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Analysis Of The Effect Of Macroeconomic Variables On Returns Of Mutual Fund Shares Traded At State Owned Bank

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Abstract:

The purpose of this study is to determine whether IHSG, inflation, exchange rates, and BI rates have a meaningful impact on stock mutual fund returns. Panel data is the secondary data used in this quantitative research design. The population under investigation consists of stock mutual funds that are published and registered with OJK. Purposive sampling was the method of sampling that was employed. Secondary data (found online) and library research were the methods of data collection used in this study. A panel data regression test is the research methodology employed in this study. The analysis that was conducted yielded the following conclusions, which can be drawn: The panel data regression test results indicate that returns on stock mutual funds are significantly impacted by the IHSG, inflation, exchange rate, and BI rate all at the same time. IHSG has a demonstrably positive impact on stock mutual fund returns, according to the findings of the partial panel data regression test. It has been established that returns on equity mutual funds are significantly impacted negatively by inflation. It has been demonstrated that returns on stock mutual funds are significantly positively impacted by exchange rates. It has been demonstrated that stock mutual fund returns are significantly impacted negatively by the BI rate.

Keywords: ihsg, inflation, exchange rate, bi rate, stock mutual fund returns.

Introduction

The desire to increase income so that prosperity and life expectancy increase is the reason why people want to invest. There are two investment sectors that people can choose from, namely, real sectors such as business, manufacturing, technology, gold, property, and services. The finance sector encompasses both the money and capital markets. The financial market includes the money market as well as the capital market. Short maturities, or less than a year, are characteristic of financial instruments traded on the money market (Abi & Ramelan, 2022). The capital market, which trades long-term financial instruments for longer than a year, is not like this. Through banking institutions and non-banking institutions, money market participants purchase and sell securities and new funds. Unlike the stock exchange in the capital market or the futures exchange in the commodity market, transactions in the money market do not take place in a real market. The capital market is, in theory, a market for long-term securities, including different derivative products and debt and equity. The types of securities in the Indonesian capital market are grouped into the following categories: securities in the equity market, securities in the bond market, securities in the derivative market, and mutual funds (Alfiana et al., 2023).

Investing in the capital market is more modern than investing in the real sector. However, there are still many people who are unfamiliar with this type of investment. The government is encouraging efforts so that the public becomes more familiar with investments. An introduction to the world of investment and finance becomes important, especially when people's living standards rise and they have excess funds that are not used. It is hoped that the excess funds can be channeled through investments that can improve the welfare of the community, both as investors and as investment users. The public will then likely choose to invest in capital market investments. Because investing in the capital market is easy and provides greater profits than other types of investments. State bonds, mutual funds, and shares, which are types of the capital market, had returns of 8.5%, 9%, and 18% per year from 2008. So, from this data, we can see that these three investment products have quite high levels of return compared to other types of investment, especially returns on stock investment products. However, investing in shares has several obstacles, the first of which is related to time (Tannady et al., 2023). The rapid price changes on the stock exchange floor make it impossible for investors to always be facing a computer screen to follow price changes that fluctuate every second. With people busy at work, this is difficult to do. Another problem that may be one of the obstacles for society in investing is the lack of information, knowledge, and expertise in investing. Prices always fluctuate on the stock exchange, while people who do not have the ability to make transactions understand that the products, they buy may experience losses. This is what makes investors only invest in or choose one type of stock, thus giving rise to increasing concerns if the company where the investor invests experiences liquidation or a decline in share prices. Another thing to worry about is that the returns generated do not match the capital that has been invested, including the amount of risk or loss that must be borne (Lestari et al., 2022).

Literature Review

Mutual funds are an investment alternative that applies an asset allocation strategy by forming a portfolio by spreading the investment funds owned into several different types of assets. This is in line with the principle of diversification, which aims to minimize risks that may arise and optimize a certain level of expected return. "Don't put all your eggs in one basket," as all the eggs inside will shatter if the basket falls. This lesson can be understood in the context of investing as "Don't invest all the funds we have in just one asset, because if that asset fails, then all the funds we have invested will disappear." As an investment choice, mutual fund products are currently a wise choice, especially in the midst of limited time to search for information and analyze portfolio assets. One of the advantages of investing in mutual funds is that investors can diversify automatically and access stock and bond assets with cheaper funds (Parulian & Tannady, 2023). Apart from that, mutual funds are also more liquid and managed by professionals, namely certified investment manager representatives, so they are more secure. Mutual funds serve as a platform for investment managers to collect capital from the general investing public for use in securities portfolios. Mutual funds are made up of three key components. The first is the presence of investor capital. Secondly, a securities portfolio is where these funds are invested. Third, the fund is managed by an investment manager. A collection of securities, including shares, bonds, SBI, time deposits, government securities, and money market securities, makes up the securities portfolio itself. Consequently, mutual funds serve as a tool for investors to make investments in a variety of market-available investment products. The factors that influence the rate of return on stock mutual funds are grouped into three, namely: political security factors, global market conditions, and macroeconomic factors (Handayani et al., 2023).

Low interest rates at the Bank of Indonesia are the main factor driving public interest in mutual fund investment products. On the regulatory side, several new regulations have emerged that will make the mutual fund industry develop further in the future. Growth in managed value of up to 20% is still open, considering that the performance of the IHSG as a reference index for share-based mutual funds has grown in the same range of levels over a period of 10 - 15 years. The phenomenon of mutual fund NAV growth, which continues to show a positive trend, is thought to be one of the causes because it is supported by Indonesia's macroeconomic performance. Aspects of the national budget, money supply, balance of payments, production, income, and expenditure are all included in macroeconomic activities. A stable macroeconomic environment is what propels the growth of capital markets. Currency exchange rates and inflation are two of the four macroeconomic factors that affect capital market performance. The cost of one currency stated in terms of another is known as the exchange rate (Hamzah et al., 2023). One way to represent the exchange rate is the quantity of local currency needed to buy one unit of foreign currency. The risk associated with fluctuations in the value of the home currency relative to the value of the currency of a different (foreign) nation is known as exchange rate risk. Exchange rate risk affects businesses that conduct their operational and investment activities in foreign currencies. Unexpected fluctuations in exchange rates will lower the company's worth. The domestic investment climate, particularly the capital market, will be significantly impacted by fluctuations in the value of the rupiah relative to stable foreign currencies (Trivanto et al., 2015). An increase in the value of the rupiah relative to the US dollar, for instance, will affect how competitive the international market is for Indonesian goods, particularly with regard to pricing. The increase in the value of exports relative to imports will have an indirect effect on the trade balance if this occurs. However, the balance of payments in Indonesia will also be impacted. A worsening balance of payments will have an impact on foreign exchange reserves; a decrease in reserves will have an adverse effect on investor confidence in the Indonesian economy, which will then have an adverse effect on capital market stock trading. Foreign investors are likely to pull out of this situation, which will lead to capital inflows (Haekal & Tannady, 2023).

Businesses whose inputs for production are imported will be impacted if the applicable exchange rate declines. These kinds of businesses will see lower profits and higher production costs as a result of their heavy import spending. As a result, the capital market will see a decline in the company's share price, which will further impact stock mutual fund returns. Inflation is the second macroeconomic component. A general trend of rising prices that occasionally takes hold is called inflation. An increase in general price flows is indicated by inflation. Maintaining the lowest possible level of inflation will facilitate smooth development. An increase in inflation will have an effect on growing raw material costs, which will ultimately cause a company's goods to become less competitive. The company's share price on the capital market will suffer as a result (Alfiana et al., 2017). Aside from that, rising inflation will drive up business expenses, which will lower the profitability of firms that list their shares on the stock exchange and, in turn, lower shareholder dividends. The investor community's interest in investing in capital markets like mutual funds will decrease as a result of the decline in dividend income. The size of the inflation rate can affect real interest rates. This has quite an impact on capital market instruments that provide a fixed level of income, such as bonds. If interest is high, investors tend to reduce their investment activities. Investors' funds prefer to be deposited in banks in the form of deposits. On the other hand, if inflation falls, investors tend to invest in the capital market, considering the large returns they receive in the capital market (Widarjono, 2019).

Interest rates are the third macroeconomic factor. The cost of borrowing money is expressed as an interest rate, which is expressed in dollars per year for each dollar borrowed. The interest rate utilized, when applied to Indonesian conditions, is the BI rate. The Bank Indonesia (BI) Rate is a publicly announced policy interest rate that represents the bank's stance on monetary policy. Investors will select investments with higher income potential if the BI rate is raised. Because of this, capital market products like shares are no longer in demand and are even sold and used for banking. As a result, share prices drop, which in turn lowers profits on shares and mutual funds, and vice versa. The Composite Stock Price Index (IHSG) is the fourth macroeconomic index (Hamzah et al., 2023). IHSG is an assemblage of all listed stocks used in index computations. The primary indicator used to explain stock movements is IHSG. IHSG provides a summary of past data on composite share price changes up to a specific date. Every day, share price movements are typically reported based on the day's closing price on the stock exchange. The index is shown for a predetermined amount of time. IHSG represents a figure that serves as a gauge for a joint stock's performance on the stock exchange. Determining the performance of shares included in the calculation of more than one, including all shares listed on the stock exchange, is the aim of the combination itself. The IHSG is positively related to stock returns in the sense that the higher the IHSG value, the higher the returns generated because the IHSG shows the more stability of the IDX, where if the stock exchange is getting better, automatically the performance of companies participating as issuers will be better so that the returns generated will increase (Lestari et al., 2022).

Methodology

Panel data is the secondary data used in this quantitative research design. The population under investigation consists of stock mutual funds that are published and registered with OJK. Purposive sampling is the method used to sample in order to obtain a representative sample in compliance with regulations. Secondary data (found online) and library research were the methods of data collection used in this study. A panel data regression test is the research methodology employed in this study. Panel data is information that includes a time component (e.g., time series data) along with multiple variables (e.g., cross-section data). Panel data are used in this study's data management to illustrate the relationship between independent and dependent variables using Eviews 8 software. Panel data, cross sections, and time series problems can all be solved with Eviews. Data management can also be facilitated by using Microsoft Office Excel to create graphs, tables, and other visualizations. There are a number of benefits to using panel data in research observations. First, more data can be produced by panel data, which combines cross-section and time series data, producing a higher degree of freedom. Second, issues resulting from missing variables can be resolved by merging data from cross-sectional and time series studies.

Case studies

The IHSG variable has an impact on stock mutual fund returns, as indicated by the computation results, where the t-calculated value is 0.001. The positive sign that results suggests that there is a one-way relationship that is, an increase in the IHSG variable leads to an increase in stock mutual fund returns between the IHSG variable and returns. Consequently, the study's findings support Ha rather than H0, i.e., the idea that the IHSG variable affects stock mutual fund returns. It is possible to conclude that the inflation variable has a negative impact on stock mutual fund returns because the computed t-value was -15.5. An increase in inflation results in a decrease in stock mutual fund returns, according to the resulting negative sign, which shows an inverse relationship between the inflation variable and stock mutual fund returns. The exchange rate variable has an impact on stock mutual fund returns, as indicated by the t-calculated value of 2.9 that was found. A unidirectional relationship between the exchange rate variable and stock mutual fund returns is indicated by the positive sign that results, implying that an increase in the exchange rate leads to an increase in stock mutual fund returns. The computed t-value of -20.6, which is the result of the computation, indicates that the BI Rate variable has a negative impact on stock mutual fund returns. A decrease in stock mutual fund returns is the result of an increase in the BI Rate variable, as indicated by the resulting negative sign, which shows an inverse relationship between the two variables.

The IHSG variable has a t-statistical probability of 0.0000. It is clear from this that the alternative hypothesis was chosen to be accepted; in other words, stock mutual fund returns are significantly impacted by the IHSG. Previous research demonstrating the substantial positive impact of the IHSG on stock mutual fund returns lends credence to these findings. The rate of return on stock mutual funds is significantly impacted by IHSG. Returns on stock mutual funds are significantly impacted favorably by IHSG. This fact is in accordance with the concept that changes in political and economic policies can and do greatly influence the performance of stock exchanges and companies at the same time. In this way, security prices will fluctuate, which will then affect the mutual funds' portfolio. Changes that occur very quickly affect NAV; this is related to the level of sensitivity of the mutual fund to the changes that occur. So. if there are significant changes to the IHSG, it is certain that mutual fund returns will be affected. The inflation variable has a t-statistical probability of 0.0000. It can be concluded that the decision taken is to accept the alternative hypothesis; in other words, inflation has a significant influence on equity mutual fund returns. Prior studies have demonstrated that inflation significantly lowers the rate of return on stock mutual funds, which validates these findings. Nominal interest rates rise in response to rising inflation rates, which is the economy's way of making up for the declining purchasing power brought on by rising inflation. Moreover, a rise in inflation will result in a decline in investment because investors' expectations of higher investment returns and a decline in savings (fund supply) both occur. Ultimately, the decrease in investment activities will have an effect on the eventual decline in returns on investments. In addition, investors will redirect their funds to invest in banking instruments like deposits as a result of the increase in nominal interest rates brought on by the rise in the inflation rate. High levels of inflation raise the cost of goods, which lowers the quantity demanded. The company's income will be impacted by a drop in sales, which will then have an effect on the performance of the business. This will be mirrored in the mutual fund price decline, lowering the company's returns. A very significant increase in inflation can affect the performance of mutual funds, so most people are reluctant to invest their money in the mutual fund industry if there is very high inflation. With the increase in inflation, banking instruments are in demand by the public, so savings or investment alternatives such as mutual funds are not as popular with the public.

The exchange rate variable has a probability of 0.002 according to t-statistics. In summary, the alternative hypothesis was chosen to be accepted, indicating that stock mutual fund returns are significantly impacted by exchange rates. This conclusion is supported by prior research, which indicates that the exchange rate significantly affects the rate of return on stock mutual funds. The country's investment climate, particularly in the capital market, will be impacted by fluctuations in the value of the rupiah relative to other currencies. The effects of these fluctuations in exchange rates vary depending on the stock. Investors will naturally choose to place their money in dollars rather than rupiahs if the US dollar appreciates against the rupiah since the former offers a larger rate of return than the latter. Given that the BI Rate variable has a t-statistical probability of 5%, it can be said that the alternative hypothesis that is, that the BI rate significantly affects stock mutual fund returns was chosen. Previous research that found a significant negative impact of the BI rate on stock mutual fund returns is consistent with these findings. As previously mentioned, Bank Indonesia will raise the benchmark interest rate, or BI rate, in response to rising inflation. As a result, the impact of rising inflation on mutual fund returns and the increase in the BI rate will be equivalent. The BI rate is a key factor in an investor's decision to invest. When the BI rate drops, this movement can boost investment and direct all funds toward the capital market. In addition, the business will perform better, resulting in a rise in share value that will affect the net asset value (NAV). The issuer believes that the BI rate has a significant impact on business performance. A rise in the BI rate will result in a decrease in loan capital, which will negatively impact the company's performance and lower the market value of its shares. As a result, share prices will also fall. Because the company's performance weakened, the net asset value (NAV) in the capital market also became worse. Changes in SBI interest rates can affect the variability of an investment's return. This can happen because if interest rates increase, share prices will tend to fall, and vice versa. Because if interest rates rise, investors will expect to get better returns from investment instruments related to this, such as deposits. So investor interest will shift from stock investments to deposits.

Conclusion

The analysis that was conducted yielded the following conclusions, which can be drawn: The panel data regression test results indicate that returns on stock mutual funds are significantly impacted by the IHSG, inflation, exchange rate, and BI rate all at the same time. The partial panel data regression test's findings revealed that: It has been demonstrated that IHSG significantly increases stock mutual fund returns. It has been established that returns on equity mutual funds are significantly impacted negatively by inflation. It has been demonstrated that returns on stock mutual funds are significantly positively impacted by exchange rates. It has been demonstrated that stock mutual fund returns are significantly impacted negatively by the BI rate. Several implications that may be helpful are based on the conclusions that have been outlined, including: In addition to applying the knowledge learned during the lecture period, this research is helpful for broadening theoretical and practical understanding and knowledge about mutual funds. It is hoped that the research findings in this study will help investors make an informed decision about whether or not to use mutual funds for their investments. Information about the influence of macroeconomic variables, namely IHSG, inflation, exchange rates, and BI rates, can be a basis for companies in making decisions to increase returns on stock mutual funds that are bought and sold. It is hoped that this research can provide useful results in the development of scientific knowledge so that it can be used as reference material for further research, and it is also hoped that this research can complement previous research. Here are some suggestions that researchers can share with future researchers who will conduct similar research: This research uses the macroeconomic variables IHSG, inflation, exchange rate, and BI rate as independent variables, while the dependent variable uses stock mutual fund returns. In future research, it is hoped that future researchers will use different and more varied variables by adding other variables as factors that influence stock mutual fund returns. It is hoped that future research will increase the number of samples so that the research carried out will be better. This research uses the panel data regression method with the common effect model as an analysis tool. Future researchers can use other methods. Future researchers can research different years by adding the number of years or the most recent year to the research.

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