

ABSTRACT

YANTO NUGROHO. *The influence of rupiah's exchange rate, interest rate and inflation against stock price in Indonesia, period of 1997-2001* (supervised by Izudin Kartamulia).

Beginning in 1997, monetary crisis have swept throughout Asian countries, including Indonesia which has worstly suffered. The rupiah's exchange rate against the US Dollar tend to weaken with a steep fluctuation, from starting at Rp 2.300,- to last at level of Rp 9.500. As well, at the interest rate, as the result of the government's policies in handling the flow of rupiah's exchange rate, sliding from 6 % to 14 %. In addition to that, inflation rate jumped up to reach 77.63 %, then moved down to last at 9.35 %.

The worsening of those conditions are predicted by many experts will strongly influence investor interests. Along with that, BEJ's stock price are also moving down rather strongly.

From these conditions the author has tried to do some studies in regards of the influence of interest rate, rupiah's exchange rate, and inflation rate against stock prices within the period of 1997 - 2001. It is expected that this study will be helpful for potential investors as materials in making considerations to put their investments in the stock markets, in particular. In addition to that, recommendations of this study can also be used by the existing companies in determining their strategies.

From the results of this study, the followings are found :

- Independent variables collectively are not influential (in negative sense) against stock price.
- Stock price is only influenced (negatively) partially by independent variables, expect during the period of 1998 and 2001.
- Rupiah's exchange rate variable influential, in negative sense, against stock price, is only occurred in 1997 and 2000.

In conclusion, all hypotheses are not proven hereby.

Taken into consideration that biases might develop in critical conditions / crisis therefore in short term, the use of time series auto regressive models is better recommended. While for longer term, research is expected to be carried out, to make comparison between the use of models during stable and critical periods.