

The Effect of Inflation and Rupiah Exchange Rate on Stock Prices with Dividends as Moderators

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ABSTRACT

Objectives: The choice to pay dividends is a strategic one for every business. It's the foundation on which stock market investments are made. Dividends paid out by a firm are more highly valued by shareholders than capital profits. Due to the inherent risk associated with investing, investors would rather receive compensation in the now than in the future. The company's future success may be seen in its consistent dividend payments. The goal of this research was to examine the moderating role of dividends in a market vulnerable to inflation and the rupiah exchange rate. The focus is on dividend-paying firms trading on the IDX between 2013 and 2021.

Methodology: The associative quantitative approach used here relies on previously collected data. The purposive sampling method was used in the sampling process. This study used 153 samples over 9 time periods, following the criteria. Both single- and multi-linear regression are used in the study.

Finding: The findings in the study are inflation and rupiah exchange rates on stock prices have a negative effect and simultaneously affect stock prices while dividends per share can moderate the connection between inflation and stock prices.

Conclusion: Both inflation and the rupiah exchange rate have been shown to have a negative effect on stock prices. Inflation has been shown to have a negative influence on stock prices while the rupiah exchange rate also has this effect. According to the findings of this journal, a combined effect of inflation and the value of the rupiah against other currencies may be seen in stock market prices. Furthermore, it has been shown that this effect can occur. The MRA research also shows that dividends per share have a moderating influence on the connection between inflation and stock prices, as well as the correlation between the rupiah exchange rate and stock prices.

Keywords: Inflation; Rupiah Exchange Rate; Dividend and Stock Price.

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INTRODUCTION

The stock price reflects the beneficial impact of company's dividend policy has on an investor's value. It is often believed that a rise in dividend payments indicates future growth in the company's earnings, whereas a fall in dividend payments indicates a decline in future profits (Ilat et al., 2019).

The impact felt directly by the company (inflation occurs in the long term) is the swelling of the company's production costs. This high cost will include the price of the company's products which have increased (Yulasmı et al., 2023). The community's ability or buying power has not necessarily increased at the same rate as the prices of products which means that this growth in prices is not being met. If anything like this occurs, it will affect the profitability of the firm which will go down as a result. Thus, the dividends received by shareholders will also decrease and result in the transfer of funds by investors to other more profitable investors. The inflation rate in 2013 was 7% with an average of 0.0697 and decreased to an average of 0.0156 with a small percentage rate of 1.5% in 2021.

At various points in its history, Indonesia's method of exchanging currency has been fixed, then allowed to float freely to this day. Without any kind of governmental intervention, the market forces of demand and supply for foreign currency would determine the exchange rate. The average exchange rate in 2013 amounted to IDR10,451.37, experienced an increase in the rupiah exchange rate to IDR14,572.26 per US dollar in 2020, decreased in 2021 to IDR14,119.96 due to BI intervention where until now, it is still stable.

This study distinguishes itself from previous research by focusing on a sample of high-dividend firms traded on the IDX (Indonesia Stock Exchange) over the period spanning from 2013 to 2021, as opposed to the typical scope which often concentrates on property companies within the narrower time frame of 2016 to 2020. The rationale behind selecting high dividend-yielding companies as the subject of investigation lies in their significance within the investment, making them particularly attractive to investors seeking dividend-paying stocks. Notably, prior research efforts have yielded varying results, shedding light on the intricate relationship between economic indicators and stock prices.

To begin, Kasim et al. (2021) unveiled a correlation between fluctuations in the rupiah exchange rate and stock prices. Meanwhile, Gampito & Melia's (2022) research provided further support for the idea that currency exchange rate volatility impacts stock prices. Conversely, Mayasari's (2021) findings suggested that both inflation and the rupiah exchange rate have a bearing on stock prices. In contrast, Adikerta & Abundanti's (2020) research contradicted these conclusions, asserting that inflation has no discernible effect on stock prices. Moreover, Darwati & Santoso (2014) aligned with the latter perspective, emphasizing that inflation exerts no influence on stock prices. Further contributing to this nuanced landscape, Najib & Triyonowati's (2017) study emphasized that partial inflation does not affect stock prices.

Additionally, Azizi's (2023) research stands as another relevant benchmark, focusing on the influence of macroeconomic variables on share prices. Azizi (2023) concluded that while the effect of exchange rates on equity value is not statistically significant, the movement of exchange rates remains a factor that needs to be considered. Exchange rate fluctuations can impact the competitiveness of the Islamic property sector, particularly regarding exports and imports. Therefore, investors and market participants should take into account the potential risks and rewards associated with exchange rate movements in their investment decisions.

Lastly, Yusdianto (2022) delved into the connection between dividend per share and stock prices. Mujiatun et al. (2021) corroborated the notion that dividend per share exerts a significant influence on stock prices. Furthermore, Budiarno & Prasetyoningrum's (2021) research reinforced this viewpoint, establishing a positive correlation between dividends per share and stock prices. These distinct research endeavors collectively contribute to our understanding of the complex dynamics between various economic factors and the stock market with each study offering unique insights and conclusions.

The automotive and its components sub-sector comprises labor-intensive businesses with significant capital investments. Several automotive company stocks are listed on the Indonesia Stock Exchange, including blue-chip stocks actively traded on the exchange. The global recognition of car companies reopening manufacturing plants and increasing production volumes in Indonesia has led the Indonesian Government to consistently support the growth and development of the automotive industry in the country (Miswanto & Oematan, 2020).

In contrast to other sub-sectors within the miscellaneous industries sector, the automotive and component sub-sector is deeply intertwined with the daily lives of people in Indonesia. This is evident from the large number of motorized vehicles, both two and four-wheel, in the country. Despite the continuous growth in the number of vehicles, companies often experience fluctuations in their returns each year (Arta, 2023).

According to data from the Indonesian Automotive Industry Association (GAIKINDO) (2018), the annual development of the automotive sector is expected to accelerate, potentially becoming a cornerstone for the government in achieving its industrial growth target of 5.67 percent. However, as reported by Kompas newspaper, severe flooding incidents occurred in 2013, 2014, 2018, and 2019. The severity of the flooding can be gauged by the water level at the Katulampa Dam in Bogor. During those years, the Katulampa Dam reached alert level I. When rain and flooding events occurred, the supply of components was disrupted due to some factory suppliers being affected by flooding. Furthermore, extensive flooding prevented many employees from reaching work, leading to a decrease in production volume and reduced consumer purchasing power (Faella Siti, 2021).

In light of the issues mentioned above, the authors have an interest in beginning research in manufacturing businesses listed on the IDX in the automotive and component sub-sectors with the title "The Effect of Inflation and Rupiah Exchange Rate on Stock Prices with Dividends as Moderators". An empirical Study of High Dividend Companies Listed on the IDX for the Period 2013-2021).

LITERATURE REVIEW

1. Agency Theory, Signaling Theory

Agency theory is a relationship formed between principals and agents in corporate decisions (Brigham & Houston, 2019). Differences between the interests of managers and shareholders are likely to occur because decision-making errors by managers (agents) do not need to be responsible for these risks. Likewise, when the manager (agent) cannot increase the value of the company, the risk of the policy is fully borne by the company's owners. Hence, many parties tend to suffer losses from suboptimal decisions from management (agents). According to Iqbal et al. (2020), assume that companies that have weak governance and severe agency problems cannot protect takeovers and pay low dividends.

The signaling theory described by Ross (1977) is based on the difference in more complete information owned by management than shareholders, this is called asymmetric information. The signaling hypothesis according to Miller and Rock (1985) explains that information about opportunities or prospects in the future of a company where the information is based on changes in dividends paid. Companies that have good prospects that are signaled from management to the public have an understanding of increasing dividends. For investors, an increase in dividends is a signal that the company's strategy predicts good income in the later (Nidar & Gunawan, 2016).

2. Inflation

According to economic theory, the symptoms of inflation suggest an excess demand at the macro level, as inflation is a widespread and ongoing rise in prices and almost all industrial sectors experience excess demand (Sugiyarto, 2019). A rise in prices across the board and over time is what economists call inflation. Additionally, When the stock exchange market is not in session, the market price corresponds to the closing price (Simarmata & Sari, 2022); otherwise, the stock price is the worth of something that indicates the success of a corporation (Nailufaroh et al., 2021) recorded at Bank Indonesia for the period 2013 - 2021.

3. Rupiah Exchange Rate

Currency exchange rates can be interpreted as a comparison between currencies when the exchange rate weakens or depreciates against other currencies, it will automatically affect goods, especially goods imported from outside or imports (Nugroho & Hermuningsih, 2020). How much of one currency may be purchased with how much of another is known as the exchange rate. The stock price refers to the price at which shares are sold from one investor to another after being listed on the stock market (Al Umar & Nur Savitri, 2020; Octovian & Mardiaty, 2021). In light of the above, we may deduce that the rupiah exchange rate is the ratio of the value of the rupiah versus other Money that may have an impact on the price of imported items.

4. Share Price

An investor purchases shares of a limited liability corporation with the expectation of profiting from the business's future earnings (Masno, 2021). According to Rahayu & Yanim (2021), the share price represents the prevailing market value of an individual share on the stock exchange. A share serves as proof of the possession of capital or assets within a company and it displays the company's name along with the shareholder's rights and obligations on the share certificate. The price of a share as it is traded on the stock exchange at a given moment as established by the market management in the form of supply and demand is called the "share price" (Hartono, 2005). A stock's price is heavily impacted by the law of supply and demand with the price trending upwards in the face of high demand and downwards in the face of high supply (Jain, 2014).

5. Dividend

When a company's leaders choose to distribute some of its profits to their shareholders rather than keeping them in the form of kept earnings for later use, they are said to have adopted a dividend policy (Ilyas & Hertati, 2022). The dissemination of a portion of a company's profits to its stockholders is referred to as dividends and the amount of these dividends is decided upon at the annual meeting of shareholders (GMS) (Yusdianto, 2022). Dividend per share is a

reflection of how much profit will be distributed in the form of dividends for shareholders for each share (Tandelilin, 2017).

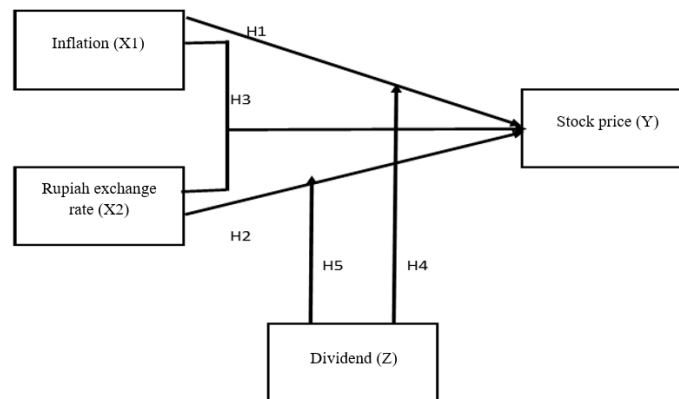


Figure 1. Conceptual Framework

After introducing the issue, reviewing relevant literature, and summarizing relevant prior studies, a conceptual research framework is developed:

- 1) The Effect of Inflation on Stock Prices → **H1**: Inflation affects stock prices
- 2) The Effect of the Indonesian Rupiah's Exchange Rate on Stock Value → **H2**: Fluctuations in the Indonesian Rupiah's Exchange Rate influence the Stock Price.
- 3) The Impact of Inflation and the Rupiah Exchange Rate on Stock Prices → **H3**: Inflation and the exchange rate of the rupiah influence the stock market.
- 4) The impact of dividends moderates the relationship between inflation and stock prices → **H4**: Dividends can act as a moderating factor on the influence of inflation on stock prices.
- 5) The moderating impact of dividends on the connection between the rupiah exchange rate and stock prices → **H5**: Dividends can mitigate the influence of the rupiah exchange rate on stock prices.

RESEARCH METHODS

Research Design

This research follows an associative/causal distributive design, focusing on the relationship between variables. The primary aim is to uncover cause-and-effect relationships among two or more variables. In this study, we define these variables as the independent variable and the dependent variable.

Population and Sample

The population of this study consists of 17 Automotive and Component Sector Manufacturing Companies during the period from 2013 to 2021. The data used for this study is derived from the Annual Financial Statements of Manufacturing Companies listed on the Indonesia Stock Exchange (BEI) within the Automotive and Component Sectors where this data spans the 2013-2021 period.

Nonprobability sampling is the chosen technique for this study. Specifically, the technique selected is purposive sampling which involves making selections based on specific criteria. Therefore, the sample chosen by the author adheres to the following criteria:

1. The data used originates from financial statements of manufacturing companies within the automotive and component sectors listed on the Indonesia Stock Exchange.
2. The data considered for this study must provide financial statement information for manufacturing companies within the automotive and component sectors throughout the entire 2013-2021 period and it must be reported to the Indonesia Stock Exchange with it being subsequently published.
3. The selected automotive and component sector manufacturing companies should represent comprehensive and complete data.

Based on the description provided, this study used a sample consisting of 17 manufacturing companies within the automotive and component sectors that were listed on the Indonesia Stock Exchange during the 2013-2021 period (cross-sectional data). This dataset spans 9 (nine) years, providing valuable time-series data. In total, the sample includes data from 153 companies.

Data Collection Technique

In this study, data was collected using the documentation method from secondary sources. This involved the collection, recording, and management of data about automotive sector manufacturing companies and components listed on the Indonesia Stock Exchange for the 2013-2021 period, accessed through www.idx.co.id.

Data Analysis Techniques

Data analysis techniques, including single and multiple linear regression, are employed to comprehend the relationship between one or more independent variables and the dependent variable. This analysis aids in understanding the effects and predicting outcomes based on the collected data.

Testing the Model

The initial test model employs a three-panel data regression model. Once the panel data regression model is chosen, the subsequent step involves testing and meeting the necessary assumptions for panel data testing. Since this test employs a panel data regression model, it is essential to address and assess potential issues related to four assumption violations: normality, multicollinearity, heteroscedasticity, and autocorrelation.

RESULTS AND DISCUSSION

Results

Descriptive Statistical Test

The following is an explanation of the descriptive statistics of the research data: for 2013-2021 in high dividend companies listed on the Indonesia Stock Exchange with the following table:

Table 1. Descriptive Statistics

	INFLATION	COURSE	DPS	STOCK
Mean	0.040031	13298.90	309.8177	9203.810
Median	0.035308	13391.97	168.0100	5700.000
Maximum	0.069700	14572.26	2700.000	94000.00
Minimum	0.015600	10451.37	0.000000	354.0000
Std. Dev.	0.019668	1269.339	449.8026	12886.21
Skewness	0.357115	-1.173618	3.344631	3.442543
Kurtosis	1.558898	3.244763	16.18360	18.08912
Jarque-Bera	16.49149	35.50511	1393.279	1753.674
Probability	0.000262	0.000000	0.000000	0.000000
Sum	6.124675	2034732.	47402.11	1408183.
Sum Sq. Dev.	0.058797	2.45E+08	30753007	2.52E+10
Observations	153	153	153	153
Cross sections	17	17	17	17

Source: Eviews panel data output results

From the statistics obtained in this study, the following picture is obtained:

Inflation (X1): The independent variable in this study is inflation. Based on the results of descriptive statistics, inflation has the lowest value of 0.0156000 and the highest value of 0.069700. The average value is 0.040031 and the standard deviation is 0.019668.

Rupiah Exchange Rate (X2): The independent variable in this study, namely the rupiah exchange rate, has a minimal value of 10451.37, and a maximal value of 14572.26. The average value is 13298.90 and the standard deviation is 1269.339.

Stock price (Y): The dependent variable in this study, namely the stock price, has a minimal value of 354,0000. The maximal value is 94000.00. The average value is 9203.810 and the standard deviation is 12886.21.

Dividend (Z): The independent variable in this study, namely Dividends, has a minimal value of 0.000000. the maximal value of 2700,000 The average value is 309.8177. and standard deviation of 449.8026. By looking at the standard deviation whose value is greater than the mean, the data used in the dividend variable is highly dispersed. When looking at data, a measure of dispersion called standard deviation reveals a shifting mean. The stock price variable has a greater degree of risk than other variables since it has a larger standard deviation value, 12886.21. While the danger associated with Inflation is the lowest at 0.019668. This indicates that there were no excessive price swings over the research period.

Model Testing Conclusion

In this research, a panel data analysis was used to assess the impact that inflation and the rupiah exchange rate have on stock prices in high dividend firms that are listed on the IDX between 2013 and 2021.

The outcomes of the data evaluated the influence of inflation and the value of the rupiah opposite the dollar on stock prices, with dividends serving as a moderating element, were processed using the fixed effect model. obtained the panel data regression equation as follows:

$$Y = 10.08544 + (-27.20197) X1 + (-8.074481) X2 + e$$

Interpreting the regression equation yields the following insights:

- 1) The value of the constant is 10.08544 which indicates that a positive stock price exists even if the variable being controlled is equal to zero. This clarifies that when every independent variable in this investigation is at zero, the decline in the dependent variable's value is attributable to factors beyond the scope of this study.
- 2) The coefficient of regression for the variable representing inflation (X1) at -27.20197 signifies that for every one-unit rise in inflation (X1), there will be a corresponding decrease of -27.20197 in the stock price (Y).
- 3) The regression coefficient for the variable representing the rupiah exchange rate (X2), which is -8.074481, indicates that for each one-unit increase in the rupiah exchange rate (X2), there will be a corresponding decrease of -8.074481 in the stock price (Y).

Hypothesis Testing

1) F Test (Simultaneous)

The formula for the F-table reads as follows: $df1 = k - 1 = 4 - 1 = 3$, and $df2 = n - k = 153 - 4 = 149$, and if the significance threshold is equal to 0.05, then the f-table will equal 2.67.

From the table data, it can be concluded that the likelihood value (F-statistics) is 0.000000, which is < 0.05 , or the F-statistic value (17.83980) is $> F$ -table value (2.67). This conclusion indicates that all independent variables, namely inflation, rupiah exchange rate, and dividends, collectively exert a significant influence on the stock price variable.

2) T Test (Partial)

A partial test (t-test) is used to test the effect of each independent variable partially. Decision-making in the partial test (t-test) in this study uses a two-way test. The hypothesis decision in the two-way test is if the t-statistic probability value $> \alpha 0.05$ then H_0 is accepted and means that the independent variable does not affect the dependent variable, and vice versa.

The t-table formula is equal to $n - k = 153 - 2 = 151$ and the significance level = 0.05 then the t-table (0.05 by 151) = 1.65501.

3) Moderated Regression Analysis (MRA) Test

According to Ghozali (2017), Moderated regression analysis is a method that uses an analytical approach to strengthen or weaken the integrity of a sample. Further, in cases where the regression equation involves interaction components, such as the multiplication of multiple independent variables together, the method is called MRA (Ghozali, 2017).

Based on the table above, 153 data outputs were obtained which were then subjected to partial hypothesis interpretation (t-test) for each research variable from the first-panel data regression model, namely:

- a) Inflation (X1), the independent variable, is negative, as shown by the t-test in the table, suggesting that inflation has a negative impact on stock prices. The inflation variable has a negative or opposite direction and is statistically significant to the stock price variable (Y) in a sample of 20 high dividend index companies listed on the IDX from 2013 to 2016 because its t-statistic value is $> t$ table, namely $-2.979370 > 1.65501$, and its t-statistic probability value is $0.0000 < 0.05$.
- b) Because the t-statistic value is more than the t-table, precisely $-2.2916969 > 1.65501$, the t-test table suggests that the value of the rupiah exchange rate has a detrimental effect on the price of stocks. This is the case because the chance value of the t statistic associated with the rupiah exchange rate variable is 0.0000, which is less than 0.05. This indicates that the rupiah exchange rate variable has a negative influence on stock prices.

4) Determination Test (Adjust R²)

In accordance with the result from the determination test presented in Table 4.6, it becomes evident that the Adjusted R² value stands at 0.729949. This signifies that the independent variables employed in this study, such as inflation, exchange rates, and dividends, collectively have a strong association with the stock price variable, accounting for 72.9949% of the relationship. While the Adjust R-squared value is 0.689032. This number may be understood as the proportion of a company's worth that can be accounted for by changes in inflation, the rupiah exchange rate, and dividends at the same time or jointly; the remaining 31.0968 percent is affected by aspects outside the scope of this research. explanatory power of factors beyond the study's theoretical framework.

Table 2. Moderating Regression Analysis Result

Moderating Regression Analysis				
Dependent Variable: SHM				
Method: Panel Least Squares				
Date: 04/23/23 Time: 12:24				
Sample: 2013 2021				
Periods included: 9				
Cross-sections included: 17				
Total panel (balanced) observations: 153				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.581776	13.69589	1.154927	0.2502
INF	-13.29354	5.969413	-2.226943	0.0276
KURS	-1.968076	0.890804	-2.286744	0.0221
INF*DPS	14.36531	6.904763	2.080493	0.0394
KURS*DPS	-2.002161	1.000339	-6.364172	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.729949	Mean dependent var	9203.810	
Adjusted R-squared	0.689032	S.D. dependent var	12886.21	
S.E. of regression	7185.934	Akaike info criterion	20.72451	
Sum squared resid	6.828509	Schwarz criterion	21.14045	
Log likelihood	-1564.425	Hannan-Quinn criter.	20.89348	
F-statistic	17.83980	Durbin-Watson stat	1.823231	
Prob(F-statistic)	0.000000			

- 1) Inflation's impact on stock prices is mitigated by dividends. To put it another way, dividends can weaken the dividend effect of dividends moderating the relationship between inflation and stock prices because the dividend coefficient is positive

(1,436,531) while the inflation coefficient is negative (-1,329,354). This is because the t-statistic is $>$ t-table ($2.080493 > 1.65501$), indicating that dividends can moderate the connection between inflation and stock prices.

- 2) Because the value of the coefficient for the dividend variable is negative, it may be deduced that dividends have a depressing influence on the price of stocks. This is due to the fact that the t-statistic is higher than the t-table, namely $-6.364172 > 1.65501$. Because both the dividend, which is currently negative at a value of -2,002,161, and the exchange rate, which is currently negative at a value of -1,968,076 are both negative values, the conclusion that can be drawn is that dividends can moderate the relationship between the rupiah exchange rate and stock prices and can strengthen dividends.

Discussion

1) The Effect of Inflation on Stock Prices

The partial test results in this investigation show that the t-statistic value of the inflation variable (X1) is -2.226943 which means it has a negative or opposite direction relationship. Meanwhile, the t-statistic value of $h2.226943$ is $>$ t-table, which is 1.65501, it means that H0 is rejected and H1 is accepted so it can be concluded that inflation partially affects stock prices. Then the probability level of 0.0276 is smaller than α 0.05, which means that H0 is rejected and H1 is accepted, which means that inflation (X1) is partially proven to have a significant negative effect on stock prices (Y) in high dividend companies listed on the IDX in 2013-2021.

Inflation is a crucial factor that investors must consider when engaging in investment activities because it can impact the movement of stock prices which serves as a negative signal for investors. An increase in the inflation rate leads to higher production costs, driven by rising prices of raw materials and operational expenses (Lumbantobing, 2014). Consequently, this can reduce a company's profitability since the purchasing power of the public for goods diminishes, which in turn affects the state of the capital market. Under these circumstances, investors may lose interest in the capital market and the reduced demand for shares will result in a decline in stock prices (Saratian et al., 2021).

The findings of this study align with the results of research conducted by Yudistira and Adiputra (2020), indicating that inflation has a negative and insignificant impact on stock prices. In contrast, a study by Moorcy et al. (2021) suggests that inflation has a significant positive effect on the composite stock price index. Furthermore, research conducted by Jessica et al. (2021) on banking sub-sector companies indicates that inflation has no significant partial effect on stock prices.

2) The effect of the rupiah exchange rate on stock prices

The analysis results reveal that the t-statistic value for the rupiah exchange rate variable, specifically -2.286744, exceeds the t-table, which stands at 1.65501. Consequently, H0 is rejected, and H2 is accepted, signifying that inflation has a detrimental impact on stock prices when considered independently. Additionally, with a significance level of 0.0221, which is less than the threshold of 0.05, it can be inferred that the rupiah exchange rate exerts a substantial and negative influence on the stock prices of companies listed on the IDX.

The test results revealed that the rupiah exchange rate variable had a partial effect on the stock prices of companies in the automotive and component sectors for the period 2013-2021. These findings align with the theory proposed by Sardjono Sukirno (in (Oktaviani & Sari, 2022))

which suggests that exchange rates play a vital role in an open economy, affecting the balance of transactions and other macroeconomic variables. According to Kurniawan & Yuniati (2019), the rupiah exchange rate can have either a positive or negative influence on stock prices. In other words, when the foreign exchange rate increases, it can lead to a decrease in stock prices. This is because an increase in the foreign exchange rate weakens stock trading on the Indonesia Stock Exchange (IDX) (Mayfi & Rudianto, 2014). Conversely, when the dollar exchange rate strengthens against the rupiah, it reflects an improved economic condition in the country, subsequently boosting the capital market and leading to an increase in stock prices on the IDX.

The results of this study align with previous research (Oktaviani & Sari, 2022);(Amin et al., 2023; Sa'aadah & Khuzaini, 2019) which indicate a negative relationship between exchange rates and stock prices. This can be analyzed as follows: when a country's currency appreciates, it reduces the cost of imports, leading to increased prices of products exported by the country. This price increase in exported products may result in reduced demand from foreign markets as foreign consumers are burdened by the higher import costs. Consequently, this impacts the revenue of companies operating in the country, leading to decreased corporate profits. Investors, in turn, may lose interest in purchasing the company's shares due to the reduced profit potential, potentially causing a drop in the company's share price as the supply exceeds demand (Arief et al., 2023). However, the influence of exchange rates on stock prices may not be significant if domestic companies are not heavily reliant on imported raw materials. In such cases, companies may seek ways to reduce import dependence by developing their products or finding local alternatives, making the impact of exchange rate fluctuations on import costs less relevant to stock prices. In contrast to these findings, other research (Ali et al., 2019; Sebo & Nafi, 2021; Selpiana & Badjra, 2018) suggests that the rupiah exchange rate has a positive and significant effect on stock prices.

3) The effect of inflation and rupiah exchange rate on stock prices

The findings of the hypothesizing demonstrate that the share prices of the 20 high-dividend businesses listed on the IDX between 2013 and 2021 are significantly affected by both independent variables at the same time. This result is evidenced by the F test with a prob value (F-statistic) of 17.83980 or the result of the f-statistic value is greater than f-table 2.67, the significance is > 0.05 , This suggests that when all of the independent factors are considered together, they have a considerable influence on the variable that is being looked at (the dependent variable). The coefficient value and the probability level that emerge from each independent variable in this research provide clear evidence of the existence of a substantial influence. The rupiah exchange rate variable which has a t-statistic value of -2.286744 with a probability level of 0.0221 is smaller than 0.05, Therefore, the value of the rupiah against the dollar is a variable that carries a risk and makes a difference in the outcome.

These findings are also consistent with research conducted by Devi (2021); Lestari & Hasanuh (2021); Sebo & Nafi (2021) and Situngkir & Batu (2020) which suggest that inflation and exchange rates influence stock prices. This influence is because stock prices in a country, particularly Indonesia, are closely tied to the country's macroeconomic conditions. Hence, investors should carefully consider such macroeconomic variables before making investment decisions (Bertuah & Oppunggu, 2022).

Inflation which represents a general increase in the price level of goods and services can have a negative impact on stock prices. When inflation rises, people's purchasing power may decline, eroding a company's profits and potentially causing a decrease in stock prices. Furthermore,

high levels of inflation can lead to increased interest rates, typically discouraging investment in stocks as bonds become more appealing investments. Conversely, fluctuations in currency exchange rates can also affect stock prices. If the domestic currency weakens against foreign currencies, this can benefit exporting companies since their products become more affordable for foreign customers (Arief et al., 2020). This can result in increased company revenue and profit, ultimately leading to higher share prices.

4) The Effect of Dividends Moderates the Effect of Inflation on Stock Prices.

The findings from testing the fourth hypothesis (H4) reveal that dividends can moderate the connection between inflation and stock prices. This is evident from the t- statistic value surpassing the t-table with a t-statistic of $2.080493 > 1.65501$. Consequently, it can be inferred that dividends play a moderating role in the association between inflation and stock prices. This moderating impact is shown to be both positive and statistically significant among high dividend firms that are listed on the IDX during the period from 2013 to 2021.

The findings of this study are in accordance with (Rachmawati, 2018), demonstrate that dividends play a moderating role in the impact of inflation on stock prices. During the COVID-19 pandemic, inflation significantly affected companies by raising operational costs and other expenses, directly reducing profitability. Distributing dividends to shareholders added to the financial burden for companies in their efforts to control expenses. Elevated corporate expenditures can lead to reduced profits and subsequently, lower stock prices, signaling poor performance to investors.

The "*bird in the hand*" theory suggests that investors often prefer cash dividends over potential capital gains in the future due to their greater certainty. Nevertheless, this study also reveals that inflation negatively affects stock prices even when companies distribute dividends. High inflation prompts people to shift their investments toward real assets like real estate, homes, and consumer goods (Ainun, 2019).

As inflation rises, the currency's value decreases which can erode investors' purchasing power. However, companies that consistently pay stable or increasing dividends during inflationary periods can become an attractive investment option. Cash dividends remain unaffected by inflation, safeguarding against the loss of purchasing power. Investors tend to seek out stocks with robust dividend policies to preserve the value of their assets during inflation. Consequently, the high demand for stocks with strong dividends can boost stock prices, mitigating the adverse impact of inflation on the value of investors' stock portfolios. Therefore, dividends serve as an effective tool for hedging stock investments during periods of high inflation.

5) Dividend Effect Moderates the Effect of Rupiah Exchange Rate on Stock Prices

The t-statistic is larger than the t-table, suggesting that dividends have a moderating effect on the correlation between the rupiah exchange rate and stock prices (H5). namely $-6.364172 > 1.65501$. On the other hand, the t-statistic probability value for the dividend variable is 0.0000, exceeding the threshold of 0.05. Consequently, it can be deduced that dividends possess the capacity to act as a moderating factor in the association between the rupiah exchange rate and stock prices among high dividend companies that are listed on the IDX during the period from 2013 to 2021.

Dividends are payments made to shareholders from the company's profits (Putri & Rokhim, 2016). Traditionally, dividends are considered one of the factors influencing stock prices. When companies consistently pay stable or increasing dividends, it is often seen as a sign of stability and strong performance which can pique investor interest and boost stock prices.

Based on the results of this study, it can be concluded that dividends play a moderating role in their impact on stock prices. Simultaneously, they can weaken the relationship between exchange rates and stock prices. During the pandemic, when the value of global currencies decreased, companies often cut operational costs and other expenses to stay afloat. In this scenario, if a company continues to pay dividends at pre-pandemic levels, it can strain the company's finances as its expenses grow larger. Increased expenditures can erode the company's profits, ultimately creating the perception of poor performance which can lead to a declining stock price. The "bird in the hand" theory explains that investors prefer to receive dividends in cash now rather than relying on potential future capital gains. Receiving dividends now is considered more certain and reliable. As economic and corporate conditions evolve, effective dividend management becomes crucial to maintain a balance between investor interests and the financial health of the company.

When currency exchange rates fluctuate, especially in situations where the local exchange rate declines, dividend payments in the local currency may be affected. If the local exchange rate weakens, the value of dividends in foreign currency may decrease, even if the company doesn't alter the amount of dividends in the local currency. This can make it less appealing to foreign investors who may anticipate a higher return in their own currency. Conversely, if the local currency strengthens, the value of the dividend in foreign currency may rise, increasing its appeal to foreign investors. If a company maintains a consistent and reliable dividend policy, this can help mitigate share price fluctuations caused by changes in currency exchange rates. However, companies must carefully consider how they plan their dividend policy, particularly about foreign currencies. Additionally, investors should be aware that the value of dividends denominated in foreign currencies may fluctuate, potentially influencing their investment decisions.

CONCLUSION

This study set out to address the research problem of understanding the influence of inflation and the rupiah's value on stock prices, with a focus on dividends as a moderating factor. The investigation encompassed a sample of 17 companies from the high dividend index on the IDX over the period spanning 2013 to 2021, amounting to 153 financial statements in nine years.

Summarizing our key findings, we discovered that both inflation and rupiah exchange rates indeed exert a significant impact on stock prices for high dividend index companies. Moreover, our moderation analysis demonstrated that dividends can effectively moderate the effect of inflation on stock prices, underscoring the complex interplay of these variables.

Further research needs to be conducted to identify the factors that may affect the relationship between inflation, exchange rates, dividends, and stock prices. For example, a more in-depth analysis of the impact of changes in interest rates, political stability, or other economic factors on this relationship could help in understanding the more complex mechanisms at play. To strengthen the findings, additional research could also include comparisons between different industries or economic sectors within the same context. This would aid in determining whether

the relationship between these variables is equally robust across industries or if there are significant variations that investors and policymakers need to consider.

Furthermore, this research provides valuable insights for various stakeholders, including investors, companies, and regulators. Investors may consider these variables in their investment strategies while companies may assess how their dividend policies may influence their share prices in an inflationary environment. Authorities and regulators should also take note of these findings to develop more effective economic policies. In sum, the results of this study offer valuable insights into the intricate relationship between inflation, the rupiah exchange rate, dividends, and stock prices. Further research and collaboration among academics, practitioners, and authorities can help in formulating smarter investment strategies, and more effective economic policies, and conducting more comprehensive research to understand equity market dynamics in Indonesia.

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