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The Influence of BIC Interest Rates, Money Supply, and Political Connection on the LQ45 Stock Price Index

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A B S T R A C T

This study aims to analyze the influence of SBI interest rates, the money supply, and political connections on the LQ45 stock price index. The approach used in this study is descriptive quantitative with data collection techniques being secondary data in the form of time series, namely data obtained from the Bank Indonesia (BI) and Indonesia Stock Exchange (IDX) websites for the period 2019-2023. The determination of the sample selection used in this study is the purposive sampling technique. The analysis method used is Panel Data Regression Analysis by conducting the Chow test, Hausman test, Lagrange Multiplier (LM) test, Classical Assumption test, t-test, F-test, and Coefficient of Determination test. The entire data processing of the research will be conducted with the help of a computer using the Microsoft E-Views 13 application. The research results show that the BIC interest rate has a significance value of 0.7758 > 0.05 with a t-statistic value of 2.406805, thus it can be concluded that the BI interest rate does not have a significant effect on the LQ45 stock price index (H1 is rejected). The influence of the money supply on the stock price index yields a significance value of 0.0360 < 0.05 with a t-statistic value of -2.240280, thus it can be concluded that the money supply does not have a positive but significant effect on the LQ45 stock price index (H2 is rejected). The influence of political connection on the stock price index yields a significance value of 0.0917 > 0.05 with a t-statistic value of -1.767619, thus it can be concluded that political connection does not have a positive and significant effect on the LQ45 stock price index (H3 is rejected).

1. Introduction

The movement of stock prices is a complex phenomenon and is greatly influenced by various factors, including internal and external company factors, market sentiment, macroeconomic conditions, and geopolitical events. Stocks are one of the instruments traded in the capital market and the most important instrument for investors (Sumartio, 2014). Information regarding stock changes in Indonesia can be seen through the stock price index (IHS). Macroeconomic factors, such as Indonesia's interest rates, the Rupiah-Dollar exchange rate, and the inflation rate, are among the many factors that influence investment [2].

The LQ45 Index is the sample observed in this study. The LQ45 Index calculates the market capitalization value of 45 issuers. The stocks in this index have the largest and most liquid market capitalization. The stock price index (IHS) shows the movement of stock prices from the time they start circulating until a certain point. Macroeconomics is one of the many variables that can influence the IHS [3]. The macroeconomic factors used in this study are the interest rate on Bank Indonesia certificates and the money supply. In addition, there are non-fundamental factors that

can affect stock prices. The non-fundamental factor referred to is political connections that are suspected to have a significant impact on the LQ45 stock price index.

The purpose of this research is to analyze the influence of macroeconomic factors and certain non-fundamental factors on the movement of the stock price index (IHS) found in the LQ45 index. The macroeconomic factors analyzed for their influence include the SBI interest rate and the money supply. Meanwhile, the non-fundamental factor analyzed for its influence is political connection, which is suspected to affect the stock market on the LQ45 index.

1.1 Background

Information regarding stock changes in Indonesia can be seen through the stock price index (IHS). The Indonesian stock market, particularly as represented by the LQ45 index, is an interesting subject for researchers and capital market practitioners. One aspect that has not been extensively explored is the influence of more specific macroeconomic variables on the movement of stock prices in the LQ45. Previous research tends to cover macroeconomic variables in general, such as economic growth, inflation, and interest rates. However, there is a need to identify more specific and relevant macroeconomic variables within the context of the Indonesian stock market that can provide a deeper understanding.

Interest rates will affect the company's profit because interest is included in costs, so high loan interest rates will cause the company's profit to decrease. Decreasing profits indicate poor performance, which results in falling stock prices. Rising interest rates make the yields on deposits and bonds more attractive. As a result, many capital market investors are shifting to stocks as part of their portfolios (Kewal, 2012).

The next macroeconomic variable is the money supply. According to Ocktaviana (2007), the money supply in a narrow sense is the amount of money in circulation that consists of currency and demand deposits. According to Prasetyo (2009), the M1 and M2 types of money supply are the most commonly used to assess the impact of the money supply on the economy in most countries around the world, including Indonesia (Erlangga, 2016).

Furthermore, the factor of political connections can impact the LQ45 stock price index. Studies show that companies politically connected in the LQ45 Index of Indonesia have different leverage compared to companies that are not politically connected, as political connections primarily assist in financing the company's debt [5]. Additionally, research has been conducted on the impact of political connections on stock returns in the LQ45 index. The results show that unlike interest rates, political connections do not have a significant impact on stock returns. Furthermore, the analysis of the influence of political connections on the earnings management of Indonesian manufacturing companies in the LQ45 index shows that the earnings management practices of these companies can be influenced by political connections [5]

Classical theory in economics is a set of fundamental economic thoughts that have had a significant influence on the development of modern economic thought. This theory developed in the 18th and 19th centuries and focused on explaining how free markets and individuals can generate prosperity for society. According to classical theory, a free market is a state where stock prices are determined by supply and demand. Market transparency, better information for investors, and fairer stock prices are expected from competition among companies. Its principles of free markets, competition, and the role of individuals form the basis of many contemporary stock market theories and practices. Classical theory supports a stock market that is not influenced by the government and where stock prices are determined by supply and demand (Priyono & Ismail, 2017). Based on the assumptions of this theory, macroeconomic factors that influence information in the market will directly affect stock price movements. In this context, analysis of

macroeconomic factors such as SBI interest rates and the money supply will be important for understanding the dynamics of the capital market.

There are several differences in the results of previous studies regarding the influence of macroeconomic variables on stock price indices. Liantanu et al., (2023) stated that the following variables can be used to predict the movement of the Composite Stock Price Index (IHSG), namely interest rates do not significantly affect the IHSG, the exchange rate (Rupiah) does not significantly affect the IHSG, inflation does not significantly affect the IHSG, and Gross Domestic Product growth does not significantly affect the IHSG. Research by Syaputra & Hendrawaty (2020) states that between 2014 and 2018, companies with political connections and companies without political connections had different leverage. However, there is no significant difference between tax payments and the profitability of companies in the LQ-45 Index. Only the company's debt financing can be supported by political connections.

Based on the explanation above, this research is expected to provide valuable contributions to a deeper understanding of the factors influencing the movement of the IHS LQ45, as the stock market is an important element in the modern economy, reflecting the health of companies and investments in a country. The Stock Price Index (IHS) such as the LQ45 Index serves as a benchmark for stock price movements in the capital market. The fluctuations of the IHS are influenced by various factors, both internal and external, that interact in a complex manner. Although previous research did not analyze the direct relationship between political connection and the LQ45 stock price index, political connection is suspected to have an indirect influence on the LQ45 stock price index. Therefore, the researcher wants to conduct further research and add political connection as one of the new variables in this study to determine how political connection impacts the stock price index. Therefore, the researcher will propose a study titled "THE INFLUENCE OF SBI INTEREST RATES, MONEY SUPPLY, AND POLITICAL CONNECTION ON THE LQ45 STOCK PRICE INDEX."

1.2 Problem Statement

This research analyzes the influence of BIC Interest Rates, Money Supply, and Political Connection on the movement of the IHS LQ45 index for the period 2020-2024 to fill the gap of previous inconsistent findings and to explore new post-pandemic dynamics and political factors that have not been previously studied.

1.3 Objectives and Scope

The purpose of this research is to analyze the influence of BIC interest rates, the money supply, and political connections on the movement of the Stock Price Index (IHS) on the LQ45 index for the period 2020-2024. Based on the background and problem identification above, the scope of this research is limited to the BIC interest rate, the money supply, and political connections, as well as their impact on the Stock Price Index (IHS) on the LQ45 index from 2019 to 2023. This study uses testing tools such as classical assumption tests, partial T tests, simultaneous F tests, Chow tests, Hausman tests, Lagrange Multiplier (LM) tests, panel data regression analysis, and the coefficient of determination (R2). The measurement tool used in this study is the annual percentage (%) to measure the SBI interest rate. Currency in circulation, demand deposits, time deposits, and savings are used to measure the money supply. Political connection is measured based on formal and informal relationships between companies and government officials, corporate political participation, and access to political resources.

2. Literature Review

The Stock Price Index (IHS) is an index that measures the performance of certain stocks listed on the Indonesia Stock Exchange. The stock price index records how stock prices have changed since they started circulating until a certain point. IHS is calculated using a weighted average based on the number of shares on the exchange or a market-capitalization-weighted index [8].

Securities in rupiah currency issued by Bank Indonesia as an acknowledgment of short-term debt are known as Bank Indonesia Certificates (BIC). Bank Indonesia uses BIC to monitor the stability of the rupiah. Bank Indonesia issues BIC as a short-term debt acknowledgment. The purpose of issuing this investment instrument is to ensure the stability of the rupiah exchange rate. Bank Indonesia can indirectly take extra money from the public by selling SBI. In other words, this instrument is created to enable the control of the money supply to curb the inflation rate (Akseleran, 2020).

The amount of money in circulation in an economy is defined as the total amount of money held by the public, while money held by banks is not considered as money in circulation [10]. The money supply is the total amount of money officially issued by the central bank, including demand deposits, currency, and quasi-money, such as savings, time deposits, and foreign exchange. The amount of money in circulation is adjusted according to economic needs and the inflation targets set by Bank Indonesia (BI) and the government (Wardatunisa, 2023).

Political connection is when members of parliament, state institutions, government officials, and ministers or heads of state are shareholders of a company or authority (Alfian, 2022). Alfian's study (2022) shows that political connections benefit business performance. This is because companies that are politically connected gain advantages such as administrative ease. Through these benefits, it is clear that performance can be improved. According to Sugiyarti (2017), political relationships are when there is a relationship between certain parties and parties that have interests in politics. This relationship is used to achieve goals that benefit both parties. Politics helps by creating public policies that enhance efficiency and effectiveness in business, and vice versa [5].

Modern economic thought is based on classical economic theory, which emerged in the 18th and 19th centuries, pioneered by economists such as Adam Smith, David Ricardo, Thomas Malthus, and Jean-Baptiste Say. Classical economists emphasized the importance of private ownership, competition, and free markets in driving economic growth and societal welfare (Priyono & Ismail, 2017). Adam Smith argued that classical economics emphasizes the power of the market and that government intervention is unnecessary. Furthermore, the main goal of classical economics is prosperity, which means that all goods or services are available according to a person's ability (Priyono & Ismail, 2017).

2.1 Related Work

Interest rates are one of the important factors as a cornerstone of the country's economy, and interest rates also have a strong influence on the capital market. The classical theory states that the interest rate is the value of the return on capital. According to this theory, the level of interest rates is determined by the demand and supply of capital. The rarer the capital, the higher the interest rate, and conversely, the more capital there is, the lower the interest rate. This is similar to the prices of goods and services, which are determined by market supply and demand (Dianti, 2017). Research conducted by Liantanu et al., (2023), Istinganah & Hartiyah (2021), Pradita & Fidyah (2022) states that interest rates do not affect the stock price index. Research by Paryudi (2021) and Wardatunisa (2023) states that there is a negative influence between interest rates and the Composite Stock Price Index. Research by Sari (2019), Isnadia et al. (2021), and Ali (2022) states

that there is an influence between interest rates and the Composite Stock Price Index, while research by Daffa (2023) and Moorcy et al. (2021) states that interest rates have a significant positive effect on the stock price index. Based on the above description, the researcher will propose the following hypothesis:
H1: The SBI interest rate has a negative effect on the Stock Price Index.

In an economy, the money supply is the total amount of money in the hands of the public, while the money in banks is not considered part of the money supply (Rahardja & Manurung, 2016). Classical economic theory emphasizes the role of money as a medium of exchange, not as an instrument of monetary policy. According to classical theory, the money supply will not affect output and price levels in the long run. Changes in the money supply will only affect the price level (inflation), in accordance with the quantity theory of money. Research by Istinganah & Hartiyah (2021) states that the money supply has a positive effect on the Composite Stock Price Index. This means that the money supply has a positive and significant effect on the Composite Stock Price Index. Research by Pradita & Fidyah (2022) states that the money supply has a positive impact on the Composite Stock Price Index (IHSG). In other words, the more money circulates in society, whether it is demand deposits or currency, the more positive the impact on the Composite Stock Price Index (IHSG), and the IHSG will strengthen accordingly.
H2: The amount of money in circulation has a positive effect on the Stock Price Index.

Political Connection refers to when members of parliament, state institutions, government officials, and ministers or heads of state are shareholders of a company or authority (Ramadhan, 2022). Classical economic theory, which emerged in the 18th and 19th centuries, has a complex and not always direct relationship with political connections. The main principles of this theory, such as free markets, the role of individuals, and the limited role of government, can influence how political connections are formed and used in various situations. Political connections can influence government economic policies. Groups with strong political connections can lobby the government to implement policies they favor, which can have a positive or negative impact on IHS, depending on the policies implemented. Research by [5] states that the results show a clear difference between companies with political connections and those without political connections in terms of company leverage, but do not show a significant impact on tax payments and profitability of LQ-45 Index companies during the period 2014-2018. Political connections can only support the company's debt financing. Research by Eduardus Tandelilin (2022) states that there are political connections that influence financial reporting and stock trading in certain companies. Transactions and stock ownership by parties with access to privileged information are suspected to occur. Based on the above description, the researcher will propose the following hypothesis:
H3: Political Connection has a positive effect on the Stock Price Index.

2.2 Research Gap

The problem or knowledge gap that this research aims to address is the inconsistency in previous studies regarding the influence of SBI Interest Rates, Money Supply, and Political Connection on the movement of the Stock Price Index (IHS) on the LQ45 index for the period 2019-2023, particularly because some studies show a significant influence while others do not, and the lack of research that simultaneously examines these three variables in the context of this period and index.

3. Methodology

Based on the research objective, which is to determine the influence of SBI interest rates, the money supply, and political connections on the Stock Price Index in the LQ45 Index, the type of research that will be used is descriptive research with a quantitative approach. This research collects data using documentation methods and secondary data. According to Sugiyono (2019), documentation is a record of past events presented in the form of writing, images, or monumental works of someone. Sugiyono (2019) explains that secondary sources are data that are not directly provided to the data collector, usually through other people or documents. Data was collected by tracing historical data obtained from the Bank Indonesia website (www.bi.go.id) and the Indonesia Stock Exchange (www.idx.co.id).

3.1 Data Collection

The population used in the study consists of all time series data including Interest Rates, Money Supply, and Political Connection for the period from 2019 to 2023, totaling 225 populations. (Sugiyono, 2019). Purposive sampling is a sampling technique carried out with specific considerations, not based on strata, region, or random selection. Researchers select samples based on characteristics or attributes deemed important for the study.

Table Sample Selection Criteria

No	Criteria	Total
1	Companies listed on the LQ45 Index	45
2	Companies that did not consecutively enter the LQ45 index for the period 2019-2023	(23)
Sample of companies		**22**
Total observations (data) over the 5-year research period		**110**

Based on the sample selection criteria shown in Table 3.1 above, the list of companies in the LQ45 index that can be selected for this research is as follows:

No	Kode Perusahaan	Nama Perusahaan
1	ADRO	Adaro Energy Tbk
2	ANTM	Aneka Tambang Tbk
3	ASII	Astra International Tbk
4	BBCA	Bank Central Asia Tbk
5	BBNI	Bank Negara Indonesia (Persero) Tbk
6	BBRI	Bank Rakyat Indonesia (Persero) Tbk
7	BBTN	Bank Tabungan Negara (Persero) Tbk
8	BMRI	Bank Mandiri (Persero) Tbk
9	CPIN	Charoen Pokphand Indonesia Tbk
10	EXCL	XL Axiata Tbk
11	ICBP	Indofood CBP Sukses Makmur Tbk
12	INCO	Vale Indonesia Tbk
13	INDF	Indofood Sukses Makmur Tbk
14	INTP	Indocement Tunggal Praksa Tbk
15	ITMG	Indo Tambangraya Megah Tbk
16	KLBF	Kalbe Farma Tbk

17	PGAS	Perusahaan Gas Negara (Persero) Tbk
18	PTBA	Tambang Batu Bara Bukit Asam (Persero) Tbk
19	SMGR	Semen Indonesia (Persero) Tbk
20	TLKM	Telekomunikasi Indonesia (Persero) Tbk
21	UNTR	United Tractors Tbk
22	UNVR	Unilever Indonesia Tbk

3.2 Analysis Techniques

Widarjono (2018) explains that in the regression model estimation method using panel data, it can be done through three approaches, namely: Common Effect Model (CEM), Fixed Effect Model (FEM), Modelo de Efectos Aleatorios (REM)

1) Determination of Panel Data Regression Estimation Method
   According to Widarjono (2018), to choose the most appropriate model, several tests can be conducted, including: Chow test, Hausman test, Lagrange multiplier (LM) test
2) Classical Assumption Test
   The classical assumption test is used to ensure that the coefficient estimator in the regression equation has the characteristics of BLUE (Best Linear Unbiased Estimation) or has minimum variance and is linear. According to Widarjono (2018), the Autocorrelation, Heteroscedasticity, and Normality tests are conducted using the Ordinary Least Squares (OLS) method.
3) Panel data regression analysis
   Panel data regression is a combination of cross-section data and time series data, where the same cross-section units are measured at different times. In other words, panel data consists of data from several identical individuals observed over a specific period.

3.3 Validation

Hypothesis Testing: T-Statistic Test (Individual Significance Test), Simultaneous F Test, Coefficient of Determination (R2) Explain the analytical methods, models, or tools used to process the data.

4. Results and Discussion

a. Method for selecting panel data regression models

Table 1 Data from the determination of the panel data regression model

Test Name	Prob. Value	Result
Uji Chow	0,0024 < 0,05	FEM
Uji Hausman	0,9859 > 0,05	REM
Uji Lagrange Multiplier (LM)	0,0145 < 0,05	REM

Source: processed data, 2025.

The use of the Random Effects Model (REM) in this study was chosen because of its ability to address issues of heteroskedasticity and autocorrelation that often arise in panel data. Thus, classical assumption tests become irrelevant because REM has inherently addressed the potential violations of those assumptions (Widarjono, 2018).

b. Panel Data Regression Analysis

Table 2 Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	30892.71	12835.57	2.406805	0.0254
X1	36257.82	125692.8	0.288464	0.7758
X2	-3.247496	1.449594	-2.240280	0.0360
X3	-15192.70	8595.012	-1.767619	0.0917

Source: processed data, 2025.

Substituted Coefficients: Y = 30892.71 + 36257.82 X1it + (-3.247496) X2it+ (-15192.70) X3it + εit.

c. Hypothesis Testing

1) T-test

Table 3 t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	30892.71	12835.57	2.406805	0.0254
X1	36257.82	125692.8	0.288464	0.7758
X2	-3.247496	1.449594	-2.240280	0.0360
X3	-15192.70	8595.012	-1.767619	0.0917

Source: processed data, 2025.

2) Simultaneous test f

Table 4 results of the Simultaneous F Test

Weighted Statistics			
R-squared	0.231358	Mean dependent var	3122.926
Adjusted R-squared	0.121552	S.D. dependent var	6421.929
S.E. of regression	6018.991	Sum squared resid	7.61E+08
F-statistic	2.106966	Durbin-Watson stat	1.111956
Prob(F-statistic)	0.129833		

Source: processed data, 2025.

3) Coefficient of Determination (R2)

Table 5 results of the coefficient of determination (R2) test

Weighted Statistics			
R-squared	0.231358	Mean dependent var	3122.926
Adjusted R-squared	0.121552	S.D. dependent var	6421.929
S.E. of regression	6018.991	Sum squared resid	7.61E+08
F-statistic	2.106966	Durbin-Watson stat	1.111956
Prob(F-statistic)	0.129833		

Source: processed data, 2025.

5. Discussion

a. Analysis of the Impact of BI Interest Rates on the LQ45 Stock Price Index

Based on the test results presented in the table above, the Adjusted R-squared value is only 0.121552. This indicates that interest rates, the money supply, and political connections only have

a 12.1% impact on the stock price index, while the remaining 87.9% is influenced by other variables not included in this study.

The test results in this study indicate that the influence of the BI interest rate on the LQ45 stock price index is rejected. This is evidenced by a significance value of 0.7758 > 0.05 with a t-statistic value of 2.406805. The test results show that the BI interest rate does not have a significant effect on the LQ45 stock price index. This is consistent with the research conducted by Liantanu et al (2023), Istinganah & Hartiyah (2021), and Pradita & Fidyah (2022), which states that the BI interest rate does not affect the stock price index. This is because investors see that investing in the capital market has another attraction, namely its liquidity. Investors prefer to conduct short-term stock transactions (traders/speculators), so they take profits with the hope of obtaining sufficient capital gains in the capital market compared to investing in SBI (Istinganah & Hartiyah, 2021).

During the COVID-19 pandemic (2019-2021), global central banks including Bank Indonesia implemented expansive monetary policies by drastically lowering interest rates to stimulate the economy. However, during this period, market sentiment dominated by pandemic uncertainty and hopes for economic recovery through vaccination proved to have a stronger influence on stock price index movements than interest rates. Bank Indonesia data shows a significant decrease in the benchmark interest rate, but the JCI experienced fluctuations more influenced by the pandemic's developments.

After COVID-19 (2022-present), when central banks began raising interest rates to control inflation, the stock market did not always react negatively. Investors seem to have anticipated this increase and factored it into stock prices. In addition, other macroeconomic factors such as strong economic growth and global sentiment like geopolitical conflicts also influence the movement of the index. Data from the Indonesia Stock Exchange shows the recovery of the IHSG despite the rise in the benchmark interest rate. This indicates that in a dynamic market condition, market efficiency and the dominance of other factors can mitigate the direct impact of interest rates on the stock price index.

b. Analysis of the Influence of Money Supply on the LQ45 Stock Price Index

The results of the tests in this study indicate that the influence of the money supply on the LQ45 stock price index is rejected. This is evidenced by a significance value of 0.0360 < 0.05 with a t-statistic value of -2.240280. These results are contradictory to the findings of the research conducted by Istinganah & Hartiyah (2021) and Pradita & Fidyah (2022), which concluded that the money supply has a positive effect on the composite stock price index.

These results indicate that the influence of the money supply on the LQ45 stock price index is more accurately explained using the monetarism theory. In that theory, a significant increase in the money supply has the potential to trigger inflation expectations among investors. When inflation expectations rise, investors tend to reduce their investments in the stock market and shift funds to assets considered safer, thereby lowering demand for stocks and putting downward pressure on stock price indices. According to the principles of monetarism theory, rational investors will adjust their portfolios to protect the real value of assets, reduce their holdings in stocks considered vulnerable to value erosion due to inflation, and shift funds to hedge assets.

c. Analysis of the influence of political connection on the LQ45 stock price index.

The results of the tests in this study indicate that the influence of political connection on the stock price index is rejected. This is evidenced by a significance value of 0.0917 > 0.05 with a t-statistic value of -1.767619. This means that political connection does not have a significant positive effect

on the stock price index. One of the reasons is the low level of public trust in companies with political connections as well as in government officials. This lack of trust renders political connections unable to influence investment decisions or stock price movements in the capital market. Investors tend to focus more on company fundamentals and market conditions rather than relying on political connections, causing political connections to lose their relevance in influencing the LQ45 stock index.

Additionally, this is due to the relatively stable economic conditions in Indonesia, so external factors such as political connections do not have a significant impact on stock price movements. Good economic stability creates investor confidence and reduces dependence on political connections, thus indicating that in this context, political connections do not have a significant impact on stock performance in the Indonesian capital market.

5.2 Limitations

a. This research initially used SPSS as a data processing tool. However, during the processing, it was found that the data exhibited non-normality in the normality test and was also affected by the heteroscedasticity test. Therefore, the data processing was shifted to EViews to ensure a more accurate and valid analysis. This limitation indicates that the selection of appropriate software is crucial in statistical research to obtain reliable results.
b. This study only considers three independent variables in its analysis, whereas there are many other variables that can significantly affect stock prices.

5.3 Future Research

a. Expanding Research Variables by incorporating other potentially more relevant components, such as global market sentiment, commodity volatility, or fiscal policies that can influence stock index movements.
b. Studying the Qualitative Impact of Political Connections, by examining the quality of political relationships (intensity, types of policies available), or by observing their impact on specific sectors using the LQ45 index.
c. Considering moderator variables, such as political stability or the corporate governance index, which may enhance or reduce the impact of political connections on stocks.

6. Conclusion

The conclusion that can be drawn from this research is that the determination of the sample selection used in this study employs the purposive sampling technique. The analysis method used is Panel Data Regression Analysis by conducting the Chow test, Hausman test, Lagrange Multiplier (LM) test, Classical Assumption test, t-test, F-test, and Coefficient of Determination test. The entire data processing of the research will be conducted with the help of a computer using the Microsoft E-Views 13 application.The research results show that the independent variable (x) does not have a significant simultaneous effect on the dependent variable (Y). The BI interest rate variable does not have an effect on the LQ45 stock price index. The variable of the money supply does not have a positive effect on the LQ45 stock price index. The variable political connection does not have a positive effect on the LQ45 stock price index.

7. Recommendation

For investors, it is important to always pay attention to macroeconomic developments and market sentiment that can influence stock prices, even though each factor may not have a significant impact simultaneously. For the government, focusing on the fundamental economy is important because economic policies should be more concentrated on strengthening the fundamental aspects

of the economy, such as increasing productivity, efficiency, and industrial competitiveness. Thus, the stock market will be more responsive to real economic conditions, not just temporary sentiments or political issues.

Appendix

Appendix 1 uji chow

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.977388	(4,17)	0.0186
Cross-section Chi-square	16.513741	4	0.0024

Appendix 2 uji hausman

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.145115	3	0.9859

Appendix 3 uji lagrange multiplier

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis Cross-section	Time	Both
Breusch-Pagan	5.971545 (0.0145)	2.044048 (0.1528)	8.015594 (0.0046)
Honda	2.443675 (0.0073)	-1.429702 (0.9236)	0.716987 (0.2367)
King-Wu	2.443675 (0.0073)	-1.429702 (0.9236)	0.716987 (0.2367)
Standardized Honda	3.096351 (0.0010)	-0.657567 (0.7446)	-1.102023 (0.8648)
Standardized King-Wu	3.096351 (0.0010)	-0.657567 (0.7446)	-1.102023 (0.8648)
Gourieroux, et al.	--	--	5.971545 (0.0199)

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