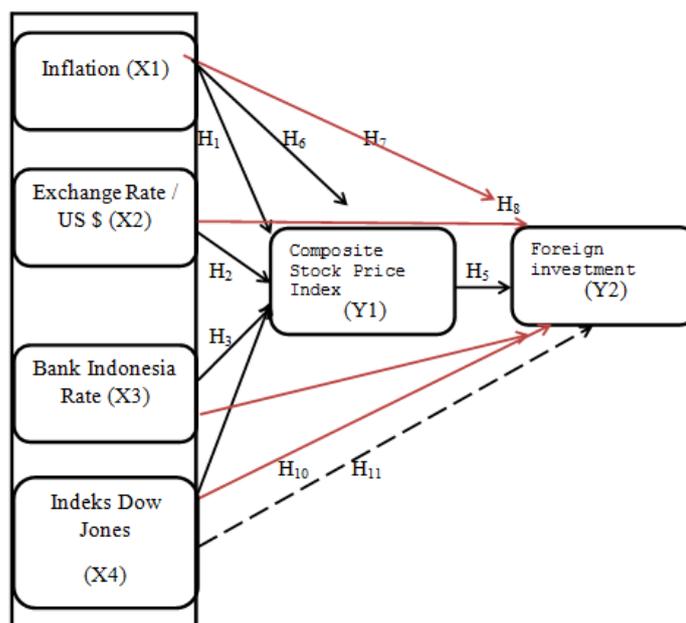
reveal that FDI is strongly positively related to movement in the stock market in the host country, but also not very negatively related to movement in the host country's stock market.

Macroeconomic Impact on Foreign Investment Movement. Kuncoro (2009) in his book wrote that to show the performance and potential of a country against the PMA by looking at various indicators, one of which is a macroeconomic indicator. This is based on the reason that the Investor will certainly conduct a feasibility study or feasibility study, including forecast, prediction, and projection before investing in one place (Sondakh, 2009). Macroeconomics explains the economic changes that affect many parties such as society, corporations, governments and the foreign sector. Investors want a stable, measurable and guaranteed macroeconomic state to be a place to invest and invest financial funds (Sunariyah, 2014). Eliza (2013) gives an indication that macroeconomic fundamentals are important in attracting foreign capital flows in a country, implying that macroeconomic policies should be appropriate and should provide incentives to attract foreign investment.

External Factors against Foreign Investment Movement is influenced by several factors, factors that come from within the country (internal) and factors that come from abroad (external). Factors that come from within (internal) can come from the fluctuations of currency exchange rates in a country against other countries, the rate of inflation and interest rates in the country, economic growth, social conditions, politics and security of a country, and so forth. While the factors that come from abroad (external) is from the stock market that has a strong influence on other countries stock exchanges are stock exchanges that are classified from developed countries such as America, Japan, England and others (Sunariyah, 2014).

Global Exchange is often used as an investor as a reference in making decisions, this can happen because of the inability of the Indonesian capital market to become a benchmark and just become a follower. This tail following strategy has an effect when foreign investors begin to release their shares then domestic investors also participate release its shares, consequently the index may fall more sharply (Sukirno, 2014). This linkage began since the permissibility of foreign investors to control stocks listing on the BEI. Foreign portfolio investment plays a very important role in any capital market. The introduction of foreign investors to the market certainly serves as a catalyst that encourages local investment. Foreign investment is influential in highlighting companies that provide transparent financial information with the best valuation, the entry of foreign funds into new markets has a clear and favorable effect on growth and market structure (Sunariyah, 2014).

3. THEORETICAL FRAMEWORK



Research design. The design in this study using quantitative research methods, which according to Sugiyono (2013) is said quantitative method because of the research data in the form of numbers and analysis using statistics. This study is a causal explanatory relationship that aims to determine the pattern of causal relationships between research variables. The design of the study is a guide that contains the steps that will be followed by the author to conduct research. The design of the study should be made a systematically and logically so that it can be used as a guideline that is really easy to follow.

Research variable. The variables of this research are influenced by Inflation, Exchange / US \$, BI Rate and Dow Jones as independent variable and Composite Stock Price Index (IHSG) and Foreign Investment (PMA) as dependent or affected variables (dependent variable).

Population and Sample Research. The population in this research is stock price index in Indonesian stock exchange, while Sample used in this research is Composite Stock Price Index at Indonesia Stock Exchange, Foreign Investment (PMA), Rupiah Exchange Rate to Dollar, BI Rate, Dow Jones Index. Sampling technique based on purposive sampling technique is a sampling method in accordance with certain criteria as supporting research. Based on these requirements, there are 32 samples in each research variable during the first Quarter 2009 to Quarter IV Year 2016, where the determination of data is taken at the end of each quarter. The total sample is 32 samples (4 x 8 Years). It shows the amount of data that is already good. According to now (2011: 35) multiple linear regression requires a minimum sample size of 30.

Data analysis method. After selecting the sample, making a modeling, determining the variables used in the research, and making the hypothesis, the next step is to perform data processing using multiple linear regression analysis. Times series data analysis is done with Eviews software version 9.0.

4. RESULTS AND DISCUSSION

4.1. Descriptive Analysis

Table-1. Descriptive Statistical Analysis Results

		Inflasi	Nilai_Tukar	BI_Rate	IDJ	IHSG	PMA
N	Valid	32	32	32	32	32	32
	Missing	0	0	0	0	0	0
Mean		,4378	10914,4375	6,6406	14240,5578	4104,0566	68,0156
Median		,4250	10077,0000	6,6250	13895,2900	4268,3700	63,7000
Minimum		-,35	8597,00	4,75	8168,12	1722,77	42,00
Maximum		2,46	14657,00	7,75	19762,60	5518,67	101,30

Source: Data Processed

Based on table 1, it is known that the amount of observation data is 32 and no missing data (all data successfully processed). In the variable inflation known that the average value (mean) 0.43. Meanwhile, the highest value 2.46 occurred in the fourth quarter 2014. This is due to the increase in prices of some commodities due to the increase in fuel oil prices announced per November 18, 2014 (Saptanto *et al.*, 2015). So inflation rose because of the government policy that announced the increase in fuel prices.

In the exchange rate variable / US \$, the average value (mean) is Rp 10.914. Weakening Exchange Rate / US Dollar against US Dollar peaked in the third quarter of 2015 with a figure of Rp 14,657. This is related to the global economic slowdown, primarily due to US interest rate hikes so investors prefer US Dollar as the safest option to own than the Rupiah

In the Bank Indonesia rate variable, it is known that the mean value of 6.64. Furthermore, the highest value of 7.75 occurs in the fourth quarter of 2014. This is due to the fuel price increase announced on November 18, 2014 so that the policy is done to respond to inflation expectations, maintain banking liquidity and increase credit growth (Saptanto *et al.*, 2015).

In the Dow Jones Index, there is an average value of 14240 basis points. The highest value achieved by 19762 basis points in the fourth quarter of 2016. Until now, the Dow Jones index consisting of blue chips stocks continue to rise along with the election of Donald Trump as President of the United States. That raises hopes that the US government will spend a lot of money on infrastructure that could drive the US economy (<http://ekonomi.kompas.com/>, accessed on 08 February 2018)

In the Variables Composite Index (IHSG), it is known that the average value (mean) obtained is 4104 basis points. The highest score of 5518 was achieved in the first Quarter of 2015. According to [Bank Indonesia \(2015\)](#) this appreciation is influenced by domestic positive sentiment over the release of some of the better-than-expected indicators of Indonesia's economic fundamentals. The increase in current account performance was mainly supported by improvements in oil and gas trade balance, along with the shrinking of oil imports due to prices lower world oil and lower consumption of fuel oil (BBM) as a positive implication of energy subsidy reform. Meanwhile, Indonesia's trade balance in April 2015 showed a positive development with a surplus of 0.45 billion US dollars, supported by an increase in non-oil / gas balance surplus (<http://www.bi.go.id/id/ruang-media/>, accessed on 08 February 2018).

In Foreign Investment (PMA) variable, it is known that the mean value is 68,01. The highest value achieved in the fourth quarter of 2016 amounted to 101.3. The value of FDI grew by 2.1% compared to the fourth Quarter of 2015. It shows that good investment is attracted by foreign investors to Indonesia. Strong investment performance in the midst of slowing global and regional economic growth is proof that Indonesia's economy is good and positive ([http://www.bkpm.go.id/id/artikel/readmore/bisnis-retail-tumbuh-geliat-investor -using-strengthened](http://www.bkpm.go.id/id/artikel/readmore/bisnis-retail-tumbuh-geliat-investor-using-strengthened), accessed on 08 February 2018).

4.2. Granger Causality Test

Table-2. Granger Causality Test Results

Null Hypothesis:	Obs	F-Statistic	Prob.
PMA does not Granger Cause IHSG	32	3.28985	0.0001
IHSG does not Granger Cause PMA		3.41825	0.0007
INFLASI does not Granger Cause IHSG	32	1.31928	0.2853
IHSG does not Granger Cause INFLASI		1.22716	0.3102
NILAI_TUKAR does not Granger Cause IHSG	32	6.68405	0.0038
IHSG does not Granger Cause NILAI_TUKAR		6.78017	0.0044
BI_RATE does not Granger Cause IHSG	32	0.25533	0.7767
IHSG does not Granger Cause BI_RATE		0.07850	0.9247
IDJ does not Granger Cause IHSG	32	4.86777	0.0002
IHSG does not Granger Cause IDJ		4.64812	0.0006
INFLASI does not Granger Cause PMA	32	6.32145	0.0060
PMA does not Granger Cause INFLASI		1.84500	0.1789
NILAI_TUKAR does not Granger Cause PMA	32	3.93373	0.0044
PMA does not Granger Cause NILAI_TUKAR		3.40066	0.0079
BI_RATE does not Granger Cause PMA	32	3.70741	0.0141
PMA does not Granger Cause BI_RATE		3.34429	0.0120
IDJ does not Granger Cause PMA	32	6.36472	0.0000
PMA does not Granger Cause IDJ		6.65168	0.0000

Source: Data Processed

To determine whether there is a causal relationship between independent variables, intervening variables, and dependent variables is done causality test as shown in Table 2a above. The results show that all variables have a causality relationship.

Table-3. Autoregression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9,409	,537		17,536	,000
	LAGS(Inflasi,1)	-,003	,018	-,005	-,156	,878
	LAGS(Nilai_Tukar,1)	,966	,148	,614	6,515	,000
	LAGS(BI_Rate,1)	-,049	,016	-,137	-3,184	,004
	LAGS(IDJ,1)	,293	,263	,256	1,113	,276
	LAGS(IHSG,1)	,265	,166	,291	1,592	,124

Source: SPSS Output 23 (Data Processed)

From the analysis, we can conclude that the most appropriate predictors for predicting Foreign Investment are the Exchange Rate / US \$ and BI Rate in the previous period (Quarter IV Year 2008). This is because the significance value is less than 0.05 (Ghozali, 2013).

Table-4. Regression Data Analysis Results Model 1

Normality test	Probabilitas JB (Jarque-Bera)	Conclusion	
	0.753	Normal distributed data	
Multicollinearity Test	Variance Inflation Factor	Conclusion	
	< 10	There is no Multicollinearity	
Autocorrelation Test	Prob. Bruschi-Godfrey	Conclusion	
	0.472	There is no Autocorrelation	
Heteroscedasticity Test	Prob. Glejser	Conclusion	
	0.477	There is no Heteroscedasticity	
Variables	Coefficient	t-Statistic	Prob
C	0.650	3.070	0.003
Inflation	0.014	0.690	0.495
Exchange Rate / US \$	0.770	7.207	0.000
Bank Indonesia Rate	-0.001	-0.042	0.966
Index Dow Jones	1.550	21.330	0.000
F test	F-Statistic	Prob	Conclusion
	171.659	0.000	Significant
Coefficient of Determination (R-Squared)		0,962	

Source: Data Processed

A multiple regression model showing the inflation, exchange rate, Bank Indonesia and IDJ against STOCK PRICE INDEX STOCK

$$\text{STOCK PRICE INDEX} = 0.650 + 0.014 \text{ Inflation} + 0.770 \text{ Exchange Rate / US \$} - 0.001 \text{ BI Rate} + 1,550 \text{ IDJ} + e$$

4.3. Inflation Affects the Composite Stock Price Index (IHSG)

Based on the results of the independent variable significance test (t test), it is known that Inflation does not significantly affect the Composite Stock Price Index (IHSG). This is because of the tcount of 0.690 < tabel 2.051 and the probability of 0.495 > 0.05.

Table-5. Regression Data Analysis Results Model 2

Normality test	Probabilitas JB (Jarque-Bera)	Conclusion	
		0.777	Normal distributed data
Multicollinearity Test	Variance Inflation Factor	Conclusion	
	< 10	There is no Multicollinearity	
Autocorrelation Test	Prob. Brusch-Godfrey	Conclusion	
	0.652	There is no Autocorrelation	
Heteroscedasticity Test	Prob. Glejser	Conclusion	
	0.555	There is no Heteroscedasticity	
Variables	Coefficient	t-Statistic	Prob
C	0.650	3.070	0.003
Composite Stock Price Index	0.110	4.595	0.005
F test	F-Statistic	Prob	Conclusion
	11.659	0.000	Significant
Coefficient of Determination (R-Squared)		0,962	

Source: Eviews 9.0 output, Data Processed

Based on Table 5 above, the discussion sequence is:

$$\text{Foreign Capital} = 0.650 + 0.110 \text{ CSPI} + e$$

4.4. Exchange Rate / US \$ Effect on Composite Stock Price Index (CSPI)

Based on the result of free variable significance test (t test), it is known that Exchange Rate / US \$ has the positive and significant influence to Composite Stock Price Index (IHSB). This is because the count of $7207 >$ table 2.051 and the probability of $0.000 < 0.05$.

Table-6. Regression Data Analysis Results Model 3

Normality test	Probabilitas JB (Jarque-Bera)	Conclusion	
		0.562	Normal distributed data
Multicollinearity Test	Variance Inflation Factor	Conclusion	
	< 10	There is no Multicollinearity	
Autocorrelation Test	Prob. Brusch-Godfrey	Conclusion	
	0.180	There is no Autocorrelation	
Heteroscedasticity Test	Prob. Glejser	Conclusion	
	0.063	There is no Heteroscedasticity	
V Variables	Coefficient	t-Statistic	Prob
C	8.949	14.268	0.000
Inflation	0.001	0.021	0.982
Exchange Rate / US \$	0.755	4.297	0.000
Bank IndonesiaRate	-0.039	-2.630	0.014
Index Dow Jones	0.573	2.943	0.042
F Test	F-Statistic	Prob	Conclusion
	89.520	0.000	Significant
Coefficient of Determination (R-Squared)		0,961	

Source: Eviews 9.0 output, Data Processed

Based on Table 6 above, the discussion sequence is:

$$\text{Foreign Capital} = 8,949 + 0.001 \text{ Inflation} + 0.755 \text{ Exchange Rate / US \$} - 0.039 \text{ BI Rate} + 0.573 \text{ IDJ} + e$$

Furthermore, we can argue that :

4.5. BI Rate has an Effect on Composite Stock Price Index (IHSB)

Based on the results of the independent variable significance test (t test), it is known that the BI Rate has no significant effect on the Composite Stock Price Index (IHSB). This is because the count of $-0.042 <$ table 2.051 and probability of $0.966 > 0.05$.

4.6. Dow Jones Index has an Effect on Composite Stock Price Index (IHSG)

Based on the result of free variable significance test (t test), it is known that Dow Jones index has the positive and significant influence to Composite Stock Price Index (IHSG). This is because count of $21.330 > t_{table 2.051}$ and probability of $0.000 < 0.05$.

4.7. Composite Stock Price Index (CSPI) Effect on Foreign Investment (PMA)

Based on the result of the free variable significance test (t-test), it is known that Composite Stock Price Index (IHSG) have the positive and significant effect to Foreign Investment (PMA). This is because the count of $4.595 > t_{table 2.055}$ and the probability of $0.005 < 0.05$.
0.05.

4.8. Inflation Rate, Exchange Rate / US \$, BI Rate and Dow Jones Index Simultaneously Affect the Composite Stock Price Index (IHSG)

The results showed that Inflation Rate, Exchange Rate / US \$, BI Rate and Dow Jones Index simultaneously have a significant effect on Composite Stock Price Index (IHSG). This is because the value of Fcount of $171.659 > F_{table 2.727}$ and the probability of $0.000 < 0.05$.

4.9. Inflation Rate Affects Foreign Investment (PMA)

Based on the result of the free variable significance test (t-test), it is known that Inflation Rate has no significant effect on Foreign Investment (PMA). This is because of the count of $0.021 < t_{table 2.055}$ and the probability of $0.982 > 0.05$.

4.10. Exchange Rate / US \$ Effect on Foreign Investment (PMA)

Based on the result of free variable significance test (t-test), it is known that Exchange Rate / US \$ has the positive and significant effect to Foreign Investment (PMA). This is because the tcount of $4.297 > t_{table 2.055}$ and the probability of $0.000 < 0.05$.

4.11. Bank Indonesia Rate Effect on Foreign Investment (PMA)

Based on the result of free variable significance test (t test), it is known that BI Rate has negative and significant effect to Foreign Investment (PMA). This is because the tcount is $-2.630 > t_{table 2.055}$ and the probability is $0.014 < 0.05$.

4.12. Dow Jones Index has an Effect on Foreign Investment (PMA)

Based on the result of free variable significance test (t-test), it is known that Dow Jones index has the positive and significant effect to Foreign Investment (PMA). This is because the value of t count is $2.943 > t_{table 2.055}$ and probability of $0.042 < 0.05$.

4.13. Inflation Rate, Exchange Rate / US \$, BI Rate, Dow Jones Index, and Composite Stock Price Index (IHSG) Simultaneously Affect Foreign Investment (PMA)

The results showed that Inflation Rate, Exchange Rate / US \$, BI Rate, Dow Jones Index together (simultaneously) have a significant effect on Composite Stock Price Index (IHSG). This is because the value of Fcount of $89.520 > F_{table 2.586}$ and the probability of $0.000 < 0.05$.

5. DISCUSSION OF RESEARCH RESULTS

5.1. Inflation Affects the Composite Stock Price Index (IHSG)

The result showed that Inflation did not give significant influence to Composite Stock Price Index (IHSG). This happens because during the observation period the inflation rate is in the category of mild inflation because it is below 10% (creeping inflation). So inflation does not affect the performance of companies listed on the Indonesia Stock Exchange (BEI) (Ariefianto, 2012). The results are in line with previous research conducted by Tripathi and Arnav (2014) and Surbakti *et al.* (2016) that the inflation rate does not give a significant influence to the Composite Stock Price Index (IHSG)

5.2. Exchange Rate / US \$ Effect on Composite Stock Price Index (CSPI)

The results showed that the Exchange Rate / US \$ gives a positive and significant influence on Composite Stock Price Index (CSPI). Positive influence given the rupiah exchange rate against JCI shows that the strengthening of US dollar exchange rate (rupiah depreciate) will actually increase JCI. This happens because the decline in Exchange Rate / US \$ rupiah resulted in cheaper export products from Indonesia in foreign markets. This will lead to increased demand for Indonesian export products. The positive impact of the weakening of the rupiah / US \$ exchange rate is felt by companies or export-oriented business players (Putong, 2013). The results of this study are in line with research conducted by Kowando *et al.* (2015) stating that the rupiah exchange rate against USD has a positive and significant impact on the composite stock price index in the short and long term.

5.3. BI Rate has an Effect on Composite Stock Price Index (IHSG)

Based on the results of the independent variable significance test (t-test), it is known that the BI Rate has no significant effect on the Composite Stock Price Index (IHSG). The results are not significant because investors in Indonesia are investors who like to conduct short-term stock transactions (traders/speculators), so investors tend to take profit taking in the hope of gaining high capital gain in the capital market. While the policy on the BI Rate conducted by the government to control the interest rate in the market and the inflation target that will occur in a period so it will not affect short-term transactions (Manullang, 2012). The results are in line with previous research conducted by Ciftci (2014) that interest rates do not have a significant effect on the Composite Stock Price Index (IHSG).

5.4. Dow Jones Index has an Effect on Composite Stock Price Index (IHSG)

Based on the result of free variable significance test (t-test), it is known that Dow Jones index has the positive and significant influence to Composite Stock Price Index (IHSG). Companies listed in the Dow Jones Index are large companies that have operated globally. The movement of foreign stock exchange index has an influence on the movement of Composite Stock Price Index. The increasingly integrated capital market in a country causes the existence of a foreign stock index in the global market gives a kind of effect directly or indirectly even can be said like domino effect to movement of Joint Stock Index. The results of this study are in line with previous research conducted by Sutanto *et al.* (2013) and Wijaya (2015) that the Dow Jones Index has a positive and significant impact on the Composite Stock Price Index (IHSG).

5.5. Composite Stock Price Index Affects against Foreign Investment (PMA)

Based on the results of the study, it is known that the Composite Stock Price Index (CSPI) has a positive and significant impact on Foreign Investment (PMA). According Halim (2013) stock price index used as a barometer of a country's economic health as well as the basis of statistical analysis of current market conditions (current market). Baker *et al.* (2009) describe the ways in which the flow of FDI / PMA depends on the movement of the stock market in the host country. They reveal that FDI is strongly positively related to movements in the stock market in the

host country, but also not very negatively related to movements in the host country's stock market. So the relationship between the stock price index with the inflow of PMA funds is the higher the value of the stock price index the higher the flow of PMA funds into the country. The company's profit is the main factor causing the stock price to increase. Then the higher the profit of a company the higher the return of capital will be accepted by shareholders including investors who invest in the form of Foreign Investment. So as to increase the flow of FDI in the country. The results of this study are in line with previous research conducted by Ali (2014) that the Stock Index of a country can have a significant effect on the Foreign Investment that will enter.

5.6. Inflation Rate, Exchange Rate / US \$, BI Rate and Dow Jones Index Simultaneously Affect the Composite Stock Price Index (IHSG)

The results showed that Inflation Rate, Exchange Rate / US \$, BI Rate and Dow Jones Index simultaneously have a significant effect on Composite Stock Price Index (IHSG). In the stock market, an index has several functions including market trend indicators, profit rate indicators and benchmark performance of a portfolio or mutual fund. This capital market indicator can fluctuate along with changes in existing macroeconomic assumptions. Along with capital market indicators, macroeconomic indicators and indicators from overseas markets also experienced fluctuations (Sunariyah, 2014). Thus, an investor should be able to understand the behavior patterns of stock price movements and JCI scores on internal and external factors within a country that can affect the capital market, before investing.

5.7. Inflation Rate Influence on Foreign Investment (PMA)

Based on the results of the study, it is known that the Inflation Rate has no significant effect on Foreign Investment (PMA). This proves that when the inflation rate fluctuates, it will not affect foreign investors to keep investing in Indonesia and can even increase investment. Another case if the rate of inflation in a row has increased. Putong (2013) explains if the inflation is prolonged, then many manufacturers go bankrupt because their products will be relatively expensive so no one can afford to buy. The results are in line with previous research conducted by Romadhona (2016) that the level of Inflation does not give a significant influence on Foreign Investment (PMA).

5.8. Exchange Rate / US \$ Effect on Foreign Investment (PMA)

Based on the results of the research, it is known that the Exchange Rate / US \$ has a positive and significant effect on Foreign Investment (PMA). Exchange Rate / US \$ is the amount of rupiah required to acquire one unit of foreign currency. Exchange Rate / US \$ can be a driver of investment inflow into the destination country. Eliza (2013) reveals that if the goal of the investor is to export abroad, the increase of Exchange Rate / US \$ against the local currency will increase FDI inflows through high competitiveness due to lower labor costs. The results showed that the higher Exchange Rate / US \$ then the flow of foreign capital will increase. The results are in line with the results of research conducted by Romadhona (2016) that the Exchange Rate / US \$ has a positive and significant effect on Foreign Investment (PMA)

5.9. Bank Indonesia Rate Rate has an Effect on Foreign Investment (PMA)

Based on the result of research, it is known that BI Rate has the negative and significant effect to Foreign Investment (PMA). Sukirno (2010) explains when interest rates rise, loans will become more expensive and cause few projects that can be run by investors. Conversely, if interest rates fall, borrowing costs are cheaper and will increase the number of projects that can be run by investors. The results are in line with the results of previous studies conducted by Septifany *et al.* (2015) that the BI Rate has a negative and significant effect on Foreign Investment (PMA).

5.10. Dow Jones Index has an Effect on Foreign Investment (PMA)

Based on the result of research, it is known that Dow Jones index has the positive and significant effect on Foreign Investment (PMA). This Dow Jones index represents the economic activity in the United States. This index can illustrate how the American economy performs. Companies listed in the Dow Jones Index are large companies that have operated globally. The rise of the Dow Jones Index means that the performance of the United States economy is improving. As one of Indonesia's export destination countries, US economic growth can boost Indonesia's economic growth through exports and capital inflows either directly or through the capital market (Sunariyah, 2014). The results of this study are in line with previous research conducted by Romadhona (2016) that the Dow Jones Index has a positive and significant impact on Foreign Investment (PMA).

5.11. Inflation Rate, Exchange Rate / US \$, BI Rate, Dow Jones Index, and Composite Stock Price Index (IHSG) together (Simultaneously) have an effect on Foreign Investment (PMA)

The results showed that Inflation Rate, Exchange Rate / US \$, BI Rate, Dow Jones Index, and Composite Stock Price Index (IHSG) simultaneously have the significant effect on Foreign Investment (PMA). According to Okafor (2012) said there are factors that into consideration investors in investing in an area that is divided into two parts, namely pull factors (domestic) and drivers (global). The relationship between the stock price index and the inflow of FDI funds is the higher the value of the stock price index the higher the flow of FDI funds coming into the country. The higher the stock price index indicates that there is an increase in the average stock price of the company (Romadhona, 2016). Driven by the need for goods and services, the relationship between the state both in the form of export and import as well as capital flows cannot be avoided to cause the economy and finance of a country with other countries have correlation relationship that influences each other and become the cause of economic integration (Yati *et al.*, 2007).

6. CONCLUSION

Based on the results of research, several conclusions of this study are: 1) macroeconomic variables that have a positive and significant impact on the Composite Stock Price Index is the Exchange Rate / US \$ and Dow Jones Index. Furthermore, simultaneously (Together) macroeconomic variables (Inflation Rate, Exchange Rate / US \$, BI Rate and Dow Jones Index) have a significant effect on Composite Stock Price Index (IHSG), 2) Composite Stock Price Index has an effect on positively and significantly to Foreign Investment (PMA), 3) macroeconomic variables that have a positive and significant effect on Foreign Investment (PMA) are Exchange Rate / US \$ and Dow Jones Index. While the BI Rate has a negative and significant effect on Foreign Investment (PMA). Furthermore, simultaneously (Together) macroeconomic variables (Inflation Rate, Exchange Rate / US \$, BI Rate and Dow Jones Index) have a significant effect on Foreign Investment (PMA), 4) In the Autoregressive (Time Lag) test it is known that the predictors it is best to predict Foreign Investment is the Exchange Rate / US \$ and BI Rate in the previous period.

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