

**THE INFLUENCE OF INFLATION, ECONOMIC GROWTH, EXCHANGE RATES, AND
DIVIDEND POLICY ON STOCK PRICES
(A Case Study of Property and Real Estate Companies Listed on the Indonesia Stock
Exchange During the 2019–2023 Period)**

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Abstract

This study aims to analyze the influence of macroeconomic variables such as inflation, economic growth, and exchange rates, along with corporate policy factors like dividend policy, on stock prices in the property and real estate sector in Indonesia. The research is motivated by the high sensitivity of this sector to external economic changes and internal financial decisions, especially during the volatile economic period of 2019–2023, which includes the impact of the COVID-19 pandemic and subsequent recovery efforts. The property and real estate sector plays a vital role in national economic development due to its strong linkages with labor absorption and multiple supporting industries.

The study employs a quantitative research method with a panel data regression approach to examine companies listed on the Indonesia Stock Exchange (IDX). The sample was selected using purposive sampling based on data completeness criteria, covering a five-year period. Secondary data were sourced from IDX, the Central Bureau of Statistics (BPS), and Bank Indonesia. Several statistical tests were carried out including classical assumption tests, model selection tests (Chow, Hausman, and LM), as well as hypothesis testing using t-tests and F-tests, followed by coefficient of determination analysis. The Random Effect Model (REM) was identified as the most appropriate estimation method for this study.

The results reveal that inflation and dividend policy have a significant positive effect on stock prices, suggesting that moderate inflation and consistent dividend payouts are perceived positively by investors. In contrast, economic growth and exchange rates show a significant negative influence, indicating that the sector has not fully benefited from post-pandemic recovery and remains vulnerable to currency fluctuations. These findings highlight the importance of both macroeconomic stability and sound financial management practices in influencing investor confidence and stock performance in the property sector. The study offers practical implications for investors, financial managers, and policymakers in designing strategies to enhance investment value and mitigate risks in the capital market.

Keywords: Inflation, Economic Growth, Exchange Rate, Dividend Policy, Stock Price

A. Introduction

The capital market is one of the essential components of a country's financial system, serving as an intermediary between parties with excess funds and those in need of funding for investment purposes. In Indonesia, the capital market not only

functions as a source of financing for companies but also acts as a barometer reflecting the overall state of the economy (Hartono, 2017; Tandelilin, 2010). Movements in stock indices, trading volumes, and the share prices of publicly listed companies serve as indicators that reflect the market's response to both domestic and global economic dynamics.

The property and real estate sector holds a strategic position within the national economic structure. Its contribution to Gross Domestic Product (GDP) and its capacity to absorb labor make it a sector of significant interest for both the government and investors. This sector is closely linked to other industries such as construction, banking, and building materials, meaning that its development generates a substantial multiplier effect on economic growth. However, the property sector is highly sensitive to changes in macroeconomic conditions. During times of economic uncertainty, investors tend to shift their investments to sectors perceived as safer and more liquid. This was clearly evident from 2019 to 2023, when the COVID-19 pandemic disrupted economic activities globally, including in Indonesia. The impact on the property sector was considerable, ranging from delays in construction projects and declining demand for housing to disrupted cash flows due to reduced sales.

In the post-pandemic period, the property sector faces new challenges such as inflationary pressures, exchange rate volatility of the Indonesian rupiah against the US dollar, and uncertainty surrounding global monetary policy, especially from advanced economies like the United States. These circumstances affect operational costs, building material prices, and the financing strategies of property companies, many of which still rely heavily on external sources. In addition to macroeconomic factors, internal corporate policies also influence investor perceptions, particularly dividend policy. Dividend distribution policy is considered a key signal reflecting financial stability and management's confidence in the company's future performance. In times of economic uncertainty, companies that continue to distribute dividends are often seen as financially strong and confident in their business continuity. On the other hand, companies that retain earnings may raise negative speculation, even if the decision is made for strategic reasons.

Previous studies have examined the relationship between macroeconomic factors and stock prices, but there are still limitations in sectoral contexts, especially in

the property and real estate sector. Therefore, this study aims to comprehensively evaluate the effects of inflation, economic growth, exchange rates, and dividend policy on stock prices of property and real estate companies listed on the Indonesia Stock Exchange during the 2019–2023 period. This research is expected to contribute both theoretically and practically, particularly in assisting investors, corporate financial managers, and policymakers in making more informed decisions amid economic uncertainty. This study contributes to the existing body of knowledge by focusing on a sectoral lens—property and real estate—and using economic growth as a dynamic proxy for macroeconomic performance rather than static GDP figures. It also provides new insights from the volatile 2019–2023 period, which includes both crisis and recovery phases.

B. Research Metodology

This study employs a quantitative approach using an associative method, which aims to determine the relationship between two or more variables. This approach was chosen because it allows for the explanation of phenomena through statistical analysis of measurable numerical data that can be processed objectively (Ghozali, 2018; Sugiyono, 2020). Quantitative research also facilitates hypothesis testing to determine the significance of the influence between variables across a broader population. The main focus of this study is to identify and analyze the influence of macroeconomic variables such as inflation, economic growth, and exchange rates, as well as corporate policy variables such as dividend policy, on the stock prices of property and real estate companies listed on the Indonesia Stock Exchange.

The population in this study includes all property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the 2019 to 2023 period, totaling 91 companies. The sampling technique used is purposive sampling, a method of selecting samples based on specific criteria relevant to the objectives of the research. These criteria include: (1) companies actively listed in the property and estate sector of the IDX during the observation period of 2019–2023; (2) companies that consistently publish annual financial reports; and (3) companies with complete data related to the

research variables, including stock prices, dividend policies, and macroeconomic indicators under investigation.

The type of data used in this study is secondary data, which is obtained indirectly through official publications from credible institutions. The data sources include: (1) the Indonesia Stock Exchange for stock price data and company financial reports; (2) Statistics Indonesia (BPS) for inflation and economic growth data; and (3) Bank Indonesia for the exchange rate of the rupiah against the US dollar. The data were collected in the form of time series (over a five-year period) and cross-sectional (across companies), resulting in panel data that align with the analytical objectives.

Data analysis is carried out using the STATA statistical software, which supports panel data processing (Hoechle, 2007). Through this method, the results are expected to provide an objective and comprehensive depiction of the relationship between macroeconomic variables and dividend policy on the stock price movements of property companies in Indonesia.

C. Data Analysis Techniques

The data analysis steps in this study were carried out systematically to ensure valid and reliable results. First, a classical hypothesis test was carried out which included several key steps. The multicollinearity test was carried out using the Variance Inflation Factor (VIF) method to ensure that there was no strong correlation between the independent variables in the regression model. If the VIF value is less than 10, it can be assumed that there is no significant multicollinearity. The heteroscedasticity test was carried out using the Glejser method, namely by regressing the absolute residual value of the independent variables. If the significance value is greater than 0.05, then the model is considered free from heteroscedasticity symptoms which indicate that the residual variance is constant.

Statistical tests were then conducted on the panel data to determine the most appropriate panel regression model. The Chow test was used to compare the common-effect model with the fixed-effect model. If the test result is significant, the fixed-effect model is more appropriate. The Hausman test was then used to choose between the fixed-effect model and the random-effect model. If the significance value is below 0.05, the fixed-effect model is chosen; otherwise, the random-effect model is chosen. The

Breusch-Pagan-Lagrange multiplier (LM) test was applied to test for the presence of random effects. The results of these three tests determine whether the common-effect model (CEM), the fixed-effect model (FEM), or the random-effect model (REM) is the most appropriate regression model.

Third, a hypothesis test is performed. A t-test is used to examine the relative effects of each independent variable (inflation, economic growth, exchange rate, and dividend policy) on the dependent variable, i.e., stock price. A significance value less than 0.10 (10%) indicates that the variable has a significant effect. In addition to the t-test, an F-test is also performed to assess the simultaneous effects of all independent variables on the stock price. If the significance value of the F-test is less than 0.10, it indicates that the four variables have a joint effect on the stock price of real estate companies.

Finally, the coefficient of determination (R^2) analysis is conducted to determine how much of the stock price variation can be explained by the four independent variables in the model. A low R^2 value indicates that most of the stock price variation is influenced by factors other than the model, while a high R^2 value indicates that the model can explain most of the variation in the dependent variable. All analytical techniques were carried out using STATA statistical software, which supports comprehensive panel data analysis and facilitates the interpretation of results.

D. Theoretical Framework/ Related Studies,

This study is grounded primarily in Signaling Theory, which serves as a conceptual lens to understand how corporate decisions—such as dividend payments, disclosures of financial performance, and strategic announcements—act as signals to the market. According to Ross (1977), these signals are instrumental in reducing information asymmetry between company insiders (e.g., managers and executives) and external stakeholders (particularly investors). In essence, the theory posits that when a company issues positive signals—such as declaring dividends or reporting consistent profit growth—investors interpret these actions as indicators of financial strength and future profitability, often resulting in increased investor demand and upward pressure on stock prices. Conversely, negative signals or the absence of expected disclosures may trigger investor skepticism and potential declines in stock value. Signaling Theory is especially relevant in emerging markets like Indonesia, where corporate transparency and investor protection may not yet match those of developed economies. Thus,

strategic financial disclosures by firms play a crucial role in building investor confidence.

In tandem with Signaling Theory, the Efficient Market Hypothesis (EMH) offers additional explanatory power regarding stock price behavior in response to macroeconomic and firm-specific information. EMH, as elaborated by Fama (1970) and later referenced by Brigham and Houston (2013), posits that in an efficient market, stock prices always reflect all available information. This implies that new macroeconomic indicators—such as inflation rates, exchange rate movements, or economic growth data—should be instantly incorporated into stock prices without delay. However, empirical realities often deviate from this ideal, particularly in developing economies where structural inefficiencies, information lags, and lower investor sophistication may delay market responses. In the Indonesian context, these delays could mean that the impact of macroeconomic variables is not immediately observable in stock prices, but rather unfolds over a more extended period.

Several prior studies lend empirical support to these theoretical perspectives. For instance, Kewal (2012) examined the impact of macroeconomic variables on the composite stock price index in Indonesia, finding that economic growth and inflation significantly influence stock movements. His research emphasizes the necessity of integrating macroeconomic indicators into any robust stock market analysis. Meanwhile, Umami (2020) conducted a sector-specific investigation and discovered that exchange rates did not have statistically significant impact on overall stock prices, but results varied across sectors. Notably, in the property and real estate sector, which is heavily dependent on imported construction materials and foreign capital, exchange rate volatility can have a more pronounced effect on cost structures and investor sentiment.

Moreover, Anindya and Muzakir (2023) explored the role of dividend policy in determining stock prices. Their findings indicate that dividend announcements serve as positive signals to investors, suggesting financial stability and management confidence. This aligns with the signaling theory framework, affirming that firms using dividends as a signaling tool can influence market perception and stock valuation.

This study also aims to contribute methodologically and conceptually by replacing the traditional Gross Domestic Product (GDP) metric with economic growth as a more dynamic and responsive macroeconomic variable. GDP figures often capture broader

trends over a longer time horizon, whereas economic growth—as measured through quarterly or annual percentage changes—offers a more immediate snapshot of national economic momentum, which is particularly relevant in a post-COVID-19 recovery phase (Mankiw, 2006; Sukirno, 2015).

Taken together, the combination of signaling theory, EMH, and sector-specific empirical evidence provides a comprehensive framework to explore how macroeconomic variables and corporate policies such as dividend distributions affect stock prices. This framework not only enhances theoretical rigor but also aligns with real-world conditions in the Indonesian capital market, which is characterized by volatility, information delays, and evolving investor behavior. The importance of this research is twofold: it deepens the academic understanding of financial market dynamics in emerging markets and provides practical insights for investors, policymakers, and business leaders to navigate an increasingly complex economic environment.

E. Discussion

The results of the regression analysis show that inflation has a significant positive effect on property prices and property sector shares. This finding indicates that under conditions of moderate and controlled inflation, investors tend to view the property sector as a form of investment capable of protecting asset value from the decline in purchasing power. The increase in property prices, which generally follows the rate of inflation, also enhances the income prospects of companies in this sector, which is ultimately reflected in higher stock prices. This is consistent with the theory that moderate inflation stimulates economic activity and investment in the real sector, including property (Shitundu & Luvanda, 2000).

In contrast, economic growth shows a significant negative effect on property sector stock prices. Although economic growth is typically associated with rising income, consumption, and property demand, this finding reveals a different reality. One possible explanation is that the post-pandemic economic recovery has not fully reached the property sector. Additionally, the shift in public and investor preferences toward digital or faster-growing sectors has weakened the performance of property stocks. The

property sector also has characteristics of being a long-term investment with low liquidity, making it less attractive to investors seeking more flexible instruments.

The exchange rate of the rupiah against the US dollar is also found to have a significant negative effect on property stock prices. A weakening rupiah increases the cost of imported building materials, which in turn raises construction costs and reduces company profit margins. Moreover, property companies with foreign currency liabilities face additional financial burdens. Exchange rate fluctuations also create uncertainty for investors, who tend to avoid sectors with high exposure to foreign exchange risks. This condition worsens if accompanied by global market volatility or interest rate policy changes from developed countries.

At the same time, dividend policy has a significant positive impact on share prices, which indicates that dividend payments are perceived by investors as a positive signal about the company's financial stability and future prospects. Companies that are able to distribute dividends consistently amid economic fluctuations are viewed as having strong management, healthy cash flows, and adaptive business strategies. For investors, dividends also provide regular income, reducing investment risk in stocks, which makes dividend-paying stocks more attractive (Sjahrudin et al., 2023).

Overall, these four variables—although not all exert influence in the expected direction—contribute significantly to the movement of stock prices in the property and real estate sector. However, the coefficient of determination (R^2) of only 5.45% indicates that the majority of stock price variation is influenced by other factors not included in this model. Factors such as interest rates, government regulations related to property, tax changes, and company-specific demand for residential and commercial buildings may significantly affect stock prices and have not yet been accounted for in this analysis. Therefore, further research is strongly recommended to integrate additional variables in order to provide a more comprehensive picture of the determinants of stock prices in the property sector.

F. Conclusion

This study reveals that inflation and dividend policy have a positive effect on stock prices in the Indonesian property sector, while economic growth and exchange rates have a negative effect. The four variables also have a significant impact on stock prices. This shows that the property stock market is very sensitive to macroeconomic dynamics and domestic corporate policies. Therefore, investors are advised to closely

monitor developments in inflation, exchange rates, and the dividend policies implemented by companies before making investment decisions. For company management, maintaining consistency in dividend distribution can serve as an effective communication strategy to build investor confidence. Moreover, the government is expected to maintain macroeconomic stability and provide incentives that support the sustainable growth of the property sector.

This study acknowledges its limitation in the number of variables used; hence, future research is encouraged to incorporate additional factors such as interest rates, unemployment rates, or an infrastructure development index to achieve more comprehensive and robust findings.

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