

LINKING INFLATION, INTEREST RATES, AND BOOK VALUE TO SHARE PRICES: AN EMPIRICAL STUDY OF LQ45 INDEX COMPANIES ON THE INDONESIA STOCK EXCHANGE

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Abstract: The stock prices of LQ45 Index companies fluctuated during the 2020-2023 period. The lowest decline in LQ45 Index stock prices in 2020 was 624 per share, caused by the impact of Covid-19, and the highest increase in LQ45 Index stock prices in 2022 was 1,085 per share. Meanwhile, at the beginning of 2023, the movement of LQ45 index stock prices weakened, driven by a decline in stocks. The purpose of this study is to identify the impact of inflation, interest rates, and book value on the stock prices of LQ45 Index companies listed on the Indonesia Stock Exchange. The objects of this study are inflation, interest rates, book value, and stock prices of LQ45 Index companies listed on the Indonesia Stock Exchange. The sample in this study consisted of 29 LQ45 Index companies. The data collection method used the non-participant observation technique. The data analysis techniques used were classical assumption tests, multiple linear regression analysis, multiple correlation analysis, determination analysis, and t-tests. The conclusion of this study reveals that inflation and interest rates do not affect the stock prices of LQ45 Index companies listed on the Indonesia Stock Exchange in the 2021-2023 period. Meanwhile, book value has a positive and significant effect on the stock prices of LQ45 Index companies listed on the Indonesia Stock Exchange in 2021-2023.

Keywords: inflation, interest rates, book value, stock prices

INTRODUCTION

The capital market is an important economic indicator for every country, as it has the power to increase national wealth and accelerate the development of certain economic sectors. Referring to Capital Market Law Number 8 of 1995 concerning Capital Markets, the capital market covers activities related to securities trading and public offerings, public companies and the securities they issue, as well as organizations and professions related to securities. The Indonesian capital market has grown significantly over the years, and due to this rapid evolution, investors in the financial market now require more relevant information than before. A stock price is the price of a stock formed on the stock exchange at a certain time based on market mechanisms involving the supply and demand for that stock (Jogiyanto, 2015). The following is the movement of stock prices of companies listed on the LQ45 Index over the last 5 years, namely from 2019 to 2023.



Figure 1
Stock Price Movements of Companies in the LQ45 Index
Period 2021–2023

Figure 1 shows the price movements of LQ45 Index companies, which experienced fluctuations or increases and decreases during the 2020-2023 period. From these stock price movements, there was a decline in the LQ45 index stock price to its lowest point in 2020 at 624 per share due to the impact of Covid-19, and an increase in the LQ45 index stock price to its highest point in 2022 at 1,085 per share. This increase was influenced by the improved handling of Covid-19 and efforts to recover the national economy, which drove the recovery of the capital market. Meanwhile, at the beginning of 2023, the rate of movement of the LQ45 index stock price weakened, driven by a decline in commodity stocks, especially coal and gold (CNBCIndonesia, 2023). This shows that economic conditions have an impact on the share prices of companies listed on the LQ45 Index. Share price fluctuations are defined as periodic shifts in share prices over time. Stock prices can change significantly in a matter of minutes, hours, or days. Changes in stock prices can be influenced by several factors, such as economic and political conditions, companies related to the stocks, and general market conditions.

Macroeconomic variables such as the rupiah exchange rate, inflation, GDP growth, and high interest rates are factors that are often associated with the capital market. Theoretically, stock prices and interest rates are viewed negatively. Excessive interest rate hikes will have a negative impact on corporate cash flow and make existing investment options less attractive. Interest rate hikes will increase investors' expected profit projections and may also increase financing costs for businesses. Similarly, high inflation is generally associated with an overheated economy. This indicates that prices usually rise as demand for commodities exceeds supply. Severe inflation can also result in a decline in the real income received by investors through their investments. There are three financial factors used to estimate stock prices, such as BVS (Book Value Per Share), ROA (Return On Assets), and DER (Debt Equity Ratio). The market ratio that is often linked to stock prices or earnings is PBV (Price To Book Value). Theoretically, there should be a positive correlation between stock prices and book value. This can be linked to book value, which indicates the value and

net worth of a company. A high book value will motivate investors to be more inclined to buy the company's shares (Andriyani & Armereo, 2016).

Suparmono (2018) defines inflation as a condition in which the prices of goods and services rise in general and continuously. "General" indicates that the price increase will affect the prices of other goods on the market and the wider use of public goods. High inflation generally leads to a relative decline in the value of money, prompting investors to seek other investments, such as stocks, to preserve their capital. However, excessive inflation can reduce consumer purchasing power, impact company performance, and ultimately lower stock prices. Basically, people will choose to fulfill their needs. When the prices of goods and services rise due to inflation, capital owners become less interested in investing because consumers will essentially prioritize fulfilling their basic needs. Regarding the relationship between stock prices and inflation variables, research conducted by Fitriaty (2023) and Nurmasari & Nur'aidawati (2021) states that inflation has a positive and significant impact on stock prices. This study is reinforced by Agustin et al. (2023), who state that inflation has a significant impact on stock prices. On the other hand, a study conducted by Safitri (2021) argues that inflation has a negative and significant impact on stock prices, which is supported by the results of studies by Ahmad & Badri (2022) and Juniantari (2022), which reveal that inflation also has a negative effect on stock prices. On the other hand, research by Widnyani et al. (2024) and Idrus (2022) reveals that inflation does not affect stock prices.

Interest rates are also known to affect stock prices. According to Nasfi et al. (2022), bank interest rates are the amount of fees that customers must pay in exchange for using the bank's financial products. The range of returns on an investment is also affected by interest rate fluctuations. Tandelilin (2010) asserts that because capital market stakeholders will prioritize investments that generate profits, high interest rates will influence investors to prioritize savings or deposits over investing in the stock market. A study conducted by Laksana (2019) states that interest rates have a significant impact on stock prices, a finding supported by the research results of Widnyani et al. (2024) and Idrus (2022), which reveal that interest rates have a positive and significant impact on stock prices. Meanwhile, research by Nurmasari & Nur'aidawati (2021) and Pratama et al. (2022) reveals that interest rates have a negative and significant impact on stock prices. This finding is reinforced by the research of Widiastuti & Jayanti (2022) and Fitriaty (2021), who argue that interest rates have a negative and significant effect on stock prices. However, according to studies by Safitri (2021) and Agustin et al. (2022), interest rates have no effect on stock prices.

Book value is another variable that affects stock prices. According to Tryfino (2009), "Book value (BV) is the published book value or price per share." The

published book value per share generally reflects the amount of equity or assets owned by a company. Investors can interpret a company's book value exceeding its share price as a sign that the share price is undervalued and can be obtained or purchased at a low price. On the other hand, if the book value of a stock is too small compared to its price, the stock may be overvalued, which can cause the share price to fall. In general, a company's book value increases in line with its performance, and vice versa. The results of studies conducted by Laksana & Novianti (2019), Revan (2022), and Partinah (2022) state that book value has a positive and significant impact on stock prices, reinforced by a study by Surjanto & Sugiharto (2021) which confirms that PBV (Price to Book Value) has a significant impact on stock prices. However, the results of a study by Ibnu & Fadli (2023) suggest that PBV does not have a significant impact on stock prices.

The LQ45 index is a component of the IHSG that offers or allows investors, investment managers, financial consultants, and other capital market observers to follow or monitor changes in actively reported stock prices. The LQ45 Index consists of a group of stocks with high market capitalization and liquidity. The purpose of this study is to investigate the impact of inflation, interest rates, and book value on stock prices in LQ45 Index companies listed on the Indonesia Stock Exchange.

LITERATURE

Signaling Theory

Signal theory was first introduced by Ross (1977), who explained that company executives would be encouraged to share their superior knowledge about the company with potential investors in order to raise the company's share price. Signals or cues are actions taken by companies to communicate to investors about management's assessment of the company's potential (Brigham & Houston, 2011).

Publicly announced information can serve as a signal to investors when they make investment choices. If the information is published and gives investors hope or positive indications, there will be a change in stock trading volume. Novilian and Nindito (2016) define annual reports as documents released by a company that can serve as signals to stakeholders, particularly investors.

Stock Price

Stock price is the trading value of a company's or issuer's shares in a certain period, which is determined by the interaction between the secondary market conditions and the company's performance (Hermawan & Fajrina, 2017). There are three types of stock prices, including nominal price, initial price, and market price (Widiatmojo, 2012). Stock prices fluctuate daily. The following are several elements that determine stock prices (Weston & Brigham, 2001):

- 1) Earnings Per Share (EPS)

Fund providers can earn profits from their investments in a company if they own shares. Companies with high EPS will offer reasonable returns.

2) Interest Rate

Interest rates can affect stock price movements through:

- a) An increase in interest rates will force investors to sell their shares in favor of bonds, which will reduce competition between shares and bonds in the capital market.
- b) It affects business income, which occurs as a result of interest rates; the higher the interest rate, the lower a company's income.

3) Amount of Cash Dividends Paid

Retained earnings and dividends are two components of dividend distribution policy. One option that affects stock prices is to strengthen the confidence or expectations of shareholders by increasing dividends, because investors want large cash dividends so that stock prices can grow rapidly.

4) Net Income Earned by the Company

In general, investors invest in profitable companies because these companies show a promising future that will attract their attention and boost a company's share price.

5) Potential Risks and Refunds

A company's stock price will be affected if the predicted profit and risk level increase. In general, the rate of return on shares received increases in line with the risk.

Inflation

Inflation is a situation where the cost of goods and services rises in general and continuously. "General" indicates that the price increase will affect the prices of other goods on the market and the wider use of public goods (Suparmono, 2018). Inflation can be categorized based on quality level, cause, origin, and scope of influence on prices. Generally, the factors causing inflation in Indonesia include (Kartini, 2019):

- a) An increase in total aggregate spending that exceeds the capacity of companies to produce goods or services
- b) Employee demands for wage increases
- c) Increase in import commodity tariffs
- d) Creation of new currency to increase the money supply
- e) Economic and political turmoil, similar to what happened in 1998.

Interest Rates

Interest rates are the rates for the use of money, sometimes known as rent for using money during a certain period of time or the cost of borrowing money for its purchasing power, and are generally expressed as a percentage (Adrianto et al.,

2019). According to Baihaqqy (2022), based on their form, there are two categories of interest rates, namely lending rates and savings rates. Interest rates are determined by a number of factors, such as financing needs, expected profit targets, collateral quality, state policy, duration, company image, positive interactions, and competition.

Book Value

According to Tryfino (2009), "Book Value (BV) is the published book value or cost per share." The published book value per share usually shows the amount of equity or assets owned by a company. The total shareholder equity and net assets of a company are the same. Investors will naturally consider book value when deciding which stocks to buy, and information about book value will help investors when purchasing or investing in stocks. According to Halim (2016), the division of net asset value and total number of outstanding shares is known as book value per share. The market price of an entity's shares is largely determined by its book value per share, which indicates the value of the company and the value of its economic assets.

LQ45 Index

The LQ45 Index consists of 45 stocks listed on the Indonesia Stock Exchange (IDX) that have high liquidity and high market capitalization and are qualified based on a number of selection criteria. The following are the criteria used to determine the stocks included in the LQ45 Index:

- 1) Listed in the top sixty through the total process of buying and selling shares on the exchange (average transaction value over the last year)
- 2) The composition refers to market capitalization (average market capitalization over the past year)
- 3) Listed for at least three months on the IDX
- 4) The company's financial condition and future growth potential, as well as the volume and frequency of transactions on the regular market.

Research Hypothesis

The Effect of Inflation on Stock Prices

One of the economic indicators that affects stock prices is inflation. Inflation is a condition in which the price of goods increases. The purchasing power of the general public may decrease due to rising production costs caused by inflation. The capital market will be indirectly affected by high production prices and low purchasing power of the public. Investors will not be interested in investing their capital, and investor expectations for equities or stocks will decline. If a company's income declines, investors may hesitate to allocate their capital to that company, which will cause stock prices to decline (Fahmi, 2015). This statement is reinforced by studies conducted by Safitri (2021), Ahmad & Badri (2022), and Juniantari (2022), which state that inflation has a negative and significant impact on stock prices.

H₁ : Inflation has a negative and significant effect on stock prices.

The Effect of Interest Rates on Stock Prices

Interest rates are the compensation for loans provided by banks. Tandelilin (2010) states that investors prefer to put their money in savings or deposits rather than stocks because of high interest rates. This is because potential investors prefer investments that generate profits. As a result, demand for equity will decline, which will ultimately cause stock prices to fall. Therefore, it can be said that stock prices are negatively affected by interest rates. This statement is reinforced by studies conducted by Nurmasari & Nur'aidawati (2021), Pratama, et al (2022), Widiastuti & Jayanti (2022), and Fitriaty (2023) , which reveal that interest rates have a negative and significant impact on stock prices.

H₂: Interest rates have a negative and significant effect on stock prices.

The Effect of Book Value on Stock Prices

Book value plays a major role in determining stock prices because it provides information about a company's net worth. A company's net worth, which is the difference between its total assets and liabilities, can be represented by its book value. Investors tend to be more interested in buying shares in a company if that company becomes wealthier. A company's wealth increases in line with its book value, which in turn encourages investors to inject funds into the company's shares, thereby increasing the share price. This is confirmed by research conducted by Laksana (2019), Revan (2022), and Partinah (2022), which shows that book value has a positive and significant effect on stock prices. This is reinforced by a study conducted by Surjanto & Sugiharto (2021), which shows that PBV (Price To Book Value) has a significant impact on stock prices.

H₃: Book Value has a positive and significant effect on stock prices.

RESEARCH METHODOLOGY

This study was conducted on LQ45 Index companies listed on the Indonesia Stock Exchange. Data information was obtained from the official IDX website at www.idx.co.id . The objects of this study were inflation, interest rates, book value, and stock prices. The population of this study consisted of LQ45 Index companies listed on the IDX during 2021–2023, totaling 45 companies. Sampling was carried out using purposive sampling, resulting in 29 companies in the LQ45 Index that met the requirements. The data collection method for this study used a non-participant method. Data analysis techniques used classical assumption tests, multiple linear regression analysis, multiple correlation analysis, determination analysis, and t-tests.

RESULTS AND DISCUSSION

Results of Classical Assumption Test

1. Normality Test

The normality test is one of several statistical methods used to investigate whether a data set comes from a normal distribution.

Table 1
Results of the Normality Test

	Unstandardized Residual
N	87
Test Statistic	0.184
Asymp. Sig. (2-tailed) ^c	0.063

Source: Processed data (2024)

Referring to the results of the normality test above, which applies the One-Sample Kolmogorov-Smirnov method in Table 1, shows an Asymp.Sig. (2-tailed) value of 0.063. Because this value exceeds 0.05, the data in this study is considered normal.

2. Heteroscedasticity Test

The heteroscedasticity test is a statistical method to determine whether the residual variance of a regression model shows a pattern of non-uniformity.

Table 2
Heteroscedasticity Test Results

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.482	0.263		1.834	0.070
	X1	0.014	0.031	0.048	0.441	0.660
	X2	0.021	0.050	0.047	0.426	0.671
	X3	-1.377E-5	0.000	-0.165	-1.525	0.131

Source: Processed data (2024)

Table 2 shows the inflation variable, interest rate, and book value of each factor, which show significance values exceeding 0.05. Therefore, it can be stated that there are no signs of heteroscedasticity.

3. Multicollinearity Test

Multicollinearity testing is one method used to identify whether a regression model faces multicollinearity issues.

Table 3
Multicollinearity Test Results

	Model	Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	X1	0.979	1.021
	X2	0.982	1,018

	X3	0.996	1.004
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Source: Processed data (2024)

Referring to the results of the multicollinearity test in Table 3, the tolerance values of the three variables range from 0.979 to 0.996, where all variables have values > 0.10 , as well as the VIF coefficient values of the three variables, which range from 1.004 to 1.021, where all variables have values < 10 . Therefore, it can be said that there is no indication of multicollinearity in the independent variables in this study.

4. Autocorrelation Test

The autocorrelation test was applied to determine whether there was a relationship (correlation) in the linear regression model amid disturbances due to errors in period $t-1$ (the previous period).

Table 4
Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	0.663 ^a	0.439	0.419	0.74637	1.920

Source: Processed data (2024)

Referring to Table 4, the results of the autocorrelation test using the Durbin-Watson test produced a value of 1.920. For the dU (Durbin Upper) value in this study, it is known that $dU = 1.7232$, $DW = 1.920$, and $(4-dU) = 2.2768$. thus yielding the result $1.7232 < 1.920 < 2.2768$, which indicates that the regression model does not exhibit autocorrelation.

Multiple Linear Analysis Results

Multiple linear regression models are the statistical analysis applied in this study. This analysis technique is used because this study is intended to examine aspects of independent variables that affect dependent variables, given that this study uses several independent variables. SPSS statistical tools are used to test these hypotheses at a significance level of 0.05.

Table 5
Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8.121	0.430		18.870	<0.001		
	X1	-0.003	0.051	-0.005	-0.060	0.952	0.979	1.021
	X2	-0.062	0.082	-0.063	-0.760	0.450	0.982	1.018
	X3	0.012	0.000	0.661	8.024	<0.001	0.996	1.004

Source: Processed data (2024)

Referring to Table 5, the multiple linear regression equation in this study is presented as follows:

$$Y = a + B_1X_1 + B_2X_2 + B_3X_3 + e$$

$$Y = 8.121 - 0.003INF - 0.062SB + 0.012BV + e$$

Referring to the results of the multiple linear regression equation, it can be classified as follows:

- 1) A constant value of 8.121 shows that the stock price is 8.121 if inflation, interest rates, and book value are perceived to be constant or zero.
- 2) The inflation regression coefficient (X_1) has a value of -0.003. Inflation has a negative impact on stock prices. This means that a 1% increase in inflation will result in a -0.003% decrease in stock prices, assuming that other variables remain constant. On the other hand, stock prices could increase by -0.003% if inflation decreases by 1%.
- 3) The regression coefficient value for interest rates (X_2) is -0.062. Interest rates have a negative impact on stock prices. This shows that stock prices could fall by -0.062% as a result of a 1% increase in interest rates, assuming other variables remain constant. On the other hand, stock prices could increase by -0.062% if interest rates fall by 1%.
- 4) The regression coefficient value for book value (X_3) is 0.012. Book value has a positive impact on stock prices. This shows that stock prices will increase by 0.012% for every 1% increase, assuming other variables remain constant. On the other hand, the stock price will decrease by 0.012% if the book value decreases by 1%.

Multiple Correlation Analysis Results

Multiple correlation analysis (R) is used to analyze whether or not there is a correlation between several independent variables (X_1 , X_2 , X_3) in relation to the dependent variable (Y) simultaneously. Table 4 shows that the R value in this study is 0.063. This value is in the range of 0.60 - 0.799, based on the correlation criteria that inflation, interest rates, and book value have a strong correlation with the stock prices of LQ45 Index companies listed on the Stock Exchange during the 2021 - 2023 period.

Determination Analysis Results

Determination Analysis (R^2) generally tests how far a model can explain the differences in dependent variables using independent variables. As shown in Table 4, the Adjusted R-Square value is 0.419. This indicates that the variables of inflation, interest rates, and book value explain 41.9% of the stock price, while other variables not involved in this study explain 58.7% of the stock price.

T-Test Results

The t-test generally assesses the extent to which each independent variable separately defines the difference in the dependent variable. Table 5 shows that the influence between the independent and dependent variables is as follows:

- 1) Inflation has a significance level of 0.952, which exceeds α (0.05). Therefore, it can be concluded that inflation does not affect the stock prices of companies in the LQ45 Index listed on the Indonesia Stock Exchange in 2021–2023.
- 2) Interest rates have a significance value of 0.450, which is higher than α (0.05). Therefore, it can be concluded that interest rates do not affect the share prices of companies in the LQ45 Index listed on the Indonesia Stock Exchange in 2021–2023.
- 3) Book value has a significance value of <0.001 , which is less than α (0.05). Therefore, it can be concluded that book value has a significant effect on the share prices of companies in the LQ45 Index listed on the Indonesia Stock Exchange in 2021–2023.

Discussion of Research Results

The Effect of Inflation on Stock Prices

Inflation did not affect the share prices of companies listed on the LQ45 Index on the Indonesia Stock Exchange in 2021–2023, as evidenced by a t-value of -0.060 and a significance value of $0.952 > 0.05$. This indicates that the stock prices of companies listed on the LQ45 Index in 2021–2023 were not affected by changes or fluctuations in inflation. This is due to the stabilization of inflation anticipated by monetary and fiscal policies of the government, such as interest rate hikes in 2021–2023, which tend to be stable, thereby giving investors confidence in the government that inflation is well controlled, which acts as a buffer that reduces the negative impact of high inflation. In addition, the inflation rate during the study period from 2021 to 2023 is not too high and remains stable at below 10%. Inflation at a rate below 10% is still acceptable to the market because this inflation rate is classified as low (Putong, 2013).

Furthermore, the stocks in the LQ45 index generally come from large-cap companies with good performance. These companies have a better ability to control or manage costs and adjust product prices, so inflation does not greatly affect their profitability. The conclusion of this study is in line with studies conducted by Idrus (2022) and Widnyani et al. (2024), which also state that inflation does not affect stock prices.

The Effect of Interest Rates on Stock Prices

Interest rates have no impact on the share prices of companies listed on the LQ45 Index of the Indonesia Stock Exchange for the period 2021–2023, as evidenced by a t-value of -0.760 and a significance level of $0.450 > 0.05$. This confirms that stock prices will not be affected by changes (fluctuations) in interest rates, because Bank

Indonesia's monetary policy, namely the BI7DRR (BI 7-Day Reverse Repo Rate) policy, maintains the benchmark interest rate at a relatively low level to support economic recovery after the pandemic. This policy aims to make borrowing costs cheaper, thereby supporting investment and consumption. With low interest rates, investors can borrow money at a low cost, so they remain confident in making investments and expenditures, especially investing in the stock market, particularly in blue chip stocks such as the LQ45 Index and believe that stock investments can provide greater returns than deposits.

Companies in the LQ45 Index are mostly from defensive and consumer sectors, such as banking, telecommunications, and energy, which are more resistant to interest rate changes, resulting in stable demand for their products and services. Investors also see the long-term growth potential of these companies, so the focus is more on fundamentals and economic prospects rather than temporary interest rate fluctuations. The conclusion of this study is in line with previous studies, namely Safitri (2021) and Agustin, et al. (2023), which also found that interest rates do not have an impact on stock prices.

The Effect of Book Value on Stock Prices

Book value has a positive and significant impact on the stock prices of LQ45 Index companies listed on the Indonesia Stock Exchange in 2021-2023, as evidenced by a t-value of 8.024 and a significance level of $<0.000 < 0.05$. This confirms that book value plays a significant role in determining stock prices because it provides an overview of a company's value based on its net assets. This encourages investors to buy a company's shares if the company is getting richer. A company's wealth will increase along with the book value of its shares. Therefore, a higher book value of a company will be a stronger indicator that the company has managed its assets efficiently, increased sales, and also generated stable profits.

Investors are willing to pay more for shares of companies with high book values because they consider them to be safer and more attractive investments. As a result, there is more demand for these shares, which can drive up their price. Stocks in the LQ45 Index are generally traded at valuations that reflect high expectations for long-term performance, and an increase in book value is an important indicator that the company is capable of maintaining growth and profitability. The conclusion of this study is in line with studies conducted by Surjanto & Sugiharto (2021), Laksana (2019), Revan (2022), and Partinah (2022), who also found that book value has a positive and significant impact on stock prices.

CONCLUSION AND LIMITATIONS

Conclusion

Inflation does not have an impact on the stock prices of LQ45 Index companies listed on the Indonesia Stock Exchange in 2021-2023. This means that changes or fluctuations in inflation do not have a direct impact on the stock prices of LQ45 Index companies listed on the Indonesia Stock Exchange in the 2021-2023 period. Interest rates do not affect the stock prices of LQ45 Index companies listed on the Indonesia Stock Exchange in 2021-2023. This means that shifts (increases or decreases) in interest rates do not affect the stock prices of LQ45 Index companies listed on the Indonesia Stock Exchange in 2021-2023. Book value has a positive and significant impact on the share prices of LQ45 Index companies listed on the Indonesia Stock Exchange for the 2021-2023 period. This means that the higher the book value of a company, the higher its stock price becomes, while a decrease in a company's book value can affect the decline in stock prices of companies in the LQ45 Index listed on the Indonesia Stock Exchange in 2021-2023.

Limitations

This study has limitations because it only examines inflation, interest rates, and book value, but there are a number of other factors that affect stock prices, including PBV, DER, DPR, ROA, ROE, EPS, and exchange rates. Furthermore, because this study is cross-sectional and only covers three specific time periods, it can only explain the conditions at the time the study was conducted and cannot identify changes that have occurred or will occur.

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