e-Jurnal Apresiasi Ekonomi Volume 13, Nomor 1, Januari 2025 : 210-220 ISSN Cetak : 2337-3997
ISSN Online : 2613-9774

ANALYSIS OF INFLATION AND RUPIAH EXCHANGE RATE ON STOCK TRADING VOLUME THROUGH STOCK PRICE AS INTERVENING VARIABLE

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ABSTRACT

This research examines the effects of inflation and the rupiah exchange rate on stock trading volume, with stock price acting as a mediating variable on BUMN companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2023. Employing quantitative analysis, the study's population includes all BUMN companies listed on the IDX 2017-2023. A purposive sampling method was applied, yielding a sample of 29 companies. Secondary data were obtained from www.idx.co.id and www.investing.com. The analysis utilized panel data regression through Eviews 12. The results indicate that inflation significantly and positively affects stock prices, while the rupiah exchange rate has a significant negative impact on stock prices. Inflation also significantly and negatively affects stock trading volume, On the other hand, the volume of stock trading is significantly positively impacted by both the rupiah exchange rate and stock price. However, stock prices does not operate as a mediator between the impact the volume of stock trading by inflation and the rupiah exchange rate for BUMN companies listed on the IDX from 2017 to 2023.

Keywords: Stock Trading Volume, Inflation, Rupiah Exchange Rate, Stock Price

INTRODUCTION

The Indonesian economy is still in uncertainty after the crisis (1998), (2008) and the Covid-19 pandemic. The conditions at that time faced pressures, both from domestic and foreign sources. This led to erratic inflation rates and fluctuating rupiah exchange rates. Economic growth in a country can be evidenced by the rising stock trading volumes and stock prices within its capital markets. The capital market plays a crucial role in bolstering a nation's economy. In today's era of liberalisation and globalisation, nearly every country is placing significant emphasis on their capital markets, leading to more open economies. Consequently, this growing openness is attracting a greater number of investors (Permata & Ghoni, 2019). Capital markets offer a range of opportunities for deploying funds, including business growth, expansion, and increased working capital. Moreover, these markets serve as a platform for individual investors. By leveraging capital market investments, companies can strategically improve their profitability (Rahayu & Masud, 2019).

The volume of stock trading serves as a crucial indicator in technical analysis for evaluating stock prices. It also functions as a tool to gauge the capital market's response to information, based on the stock trading volume movements within the market. Stock trading volume encompasses all transactions occurring on the stock exchange over a specific period, acting as one of the key factors influencing stock movements. Companies that have the potential to grow can serve as good news and make sales trading in the capital market react positively and increase trading volume (Rahmi & Jamal, 2019). The following is a graph of the average trading volume of shares of BUMN companies in 2017-2023:

ISSN Cetak : 2337-3997
ISSN Online : 2613-9774

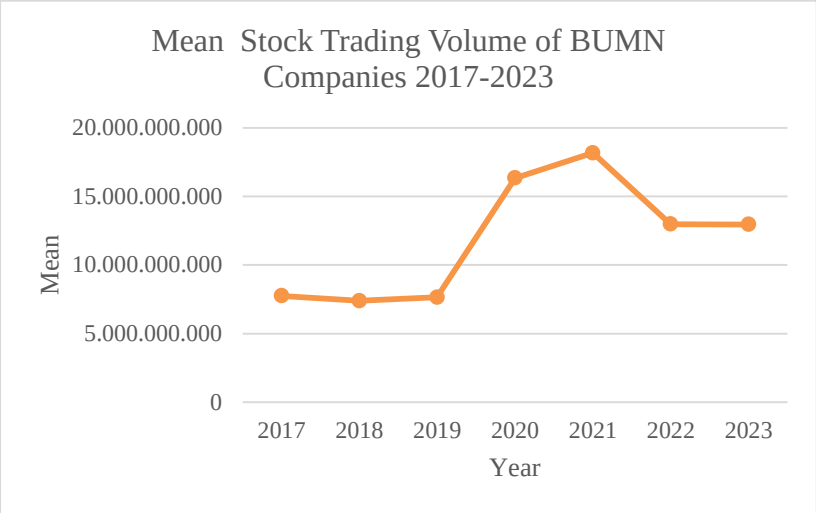

Figure 1. Graph of Mean Stock Trading Volume of BUMN Companies 2017-2023

In Figure 1, it can be seen that there are fluctuations in stock trading volume from 2017-2023. From 2017 it was 7.7 billion lots, then decreased in 2018 by 7.3 billion lots. Then increased in 2019 by 7.6 billion lots. Then increased quite high in 2020 by 16.3 billion lots and increased again in 2021 by 18.1 billion lots. However, there was a decrease in 2022 of 12.9 billion lots and approached consistently in 2023 of 12.9 billion lots. In 2020, all stock trading volumes increased quite rapidly because many were selling and buying shares at that time due to the covid-19 pandemic. Due to concerns that COVID-19 might influence stock prices, there was a notable increase in stock trading volume. However, in 2022, stock trading volume declined in Indonesia due to inflation. This inflationary pressure diminished consumer purchasing power and investor liquidity, heightened economic uncertainty, and led to higher interest rates. Consequently, investors shifted their funds towards more secure investment options.

Inflation acts as a key economic indicator that signifies the escalation in the prices of goods and services over time. Elevated inflation results in higher production costs (Rachmawati, 2018). Various factors contribute to the acceleration of the inflation rate, one of which is an increase in the money supply. Unstable inflation generates uncertainty among economic agents when making business decisions, complicating investment, consumption, and production choices, thereby hampering economic growth (Wira, 2020).

In addition to inflation, a critical macroeconomic variable is rupiah exchange rate. This rate indicates the worth of one currency in exchange for another. It is established in a manner similar to commodities, driven by the demand and supply for the currency. If the demand for rupiah exceeds its supply, the rupiah will appreciate; conversely, it will depreciate if supply exceeds demand. Appreciation or depreciation occurs under a free-floating exchange rate policy, where the market mechanism dictates the exchange rate (Ali et al., 2019). Unstable exchange rate fluctuations can reduce foreign investors' confidence in the Indonesian economy (Antasari & Akbar, 2020). Exchange rate fluctuations are critically important for the Government and Bank Indonesia, the monetary authority, to observe and regulate, particularly concerning the determinants of the rupiah's value (Kartikaningsih, 2020).

Previous research by (Bayo, 2020) concluded that inflation does not significantly impact stock trading volume. On the other hand, (Eldomiaty et al., 2020) discovered a significant negative relationship between inflation and stock prices. (Fahlevi, 2019) found no affect of inflation on stock prices. Additionally, research by (Fransisca & Herijawati, 2022) indicated that rupiah exchange rate does not influence stock prices. Similarly, (Rahmi and Jamal, 2019) and (Safitri & Jamal, 2020) both reported that there is no impact between rupiah exchange rate and stock trading volume.

This study looks at how stock prices affect stock trading volume by acting as a mediator between inflation and rupiah exchange rates. Its novelty varies from previous studies in this regard. No previous study has examined a research model that is similar to this one. Since the share price is a good indicator of a company's management when it keeps rising, it is an essential criterion for assessing a management team's success. In this case, the share price is determined by the interaction of supply and demand. The market price at the end of a trading session is reflected in the closing price, which is used in this research as the stock price (Inayah & Kaniarti, 2021).

The focus of this study examines how the impact of inflation and the rupiah exchange rate on the volume of stock trading is mediated by the stock prices of BUMN firms that are listed on the Indonesia Stock Exchange between 2017-2023.

The impact of inflation on stock prices

When inflation increases, a company's production costs tend to rise, which may prompt companies to increase the prices of their products. This price increase can lead to an increase in the company's revenue, which in turn can increase profits and attract investor interest. In addition, controlled inflation can be interpreted as a sign of economic health, which can boost investor confidence and encourage demand for stocks. As a result, stock prices tend to rise. The effect of inflation on stock prices is also shaped by anticipations of future inflation and the monetary policy actions undertaken by central banks to control this inflation. Inflation affects stock prices supported by the understanding that inflation can reflect stable economic growth and the prospect of higher corporate profits. Supported by research (Kurniawan & Yuniati, 2019) (Dwiyanti, 2021), (Amanda et al., 2023) that inflation affects stock prices.

H1: Inflation has an impact on stock prices

The impact of rupiah exchange rate on stock prices

A country's currency exchange rate reflects its economic stability. When the rupiah strengthens, it indicates investor confidence in the Indonesian economy, which can encourage foreign investment flows and increase demand for domestic assets, including stocks. A stronger rupiah reduces the cost of importing raw materials for businesses, potentially enhancing their profitability and leading to higher stock prices. Conversely, a depreciating rupiah may lead to higher production expenses for firms reliant on imported goods, which can negatively impact their profitability and share prices. Consequently, the correlation between a strengthening rupiah and rising stock prices indicates a more positive market sentiment regarding the economic prospects and corporate performance in Indonesia. Supported by research (Ali et al., 2019), (Wira, 2020) (Wong, 2022) that rupiah exchange rate affects stock prices.

H2: Rupiah exchange rate has an impact stock prices

The impact of inflation on stock trading volume

Based on economic theory that links inflation rates to stock market activity. Rising inflation often reflects healthy economic growth, which encourages investors to increase stock trading activity in an effort to profit from companies that show potential for profit growth. In addition, high inflation tends to increase the prices of goods and services, including financial assets, thereby increasing the attractiveness of stocks as an investment instrument that can hedge against declining currency purchasing power. An uptick in inflation might drive investors to reallocate their investments from fixed-interest assets to equities, as stocks are anticipated to offer superior returns. This dynamic suggests a correlation between inflation and stock trading volume, based on the premise that investors adjust their portfolios in response to inflationary shifts to optimize returns in the stock market. Supported by research (Situmeang et al., 2021), (Ningrum & Pangestuti, 2022), (Putra & Moin, 2023) that inflation affects stock trading volume.

H3: Inflation affects stock trading volume

The impact of rupiah exchange rate on stock trading volume

Financial theory links currency exchange rates to stock market activity. A strong rupiah exchange rate indicates economic stability and investor confidence, which increases participation in the stock market. A decline in rupiah exchange rate can improve export competitiveness, which encourages revenue growth of export-based companies, thereby attracting investor interest. As confidence in the Indonesian economy grows, foreign investors are more inclined to channel their investments into the domestic stock market, which consequently boosts trading volumes. This dynamic suggests that variations in currency exchange rates affect market sentiment and trading volumes in the stock market. Furthermore, a stable or appreciating currency may reduce perceived investment risk, potentially explaining the correlation observed between the rupiah's exchange rate and stock trading volume. Thus, this assumes that a strengthening rupiah exchange rate will increase liquidity and activity in the stock market, which is reflected in higher trading volume. Supported by research (Siddiqui & Erum, 2016), (Ruaida & Jamal, 2020) that rupiah exchange rate affects the volume of stock trading.

H4: Rupiah exchange rate affects stock trading volume

The impact of stock price on stock trading volume

In an efficient market, stock prices swiftly adapt to new information, representing investors' assessments of a company's fundamental value. An increase in stock prices indicates optimistic expectations for the company, encouraging investors to acquire more shares, which in turn

elevates trading volume. Conversely, a decrease in stock price may lead to a sell-off, also increasing trading volume. Investor sentiment reflected in changes in stock prices affects trading volume. Stock price volatility is often followed by a surge in trading volume. Therefore, it is based on the understanding that changes in stock prices as an indicator of new information in the market motivate investors' trading decisions, which increases the overall trading volume. Supported by research (Huda & Diana, 2019), (Febyareni et al., 2017) that stock prices affect stock trading volume.

H5: Stock price affects stock trading volume

The impact of inflation on stock trading volume through stock prices

According to the Fisher Effect and the Arbitrage Pricing Theory (APT), inflation, characterized by a broad rise in the prices of goods and services, impacts investors by diminishing their purchasing power and altering the anticipated rate of return on their investments. The Fisher Effect posits that nominal interest rates adjust to expected inflation, influencing investors' required returns, while APT suggests that inflation is a systematic risk factor affecting asset prices. When inflation increases, expectations of investment returns also change, which is then reflected in stock price fluctuations. Stock prices, as an indicator of company performance and market perception, will adapt to changes in inflation. These changes in stock prices, in turn, affect investors' trading decisions. Stock trading volume, which reflects market liquidity and activity, is influenced by stock price changes, as investors tend to be more active when they anticipate potential gains or losses from stock price movements. Thus, stock prices act as a mediator linking macroeconomic changes with micro activities in the stock market. Understanding market dynamics and the influence of macroeconomic factors on investor behavior is crucial for financial decision-making. Supported by research (Huda & Diana, 2019) that inflation affects stock trading volume. Research by (Dwiyanti, 2021) shows that inflation affects stock prices. Research shows (Febyareni et al. 2017) that stock prices affect stock trading volume.

H6: Stock price is able to mediate the effect of inflation on stock trading volume

The impact of rupiah exchange rate on stock trading volume through stock price

According to market mechanisms, Purchasing Power Parity (PPP) theory and the International Fisher Effect (IFE), changes in the rupiah exchange rate relative to foreign currencies can influence investors' assessment of investment risks and returns, thereby affecting stock prices. The PPP theory suggests that exchange rate fluctuations impact the relative prices of goods and services, which in turn influence corporate earnings and stock valuations. Meanwhile, the IFE posits that expected differences in interest rates between countries contribute to exchange rate movements, subsequently affecting capital flows and investment decisions. Variations in the rupiah exchange rate may lead to significant fluctuations in the share prices of companies engaged in export or import activities. Investors typically respond to these changes by adjusting their portfolios, leading to shifts in stock trading volume. Stock prices serve as a leading indicator, reflecting investors' evaluations of macroeconomic conditions, including exchange rate fluctuations. (Siddiqui & Erum, 2016) demonstrate that the volume of stock trade is significantly impacted by the rupiah's exchange rate. Similarly, (Wong, 2022) illustrates that variations in rupiah exchange rate affect stock prices. Additionally, (Febyareni et al., 2017) indicate that stock prices have an effect on trading volumes.

H7: Stock price is able to mediate the correlation of rupiah exchange rate and stock trading volume

The following is the research framework:

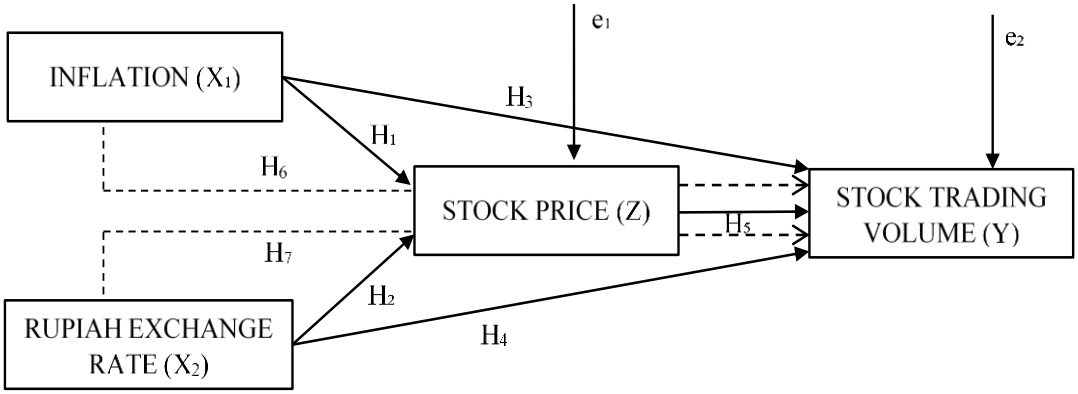

Figure 2. Conceptual Framework

RESEARCH METHODS

This research explores the influence and relationships between various variables, categorizing it as quantitative research due to its reliance on numerical data collection and analysis. The study focuses on BUMN companies listed on the Indonesia Stock Exchange (IDX) in 2017-2023. Data was sourced online from websites such as www.idx.co.id, complemented by information from idnfinancials.com, investing.com, and other relevant media. The study's population includes all 115 BUMN companies listed on the IDX during this period. Using purposive sampling, 29 companies were chosen as research samples. The data analysis methods employed include descriptive statistics, panel data regression analysis, and path analysis, all performed using Eviews version 12.

The regression equation is an equation used to analyse the effect of various independent variables on one dependent variable. The formula for panel data regression is as follows:

Equation I:

$Z = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$

Equation II:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + e$

Exp:

Z : Stock Price
Y : Stock Trading Volume
α : Constant
β_{1-3} : Coefficient
X1 : Inflation
X2 : Rupiah Exchange Rate
e : Error

Table 1. Operational Definition of Variables

No	Variable	Definition	Parameters	Scale
1.	Stock Trading Volume (Y)	Stock trading volume is the total transactions traded by investors on that day or a certain period (Indrayani et al. 2020).	Stock Trading Volume = Number of shares traded during the period	Lot
2.	Inflation (X1)	Inflation is a symptom that shows an increase in the general price level that lasts continuously and thoroughly (Podi et al. 2020).	Inflation = Closing Inflation	Persen
3.	Exchange Rate (X2)	The exchange rate represents the cost of acquiring one unit of foreign currency using domestic currency, and conversely, it indicates the value of domestic currency relative to foreign currency (Andes & Puspitaningtyas, 2017).	Middle Rate = $\frac{\text{Selling Rate + Buying Rate}}{2}$	Rupiah
4.	Stock Price (Z)	The stock price represents the worth of a company's shares as established by stock exchange participants at a certain point in time. It is shaped by the interplay between supply and demand in the capital markets (Inayah & Kaniarti, 2021).	Stock Prices = Closing Price	Rupiah

RESULTS AND DISCUSSION

This research examines how inflation (X1) and rupiah exchange rate (X2) affect stock trading volume (Y), with stock prices (Z) serving as a mediating variable, for BUMN companies listed on the Indonesia Stock Exchange from 2017 to 2023. The analysis employs descriptive statistics, model testing, hypothesis testing, and path analysis to process the data:

ISSN Cetak : 2337-3997
ISSN Online : 2613-9774

Table 2. Descriptive Statistics Result

	Stock Trading Volume	Inflation	Rupiah Exchange Rate	Stock Price
Mean	1.20E+10	3.018571	14493.00	2163.118
Median	5.90E+09	2.720000	14269.00	1175.000
Maximum	9.81E+10	5.510000	15731.00	12425.00
Minimum	43769700	1.680000	13548.00	50.00000
Std. Dev.	1.48E+10	1.194372	741.4157	2571.901
Observations	203	203	203	203

Source: Output Eviews 12, 2024

In the descriptive statistical analysis, the Stock Trading Volume (Y) has a mean of 12 billion, with a median of 5.9 billion. Its highest recorded value is 98.1 billion, the lowest is approximately 43.8 million, and it has a standard deviation of 14.8 billion. The Inflation variable (X1) exhibits a mean of 3.02, a median of 2.72, with maximum 5.51 and minimum 1.68, respectively, and a standard deviation of 1.19. Rupiah exchange rate (X2) has a mean 14,493, a median of 14,269, with extremes ranging from 13,548 to 15,731, standard deviation of 741.42. Lastly, the Stock Price Variable (Z) shows a mean of 2,163.12, a median of 1,175, with a maximum of 12,425 and a minimum of 50, and a standard deviation of 2,571.90.

Table 3. Chow Test Result

Effects Test	Equation I			Equation II		
	Statistic	d.f.	Prob.	Statistic	d.f.	Prob.
Cross-section F	58.991361	(28,172)	0.0000	8.426404	(28,171)	0.0000
Cross-section Chi-square	479.315494	28	0.0000	176.001100	28	0.0000

Source: Output Eviews 12, 2024

According to Table 3, the Chow test results reveal that the probability associated with the cross-section Chi-square statistic for Equation I is 0.0000 < 0.05. This indicates that the Fixed Effect Model (FEM) is appropriate for the model utilized in this study. Similarly, the Chow test results for Equation II also present a probability of 0.0000, further supporting the suitability of the Fixed Effect Model (FEM) for this study.

Table 4. Hausman Test Result

Test Summary	Equation I			Equation II		
	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	2	1.0000	0.000000	3	1.0000

* Cross-section test variance is invalid. Hausman statistic set to zero.

Source: Output Eviews 12, 2024

According to the findings presented in Table 4, the Hausman test results for Equation I show a Prob. Cross-section random value of 1.00 > 0.05, suggesting that the Random Effect Model (REM) is preferable. Similarly, for Equation II, the Prob. Cross-section random value of 1.00 also supports the choice of the Random Effect Model (REM). However, if a notification indicates that the Hausman test variance is invalid (with the Cross-section test variance being invalid and the Hausman statistic set to zero), this implies that the Hausman test results might be unreliable. In such cases, it is essential to revert to the earlier Chow test results, which indicate that the Fixed Effect Model (FEM) is the more suitable regression model for this analysis.

Table 5. Partial Hypothesis Test Result (t-test)

No.	Hypotesis	Coefficient	Std. Error	t-Statistic	Prob.
1	Inflation on Stock Price	0.197201	0.064230	3.070212	0.0025
2	Rupiah Exchange Rate on Stock Price	-3.981121	0.473083	-8.415270	0.0000
3	Inflation on Stock Trading Volume	-0.648214	0.089323	-7.257003	0.0000
4	Rupiah Exchange Rate on Stock Trading Volume	3.884551	0.728782	5.330193	0.0000
5	Stock Price on Stock Trading Volume	0.407120	0.079449	5.124319	0.0000

Source: Output Eviews 12, 2024

Based on the data presented in Table 5, the following interpretations can be made:

1. Impact of Inflation on Stock Price
   The analysis indicates that Inflation (X1) has a t-statistic 3.070 > t-table 1.971, and a Prob. 0.0025 < 0.05. This implies that the H1 is accepted, indicating that there is a statistically significant positive impact of inflation (X1) on stock price (Z).
2. Impact of Rupiah Exchange Rate on Stock Price
   The data reveals that rupiah exchange rate (X2) has a t-statistic of -8.415 > t-table 1.971, and a Prob. 0.0000 < 0.05 threshold. As a result, H2 is accepted, showing that the stock price (Z) is considerably and negatively impacted by the rupiah exchange rate (X2).
3. Impact of Inflation on Stock Trading Volume
   The results show that Inflation (X1) has a t-statistic of -7.257 > t-table 1.971 in absolute terms, and a Prob. 0.0000 < 0.05. This supports hypothesis H3, according to which Stock Trading Volume (Y) is statistically significantly impacted negatively by Inflation (X1).
4. Impact of Rupiah Exchange Rate on Stock Trading Volume
   The findings indicate that rupiah exchange rate (X2) has a t-statistic of 5.330 > t-table 1.971, and a Prob. 0.0000 < 0.05. Therefore, H4 is accepted, indicating that the stock trading volume (Y) is significantly impacted positively by the rupiah exchange rate (X2)..
5. Impact of Stock Price on Stock Trading Volume
   According to the data, Stock Price (Z) has a t-statistic of 5.124 > t-table 1.971, and a Prob. 0.0000 < 0.05. This supports H5, which shows that Stock Price (Z) affects Stock Trading Volume (Y) positively and significantly.

Table 6. Path Analysis Result

Variable	Direct Effect	Indirect Effect
Inflation → Stock Price→ Stock Trading Volume	0,007036	0,197201*(0,000594) = 0,000117
Rupiah Exchange Rate → Stock Price → Stock Trading Volume	0,031310	-3,981121*(0,000594) = -0,002365

Source: Data Processed, 2024

According to Table 6, the magnitude of the direct impact of Inflation (X1) and the rupiah exchange rate (X2) on Stock Trading Volume (Y) is greater than that of the indirect effect mediated by Stock Price (Z). This suggests that Stock Price (Z) does not function as a mediator in the relationship between Inflation (X1) and the rupiah exchange rate (X2) with Stock Trading Volume (Y).

Table 7. F-test and Coefficient Determinant Equation I

F-statistic	134.7124	R-squared	0.959178
Prob(F-statistic)	0.000000	Adjusted R-squared	0.952057

Source: Output Eviews 12, 2024

Based on the data presented in Table 7, the F-statistic 134.7124 > F-table 3.04, and Prob. 0.0000 < 0.05 confirms the statistical significance of both Inflation (X1) and the rupiah exchange rate (X2) on Stock Prices (Z) when analyzed together. Furthermore, the Adjusted R-squared value of 0.9521 indicates that Inflation (X1) and the rupiah exchange rate (X2) account for 95.21% of the variance in Stock Prices (Z), with the remaining 4.79% attributed to other factors not included in this analysis.

Table 8. F-test and Coefficient Determinant Equation II

F-statistic	25.58992	R-squared	0.822667
Prob(F-statistic)	0.000000	Adjusted R-squared	0.790519

Source: Output Eviews 12, 2024

According to Table 8, the F-statistic of 25.58992 > F-table 3.04, with a Prob. 0.0000 < 0.05 threshold. This indicates that the combined influence of Inflation (X1), Rupiah Exchange Rate (X2), and Stock Prices (Z) significantly affects Stock Trading Volume (Y). Furthermore, the Adjusted R-squared value of 0.7905 reveals that these three variables account for 79.05% of the variation in Stock Trading Volume (Y), leaving 20.95% of the variation attributable to other factors not considered in this model.

The impact of inflation on stock prices

Based on the results of analysis hypothesis 1, where the t-statistic 3.070212 > t-table 1.971 and the Prob. 0.0025 < 0.05, it can be concluded that H1 is accepted. This indicates that inflation (X1) has a positive and statistically significant impact on stock prices (Z). These findings align with the research carried out by (Kurniawan &

Yuniati, 2019), (Dwijayanti, 2021), (Amanda et al., 2023). Inflation often reflects strong economic growth and increased demand. When inflation increases, companies tend to experience an increase in revenue and profit due to higher product selling prices. This can enhance investors' projections of the company's future earnings, thereby driving up demand for the stock and subsequently elevating its market price. Moreover, in an inflationary environment, real assets such as stocks are often perceived as better hedges compared to cash or bonds that provide fixed returns, increasing the attractiveness of stocks as investment instruments. Research shows that during periods of moderate inflation, this positive effect is more dominant as companies can adjust prices and maintain profit margins.

The impact of rupiah exchange rate on stock prices

Based on the result from analysis hypothesis 2, where the t-statistic -8.415270 > t-table 1.971, and Prob. 0.0000 < 0.05, it can be inferred that H2 is accepted. This indicates that rupiah exchange rate (X2) has a negative and statistically significant impact on Stock Prices (Z). These findings align with the research carried out by (Kurniawan & Yuniati, 2019), (Dwijayanti, 2021). A weakening of the rupiah against foreign currencies, which negatively and significantly impacts stock prices, can be attributed to economic factors influencing company performance. Specifically, when the rupiah depreciates, the increased costs of importing raw materials and servicing foreign currency-denominated debt can lead to reduced profit margins for companies. In addition, investors may see a falling exchange rate as a sign of economic instability, causing a decline in confidence and capital flight from the stock market. A weakening rupiah may also influence expectations of lower earnings growth and reduce the attractiveness of stocks in the eyes of foreign investors. The inverse correlation between exchange rate volatility and stock performance in emerging markets indicates that uncertainties related to currency fluctuations contribute to the volatility of stock prices.

The impact of inflation on stock trading volume

Based on the result from analysis hypothesis 3, which yielded a t-statistic -7.257003 > t-table 1.971 and Prob. 0.0000 < 0.05, it can be concluded that H3 is accepted. This suggests that stock trading volume (Y) is significantly impacted negatively by partial inflation (X1). These findings align with previous research conducted by (Huda & Diana, 2019), (Ningrum & Pangestuti, 2022). High inflation often causes economic uncertainty and a decrease in consumer purchasing power. The rise in the cost of goods and services can lead to diminished corporate profits and decrease the appeal of stocks as investment options. Investors may sell stocks to avoid risk or switch to assets that are considered safer, such as bonds or commodities. In addition, inflation can cause interest rates to rise, which adds to borrowing costs and depresses corporate profits. As a result, stock trading volumes tend to decline as investors reduce their trading activities in response to unstable and less favourable economic conditions. This relationship suggests that high inflation is associated with a decrease in stock trading activity.

The impact of rupiah exchange rate on stock trading volume

The findings result from testing hypothesis 4, where the t-statistic value is 5.330193 > t-table 1.971, and Prob. 0.0000 < 0.05, it can be concluded that hypothesis H4 is supported. This indicates that rupiah exchange rate (X2) has a statistically significant and positive effect on Stock Trading Volume (Y). These results are consistent with the findings reported in previous studies by (Siddiqui & Erum, 2016), (Ruaida & Jamal, 2020). When the rupiah rate strengthens, a stable exchange rate increases investor confidence in the domestic economy. This can lower the risk of currency fluctuations and make stock market trading more alluring. Previously hesitant foreign investors may become more interested in buying stocks due to a favourable exchange rate. In addition, a stronger rupiah can reduce import costs, increase the profitability of domestic companies, and encourage improvements in corporate financial statements. This increased profitability could potentially attract more investors to the stock market. In other words, a strengthening rupiah often reflects strong economic fundamentals, which in turn can boost stock trading volumes due to increased market confidence.

The impact of stock prices on stock trading volume

Based on the testing of Hypothesis 5, the t-statistic value of 5.124319 > t-table 1.971, and Prob. 0.0000 < 0.05. This indicates that Hypothesis 5 is accepted, suggesting that Stock Prices (Z) have a positive and significant partial effect on Stock Trading Volume (Y). These findings are consistent with previous research by (Febyareni et al., 2017). Through the concept of liquidity and market interest, when stock prices increase, there is often an increase in investor interest in buying or selling these shares, resulting in an increase in trading volume. An increase in stock price creates the perception of potential gains, attracting more

market participants and encouraging higher trading activity. In addition, investors tend to trade more actively when stock prices move significantly, both in uptrends and downtrends, to capitalise on opportunities or manage risk. This effect is amplified by the rapid market reaction to price changes, which increases stock liquidity and triggers larger trading volumes.

The impact of inflation on stock trading volume through stock prices

Based on path analysis, the direct effect of Inflation (X1) on Stock Trading Volume (Y), with an absolute value of 0.007036, is found to be greater than the indirect effect through Stock Prices (Z), which is 0.000117. This leads to the rejection of Hypothesis 6 (H6), indicating that Stock Prices (Z) does not serve as an effective mediator in the relationship between Inflation (X1) and Stock Trading Volume (Y). This finding is consistent with the absence of research that examines the mediating role of stock prices in the inflation-stock trading volume relationship. It appears that stock prices fail to mediate this effect because inflation and stock prices influence trading decisions through different mechanisms. Inflation, as a macroeconomic indicator, can affect investors' expectations of economic growth and market stability, potentially reducing investment interest. On the other hand, stock prices reflect a company's market value and can be influenced by company-specific factors that are not necessarily directly related to changes in inflation. Consequently, while stock prices can display volatility affected by inflation, inflation alone is not always an adequate mediator due to the varying impacts and investment decision mechanisms between inflation and stock prices.

The impact of rupiah exchange rate on stock trading volume through stock prices

In path analysis, the direct effect of Rupiah Exchange Rate (X2) on Stock Trading Volume (Y), with an absolute value of 0.031310, exceeds the indirect effect through Stock Price (Z) of -0.002365. Consequently, hypothesis H7 is rejected, suggesting that the relationship between Rupiah Exchange Rate (X2) and Stock Trading Volume (Y) is not mediated by Stock Price (Z). No research has yet explored the role of stock prices as a mediator in this context. The lack of mediation by stock prices can be attributed to both external and internal factors influencing this relationship. Variations in rupiah exchange rate impact a company's operational costs and profitability, which can, in turn, affect investment decisions and trading volume. Stock prices need a robust mechanism to mediate effectively, where changes in stock prices should directly influence trading volume. If rupiah exchange rate's impact on trading volume is predominantly driven by other factors like market sentiment or macroeconomic conditions, stock prices may not function as a suitable mediator.

CONCLUSION

Based on the results of analysis hypothesis, it can be concluded as follows:

1) Inflation has a positive and statistically significant effect on stock price of BUMN companies listed on the IDX from 2017-2023.
2) The exchange rate of the rupiah has a statistically significant negative effect on stock price of BUMN companies listed on the IDX in 2017-2023.
3) Inflation has a statistically significant negative effect on stock trading volume of BUMN companies listed on the IDX from 2017-2023.
4) Rupiah exchange rate has a significant positive impact on stock trading volume partially in BUMN companies listed on the IDX in 2017-2023.
5) Stock price has a statistically significant positive effect on stock trading volume in BUMN companies listed on the IDX in 2017-2023.
6) Stock prices are unable to mediate the relationship between inflation and stock trading volume in BUMN companies listed on the IDX in 2017-2023.
7) Stock prices do not mediate the correlation of rupiah exchange rate on stock trading volume in BUMN companies listed on the IDX in 2017-2023.

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