

Impacts and Implications of Macro Determinants Toward the Indonesian Sharia Stock Index

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Akhli Auliya Rahman

Institut Agama Islam Negeri Kudus
akhliauliyarahman@gmail.com

Syukri Fathudin Achmad Widodo

Universitas Negeri Yogyakarta
syukri@uny.ac.id

Riyan Andni

Institut Agama Islam Negeri Kudus
riyanandni@iainkudus.ac.id

Betania Kartika Muflih

Inhart IIUM Malaysia
betania@iium.edu.my

Abstract

This study aims to analyze the effect of inflation, interest rates, exchange rates, and the Indonesian Composite Stock Price Index (IHSG) on the Indonesian Sharia Stock Index (ISSI), which is based on the inconsistencies of previous studies regarding inflation results, interest rate results, exchange rate results, as well as the results of the IHSG against the ISSI. This study uses a quantitative approach. The research data source uses secondary data in the first quarter of 2012 – fourth quarter of 2022 in the form of the closing price of the ISSI from <https://www.ojk.go.id/> then the closing price for inflation, interest rates, exchange rates from <https://www.ojk.go.id/>, www.bi.go.id/, and the closing price of the Indonesian composite index from <https://finance.yahoo.com/>, which were processed using SPSS 26 software with multiple linear analysis. The results showed that inflation, interest rates, and exchange rates partially had no significant effect on the ISSI. Meanwhile, the IHSG had a significant effect on the ISSI. The variables of inflation, interest rates, exchange rates, and the IHSG simultaneously affect the ISSI. These results have implications for policymakers regarding the Islamic capital market.

Keywords: *The Indonesian Sharia Stock Index; Macroeconomics; The Indonesian Composite Index*



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INTRODUCTION

Increasing economic productivity in a more advanced direction can positively impact individuals' attitudes toward modernity. A practical approach to achieve this objective is by allocating individuals' available assets into investments (Primadonna et al., 2022). The capital market plays an important role because it fulfills economic functions by serving as a platform where individuals with excess funds (investors) reach parties who need funds (issuers). Additionally, it serves financial functions by offering opportunities for fund owners to get returns on their investments. The capital market in Indonesia is divided into two types: the conventional capital market which does not comply with sharia principles, and the sharia capital market, which operates by complying with sharia principles. The instruments that are often traded on the capital market are shares, which serve as certificates of ownership of a company (Astuti et al., 2022). The Indonesian Stock Exchange is an investment forum owned by Indonesia. The Indonesian Stock Exchange (BEI, *Bursa Efek Indonesia*) is an important investment option for people (Kamal et al., 2021).

As a stock investor, it is important for individuals to use the stock price index as an indicator for observing security price movements in the capital market to provide a general picture of overall stock market performance and help investors make better investment decisions. This provides investors with information regarding investor sentiment, market trends, and company performance (Kamal et al., 2021).

According to Jogiyanto (2000), announcements or published information can give signals to investors to make investment decisions. Signal theory suggests that both negative and positive information announced to the public can influence investors' decisions and responses to investing. The importance of announcements or information in investment lies in their impact on investors' perceptions and assessments of a company or market. Positive information can increase investors' confidence and interest, making them more likely to invest. Conversely, negative information can influence investors' decisions to avoid or reduce investments (Lestari, 2016).

There is a verse in the Qur'an that explains investment as follows:

وَلِيَحْشَ الدِّينَ لَوْ تَرَكَوْا مِنْ حَلْفِهِمْ ذُرِّيَّةً ضِعْفًا خَافُوا عَلَيْهِمْ فَلْيَتَّقُوا اللَّهَ وَلْيَقُولُوا قَوْلًا سَدِيدًا

Meaning: “Let those who would fear for the future of their own helpless children, if they were to die, show the same concern [for orphans]; let them be mindful of God and speak out for justice” (QS. An-Nisa 4:9) (The Qur’an, 2004).

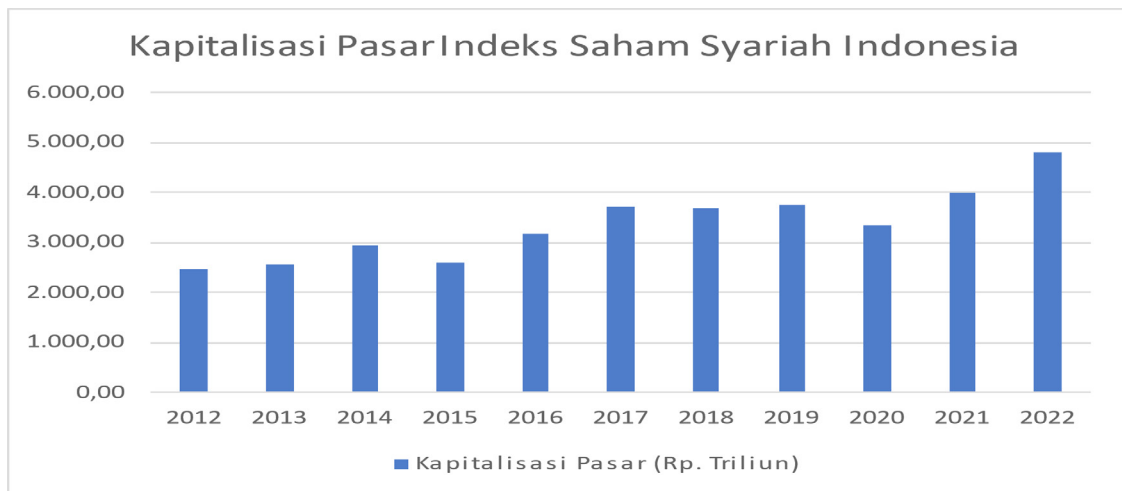
These provisions are contained in several fatwas issued by the Indonesian Ulema Council regarding investments in accordance with Islamic sharia in the capital market. The National Sharia Board – Indonesian Ulema Council (DSN-MUI, *Dewan Syariah Nasional – Majelis Ulama Indonesia*) through Fatwa Number 40/DSN-MUI/X/2003 entitled “Capital Markets and General Guidelines for the Application of Sharia Principles in the Capital Market Sector” sets out the criteria for investment products that are in accordance with Islamic principles. Sharia investment products need to meet requirements that can be seen from the type of business provided by the company and the goods or services produced. Also, the management of the issuer company must not involve businesses that are prohibited according to sharia principles, such as gambling, usury (interest), alcoholic drinks, and services that damage morals or are harmful (dangerous). In addition, the sorts of transactions conducted must comply with the precautionary principle and avoid prohibited actions, such as speculation, which contains elements of *dhahar* (uncertainty), *ghahar* (ignorance), *maysir* (gambling), and *zhulm* (oppression). Some examples of prohibited transactions are *najash* (false bargaining), *ba’i mal ma’dum* (fictitious buying and selling), insider trading (unauthorized use of internal information), and disseminating misleading information to gain profits from prohibited transactions. By referring to the fatwa, investors need to ensure that the investment products they choose meet the established criteria and follow sharia principles in the capital market (Paramita, 2016).

Previously, the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK, *Badan Pengawas Pasar Modal dan Lembaga Keuangan*) was responsible for issuing the Sharia Securities List (DES, *Daftar Efek Syariah*), which includes a list of sharia shares in Indonesia since November 2007. However, this task has now been transferred to the Financial Services Authority (OJK, *Otoritas Jasa Keuangan*). DES functions as a single reference for knowing shares that fall into the sharia share category in Indonesia, making it easier for the public to know the existence of sharia shares (Kamal et al., 2021).

The BEI reflected its response to the DES by launching the Indonesian Sharia Stock Index (ISSI, *Indeks Saham Syariah Indonesia*) on May 12, 2012. ISSI is a sharia stock index consisting of all shares listed on the Indonesian Stock Exchange and included in the DES. ISSI is specifically designed to reflect stock performance, which includes sharia criteria. This index provides an overview of the overall performance of the Islamic stock market. Even though ISSI was established in May 2011, it has made significant progress in its development in each period (Suciningtias & Khoiroh, 2015).

The statistical movements of the Indonesian Sharia Stock Index during the 2012–2022 period are as follows:

Figure 1. Development of Capitalization of the Indonesian Sharia Stock Index (ISSI)



Source: <https://www.ojk.go.id>

Figure 1 above illustrates that the market capitalization value of the ISSI tends to experience growth from year to year. The ISSI market capitalization noticed its most significant decline in 2015, with a decrease of 11.74%. This was followed by decreases of 10.68% in 2020 and 1.02% in 2018. In 2020, the ISSI also experienced pressure due to the impact of the pandemic that hit Indonesia. ISSI's market capitalization that year fell to IDR3,344.93 trillion from IDR3,744.82 trillion. However, in 2021, ISSI's market capitalization experienced a recovery of 19.1% to IDR3,983.65 trillion and continued to increase by 20.14% to IDR4,786.02 trillion last year. A market capitalization of IDR 1,968.09 trillion in 2011 indicates that ISSI has experienced a 134.35% growth in market capitalization over the following eleven years.

According to Syahrir, important factors influence the development of the Indonesian Sharia Stock Index. In addition to macroeconomic and monetary variables, these elements also comprise internal factors. Variations in these variables may influence investor and market sentiment regarding sharia share investment (Suciningtias & Khoiroh, 2015).

In the research conducted, the macroeconomic variables chosen to analyze the influence on fluctuations in ISSI movements were the inflation rate, interest rates, IDR/USD exchange rate, and the Indonesia Composite Stock Price Index (IHSG, *Indeks Harga Saham Gabungan*). These variables are considered to have the potential to influence ISSI movements. Therefore, it is hoped that the relationship and influence between these macroeconomic variables and fluctuations in ISSI movements can be revealed so that investors can gain deeper insight into making decisions about investing in the Indonesian sharia stock market.

Based on the results of research conducted by Riyan Andni and Muhammad Said, it was concluded that the results of the T-test or the interest rate, exchange rate, and IHSG variables partially had a significant effect on ISSI, and the inflation variable had no significant effect on ISSI. Meanwhile, the results of the F-test simultaneously influence the ISSI, interest rates, exchange rates, and IHSG variables (Andni & Said, 2022).

Then, as a comparison, research conducted by Rossje V. Suryaputri and Fitri Kurniawati, economic conditions caused by the pandemic led to a weakening of the Rupiah exchange rate against the USD, which was followed by a reasonably deep decline in the IHSG and ISSI until the September 2020 period. The current pandemic does not influence ISSI. The ISSI, which fell at the start of the pandemic, was probably caused by investor panic, and was influenced by the fall in the JCI. The ISSI characteristic of having interest-based debt, which cannot be more than 45% of the company's total assets, is expected to provide better resilience for issuers in facing the recession due to this pandemic (Suryaputri & Kurniawati, 2022).

In comparison, Aurora Nur Firdausi et al. (2016) research concluded that only IHSG significantly influences ISSI in the short term. Nevertheless, several variables show a significant positive relationship in the long term, namely inflation. The variables that influence ISSI significantly negatively are interest rates and IHSG (Firdausi et al., 2016).

Then, another research conducted by Syaista Nur and Nur Fatwa found that the variables Inflation, BI7DRR, Exchange Rate, and IHSG in a simultaneous f test or together had a positive influence on ISSI. Meanwhile, using the T-test, the inflation variable has a positive but not significant effect on ISSI. In contrast, the exchange rate variable has a negative and significant effect on ISSI, and the BI7DRR variable has a negative but not significant effect on ISSI. In addition, the IHSG variable has a positive and significant influence on ISSI (Nur & Fatwa, 2022)

Research conducted by Alina Paramita, the inflation variable has a positive influence on the Indonesian Sharia Stock Index (ISSI) both in the short and long term. The exchange rate or exchange rate of the IDR against the USD has a negative influence on the Indonesian Sharia Stock Index both in the short and long term. The interest rate or Bank Indonesia (BI) Rate in the short term and long term has a different influence on the Indonesian Sharia Stock Index. The IHSG has a positive influence on the ISSI both in the long term and short term (Paramita, 2016).

Study Objectives

Several studies show a research gap regarding the influence of macroeconomic variables and IHSG on ISSI, which shows that several variables in determining the Sharia Stock Index are inconsistent. This research refers to the results of previous research to further examine the influence of inflation, interest rates, exchange rates, and IHSG on ISSI from 2012 Quarter I to 2022 Quarter IV.

LITERATURE REVIEW

Signaling Theory

Signal theory was first put forward by Michael Spence in 1973 in his work entitled “Job Market Signaling”. This theory was then developed by Franklin Allen and Joseph E. Stiglitz in 1982 in their work entitled “The Theory of Information and Market Signaling”. Signal theory suggests that in a situation of information asymmetry between the owner of information about the condition of the company and the party receiving the information, the information party can provide a signal or code through actions or information conveyed to the recipient. This signal aims to reduce the

recipient's uncertainty regarding the condition and performance of the company. Executives who have better information will try to provide signals that indicate good company conditions, thereby attracting investor interest and gaining access to better sources of financing or at lower costs. The signal theory assumes that the recipient can distinguish between signals that reflect good company conditions and those that are only cosmetic or manipulative. Recipients of information will benefit if they can distinguish reliable signals from unreliable signals (Abbas, 2022).

According to signaling theory, management can use certain actions or information as signals to communicate the condition of the company to investors. This signal aims to reduce investors' uncertainty regarding the company's performance and prospects, so that it can influence their investment decisions (Aini et al., 2020).

According to Jogiyanto (2000), announcements or published information can provide signals to investors and influence stock trading volume on the market. An increment in trading activity suggests that several investors are responding to the information and performing trades on stock. Conversely, if trading volume decreases, this could indicate that investors are less interested or hesitant in taking action based on the information received (Pratama, 2019).

However, it is important to remember that the market reaction to an announcement or information cannot always be predicted with certainty. Capital markets are influenced by various factors, including market sentiment, investor expectations, and overall economic conditions. Therefore, it is essential for investors to carry out a comprehensive analysis and not just rely on one piece of information or signal when making investment decisions (Pratama, 2019).

Signaling theory can be relevant in this research because it involves the use of information or signals provided by companies to investors. Signals such as inflation rates, interest rates, exchange rates, IHSG, and ISSI can provide clues or indications about company performance, financial prospects, and capital market conditions. For example, if a company reports good performance and increments in the IHSG or ISSI, investors may consider it as a positive signal that the company has good performance and profitable prospects in the capital market. On the other hand, if economic factors or

changes in the IHSG show a negative signal, investors might consider the impact on the company's share price.

Inflation

Inflation is a phenomenon of general increases in the prices of goods and services over a period of time. The occurrence of inflation results in a decline in the purchasing power of money, as it loses its previous level of purchasing power. Brigham and Houston (2018) explained that inflation is the total increase in prices over time. This refers to the fact that the prices of goods and services tend to increase over time. The inflation rate is a percentage of the price increase. The inflation rate is measured by comparing changes in the price index between two specific time periods. It provides an overview of the percentage increase in prices in a certain period, usually expressed as the annual inflation rate (Rachmawati, 2019). According to Karya and Syamsuddin, inflation is when prices increase continuously for all goods in an economy. Meanwhile, Eko defines inflation as a situation where there is excess demand for goods as a whole (Kamal et al., 2021). According to Fahmi, the influence of inflation on investors in making investments is very significant. Investors want actual inflation or inflation that is in line with their expectations. In this context, if inflation exceeds the rate of return on investment, investors may cancel their investment, and vice versa (Astuti et al., 2022).

Interest rate

According to Wardane (2016), the definition of interest rate is the payment charged for the use of money and refers to the amount of interest that must be paid within a certain time period. In simple terms, people have to pay a fee to borrow money. According to Samuelson and Nordhaus, interest rates are defined as the costs incurred to obtain a loan. In Keynes' theory, the interest rate is described as the price of money, which is determined by the balance between the demand and supply of money in the financial market (Mulyani, 2020).

Bank Indonesia determines the interest rate (BI Rate) based on inflation and other factors that influence the national economy. BI will lower interest rates when inflation is below the predetermined target. However, on

the other hand, if the inflation rate unreasonably exceeds the target within a certain period, Bank Indonesia will increase interest rates (Triani, 2013).

According to Purnomo et al. (2018), interest rates refer to short-term rates with a tenor of one month that are announced periodically by Bank Indonesia. The primary function of the BI Rate is as a signal for monetary policy so that the inflation target is achieved, as well as maintaining the stability of the value of the rupiah currency. Meanwhile, according to Kasmir, deposit interest is a fee that must be paid by customers to the bank for funds deposited, while loan interest is income obtained by the bank from customers in return for the loan provided. In the context of society in general, the principle of supply and demand also applies to savings and loans (Astuti et al., 2022).

Exchange rate

An exchange rate can be defined as an exchange or comparison between two currencies. In this case, Nopirin and Salvatore have a similar view that the exchange rate is a price showing how much one currency can be purchased using another (Arifin & Mayasya, 2018).

Charles Van Marrewijk (2005) as put forward a basic theory of currency exchange rates, which can be classified into four parts. First, the condition of the current account balance, namely the currency exchange rate, can be influenced by a country's current account balance. The current account balance includes trade in goods and services, income from production factors, and unilateral transfers. Imbalances in the current account balance can affect currency exchange rates. Second, the condition of the balance of payments, namely the exchange rate, can also be influenced by the condition of a country's balance of payments. The balance of payments includes capital inflows and outflows, such as direct investments, portfolio investments, and intercountry loans. Changes in payment balance conditions can impact currency exchange rates. Third, monetary and fiscal policy, namely monetary and fiscal policies taken by the government, can influence currency exchange rates. For example, adjustments in interest rates by central banks or fiscal policies that affect spending and inflation levels can impact exchange rates. Fourth, the expectations of economic actors, including investors and financial market players, can also influence

currency exchange rates. Expectations about future economic conditions, interest rates, inflation, and other factors can influence the demand and supply of currency (Djulius & Nurdiansyah, 2014).

Composite Stock Price Index

IHSG was first announced on April 1, 1983, and has become an important reference in monitoring capital market movements in Indonesia. IHSG includes a summary of historical information about the share price movements of all companies listed on the IDX. IHSG provides information about the development and general situation of the capital market and is often used as an indicator to measure stock market performance in Indonesia. However, it should be noted that the IHSG does not provide detailed information about individual company performance but rather a summary of overall share price movements on the IDX (Suryaputri & Kurniawati, 2020).

On a daily basis, an update is provided based on the closing price of shares on the stock exchange on that day. Changes in the IHSG occur due to changes in market prices that occur every day as well as due to additional shares such as new issuers listed on the stock exchange or company actions such as stock splits, rights, warrants, stock dividends, bonus shares, and convertible shares. In this way, the IHSG provides an overview of overall stock price movements in a certain period (Hamzah & Musnadi, 2013).

Indonesian Sharia Stock Index

On May 12, 2011, the Indonesia Stock Exchange introduced ISSI as the official sharia stock index in the country. ISSI consists of shares that have met sharia criteria and are registered in the DES. Despite its recent establishment, ISSI's growth has consistently shown stability via periodic records (Primadonna et al., 2022).

ISSI is an indicator of the performance of the Islamic stock market in Indonesia. The ISSI components consist of all sharia shares listed on the Indonesia Stock Exchange and included in the Sharia Securities List (DES) issued by the Financial Services Authority (OJK). According to the DES review schedule, ISSI constituents will undergo a re-selection process in May and November. Then, the OJK will publish a list of ISSI

constituents that always change due to incoming or outgoing sharia shares. OJK is responsible for ensuring that issuers registered in the DES are free from portfolios that are deemed not halal according to sharia principles (Suryaputri & Kurniawati, 2020).

RESEARCH METHOD

This research focuses on the Indonesian sharia stock index as the dependent variable. Meanwhile, the independent variables include inflation, interest rates, exchange rates, and the composite stock price index. The research method used is a quantitative approach using secondary data. This secondary data involves two variables that will be examined in this research. The operational data used in this research is time series data. All of this data is collected every quarter or quarter, starting from Quarter I of 2012 to Quarter IV of 2022. Data sources are obtained from three main sources, namely Bank Indonesia (<https://www.bi.go.id/>), Yahoo Finance (<https://finance.yahoo.com/>), and OJK (<https://www.ojk.go.id/>). The sampling technique used was a saturated sample. The number of samples used in this research consists of data on closing inflation, interest rates, the IDR/USD middle exchange rate, and the composite stock price index from the first quarter of 2012 to the fourth quarter of 2022, totaling 44 sample data.

RESULTS

Multiple Linear Regression

A regression model involving more than one independent variable aims to test the extent to which the independent variable influences the dependent variable. This analysis was also carried out to evaluate the relationship between variables X and Y. The Ordinary Least Square (OLS) method was used to estimate and determine the influence and relationship between the independent and dependent variables. The following are the OLS (Ordinary Least Square) estimation results:

Table 1. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-712,572	245,313		-2,905	,006
	Inflation	31,848	15,871	.104	2,007	,052
	Interest rate	-17,949	24,439	-.042	-.734	,467
	Exchange rate	,027	,015	,081	1,820	,076
	IHSG	,646	,034	,942	19,223	,000

a. Dependent Variable: ISSI

Source: SPSS Version 26

From Table 4.7, it can be concluded that the multiple linear regression equation is as follows: $Y = -712.572 + 31.848X_1 - 17.949X_2 + 0.027X_3 + 0.646X_4$. Based on this multiple linear regression equation, it can be explained that:

- a. The ISSI constant value has a negative amount of -712.572. The presence of a negative sign indicates that the independent variables (inflation, interest rates, exchange rates, and IHSG) have an influence in the opposite direction on the dependent variable ISSI. Thus, when inflation (X₁), interest rates (X₂), exchange rates (X₃), and IHSG (X₄) do not change or remain constant, the ISSI variable (Y) will have a value of -712.572.
- b. The regression coefficient for the inflation variable is 31.848. This shows that inflation and the ISSI have a positive influence in the same direction. Assuming the other independent variables remain constant, every one-unit increase in the inflation variable will result in an increase of 31,848 units in the ISSI value.
- c. The regression coefficient for the interest rate variable is -17.949. This shows that there is a negative relationship between interest rates and the ISSI. Assuming the other independent variables remain constant, every one-unit increase in the interest rate variable will result in a decrease of -17,949 units in the ISSI value.
- d. The regression coefficient for the exchange rate variable is 0.027. This figure indicates a positive relationship between the exchange rate and the ISSI. Assuming the other independent variables remain

constant, every one-unit increase in the exchange rate variable will result in an increase of 0.027 units in the ISSI value.

- e. The IHSG variable coefficient is 0.646. This figure shows that there is a positive relationship between the IHSG and the ISSI. Assuming the other independent variables remain constant, every one unit increase in the IHSG variable will result in an increase of 0.646 units in the ISSI value.

Hypothesis testing

a. T-test

The T-test is carried out to evaluate whether variable X has a significant influence on variable Y partially. The T-test output results are as follows:

Table 2. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-712,572	245,313		-2,905	,006
	Inflation	31,848	15,871	.104	2,007	,052
	Interest rate	-17,949	24,439	-.042	-.734	,467
	Exchange rate	,027	,015	,081	1,820	,076
	IHSG	,646	,034	,942	19,223	,000

a. Dependent Variable: ISSI

Source: SPSS Version 26

Table 2 shows the results of the T-test or partial test as follows:

- 1) Based on regression analysis, it was found that the Tcount value for inflation is 2.007, which shows that $T_{count} \leq T_{table}$ is 2.02108. In addition, the test results show that the significance value of inflation is 0.052, which is overall greater than alpha (0.05). Therefore, hypothesis 0 (Ho) is accepted, while the alternative hypothesis (H1) is rejected. Thus, it can be concluded that the inflation variable partially does not have a significant influence on the ISSI.
- 2) The regression results show that the Tcount value for interest rates is -0.734, which implies that $T_{count} \leq T_{table}$ is 2.02108. In addition,

the test results also reveal that the significant value of the interest rate is 0.467, which indicates that the significant value of the interest rate is greater than alpha (0.05). Therefore, it can be concluded that H_0 is accepted, while H_1 is rejected. Thus, it can be concluded that the interest rate variable partially does not have a significant influence on the ISSI.

- 3) Based on regression analysis, the Tcount value for the exchange rate variable is 1.820, which shows that $T_{count} \leq T_{table}$ is 2.02108. In addition, the test results also reveal that the significance value for the exchange rate variable is 0.076, which means the significance value for this variable is greater than alpha (0.05). Therefore, it can be concluded that H_0 is accepted, while H_1 is rejected. Thus, it can be concluded that the exchange rate variable partially does not have a significant influence on the ISSI.
- 4) Based on regression analysis, the Tcount value for the IHSG variable is 19.223, which shows that $T_{count} \geq T_{table}$ is 2.02108. In addition, the test results also show that the significance value for the IHSG variable is 0.000, which means the significance value for this variable is smaller than alpha (0.05). Therefore, it can be concluded that H_0 is rejected, while H_1 is accepted. Thus, it can be concluded that the IHSG variable partially has a significant influence on the Indonesian sharia stock index.

b. F test

The F test is used to determine whether the variables together or simultaneously have a significant influence on the Indonesian sharia stock index. The F test output results are as follows:

Table 3. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15029274.647	4	3757318.662	218,422	,000b
	Residual	670883.262	39	17202.135		
	Total	15700157.909	43			

a. Dependent Variable: ISSI

b. Predictors: (Constant), IHSG, Inflation, Exchange Rates, Interest Rates

Source: SPSS 26

Based on Table 4.9, the Fcount value for simultaneous testing of inflation, interest rates, exchange rates, and IHSG variables on the ISSI is 218.442, while the Ftable value is 2.839. From this comparison, it can be concluded that $F_{count} > F_{table}$. In addition, the significance value of 0.000 is also smaller than alpha (0.05). Therefore, the null hypothesis (Ho) is rejected, and the alternative hypothesis (H1) is accepted. Thus, based on these data, it can be concluded that together or simultaneously, the variables inflation, interest rates, exchange rates, and IHSG have a significant influence on the ISSI.

c. Coefficient of Determination Test

The coefficient of determination test is used to evaluate the extent to which the research model can explain variations in the dependent variable. If the R² value is close to or equal to 1, then the ability of the independent variable to influence the dependent variable is getting better. Conversely, if the R² value is close to 0, then the influence between the independent variable and the dependent variable has a low level of influence and is imperfect. In this research, Adjusted R Square is used to evaluate the coefficient of determination test results because the number of independent variables is more than 2. The following are the results of the coefficient of determination test:

Table 4. Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.978a	.957	.953	131.15691	2,058

a. Predictors: (Constant), IHSG, Inflation, Exchange Rates, Interest Rates

b. Dependent Variable: ISSI

Source: SPSS Version 26

Table 4 shows that the Adjusted R Square value is 0.953. This shows that the independent variable has an influence of 95% on the dependent variable, while the remainder is influenced by other variables not explained in this research.

DISCUSSION

The Effect of Inflation on the Indonesian Sharia Stock Index

Partial inflation has no significant effect on the ISSI. This can be seen from the Tcount value of 2.007, which is smaller than the Ttable value of 2.02108. Also, the significant value of inflation is 0.052, which is greater than alpha (0.05).

Therefore, inflation fluctuations do not have an impact on the ISSI. Investors' decisions to invest in sharia shares are not directly influenced by the rise and fall of the inflation rate because the movement of the Indonesian sharia stock index is not significantly affected by inflation. The inflation rate is not a determining factor for investors in making investments, but they pay attention to other factors. This is caused by inflation, which is in the range of less than 10% or can be said to still be under control. Therefore, this is a signal for investors to continue investing in ISSI.

The results of this research are in line with research conducted by Mustafa Kamal et al., which states that inflation has no significant effect on the Indonesian sharia stock index (Kamal et al., 2021). Moreover, research conducted by Ima Dwi Astuti et al. also stated that inflation did not affect the ISSI (Astuti et al., 2022).

The Influence of Interest Rates on the Indonesian Sharia Stock Index

Partial interest rates do not have a significant effect on the ISSI. This can be seen from the Tcount value of -0.734, which is smaller than the Ttable value of 2.02108. The significant value of the interest rate is 0.467, which is greater than alpha (0.05). Therefore, interest rate fluctuations do not have an impact on the ISSI. This factor does not influence investors' decisions to invest because changes in interest rates do not have a significant influence on the movement of the ISSI. Investors do not only rely on interest rates as the primary consideration in investing but also pay attention to other factors. This is due to the stability of movements, which are quite consistent; thus, interest rates do not affect stock prices. The stability of interest rate values is influenced by government policy to regulate interest rates in the market. Therefore, this gives a signal to investors to continue investing, and investors

do not need to worry because the government guarantees the stability of changes in interest rates.

This research is in line with Arintika and Isynuwardhana's study, which concluded that interest rates have no significant effect on the Indonesian sharia stock index (Arintika, 2015). Also, it aligns with research conducted by Maulana and Maris stated that interest rates partially have a negative value and do not have a significant effect on the ISSI (Maulana & Maris, nd).

The Influence of Exchange Rates on the Indonesian Sharia Stock Index

The exchange rate partially has no significant effect on the ISSI. This can be seen from the Tcount value of 1.820, which is smaller than the Ttable value of 2.02108. And the significant value at the exchange rate is 0.076, greater than alpha (0.05).

Therefore, exchange rate fluctuations have no impact on the ISSI. Capital market players, especially foreign investors, consider the exchange rate an important factor. However, the exchange rate does not affect the ISSI because the shares included in the index are shares of domestic companies that are not involved in international transactions, exports, or imports. Exchange rates have a significant influence on trade between countries, such as exports and imports. Companies involved in import-export activities will be affected by exchange rate fluctuations. However, domestic companies are not affected by changes in exchange rates. Investors not only consider the exchange rate level as the main factor in investing but also pay attention to other factors. This is due to the stability of movements, which is quite consistent, so the exchange rate does not affect share prices. Therefore, this is a sign for investors to continue investing in Indonesian sharia shares.

The results of this research are in line with research conducted by Octavia Setyani, which concluded that the partial exchange rate did not have a significant effect on the Indonesian sharia stock index (Setyani, 2018). Furthermore, research conducted by Hudaya et al. also concluded that the exchange rate partially had no significant effect on the ISSI (Hudaya et al., 2022).

The Influence of the Composite Stock Price Index on the Indonesian Sharia Stock Index

JCI partially has a significant effect on the ISSI. This can be seen from the Tcount value of 19.223 which is greater than the Ttable value of 2.02108. And the significant value on the IHSG of 0.000 is smaller than alpha (0.05).

Therefore, the movement of the Composite Stock Price Index (IHSG) has an influence on the movement of the Indonesian Sharia Stock Index (ISSI) because the IHSG reflects the overall condition of shares listed on the Indonesia Stock Exchange (BEI). Thus, the JCI condition can reflect the movement of the Indonesian Sharia Stock Index. Investors can observe the JCI movement as a reference in making investment decisions in sharia shares. Therefore, the condition of the IHSG is a signal for investors in determining investment decisions in Indonesian sharia shares. The results of this research are in line with research conducted by Alina Paramita, which states that the IHSG has a significant positive effect on ISSI (Paramita, 2016). In addition, Riyan Andni and Muhammad Said's research also states that the IHSG has a significant effect on the ISSI (Andni & Said, nd).

The Influence of Inflation, Interest Rates, Exchange Rates, and the Composite Stock Price Index on the Indonesian Sharia Stock Index

The results of the research together or simultaneously stated that the variables inflation, interest rates, exchange rates, and IHSG as independent variables had a significant effect on the Indonesian sharia stock index as the dependent variable. This can be seen from the Fcount value of 218.442, which is greater than the Ftable value, which has a value of 2.839. Moreover, the significant value of 0.000 is smaller than alpha (0.05).

The magnitude of the influence of inflation, interest rates, exchange rates, and the composite stock price index has an influence of 95%. Thus, it can be concluded that these factors, namely inflation, interest rates, exchange rates, and the composite stock price index, are important variables for investors to pay attention to before investing. The remaining (5%) are other variables that investors also need to pay attention to. The movement of this independent variable provides a signal to investors in making investment decisions in Indonesian sharia shares. The results of this research are in

line with research conducted by Syaista Nur and Nur Fatwa that concluded through multiple linear regression analysis; it was found that inflation, interest rates, exchange rates, and IHSG together equally have an influence on ISSI (Nur & Fatwa, 2022).

CONCLUSION

Based on the results of the discussion above, it can be concluded that the T-test findings indicate that the variables inflation, interest rates, and exchange rates partially have no significant effect on ISSI, but the IHSG variable has a significant effect on ISSI. Meanwhile, the results of the F test simultaneously influence the ISSI, interest rates, exchange rates, and IHSG variables.

The results of this study reveal several important implications. First, there is a strong relationship between IHSG and ISSI, meaning that JCI movements significantly impact changes in ISSI values. On the other hand, JCI instability also has the potential to negatively affect ISSI. Second, inflation, interest rates and exchange rates apparently do not have a significant influence on changes in the ISSI value. This can be explained by the low level of inflation, which is below 10%, the stability of interest rate movements, the independence of the exchange rate from domestic companies, and government policies that maintain macroeconomic stability. The independent variables in this study, which consist of inflation, interest rates, exchange rates, and IHSG, have an influence of 95% on changes in the ISSI value, while the remaining 5% is influenced by other factors not studied. Therefore, investors need to carefully understand these findings and pay special attention to independent variables, especially the IHSG, in order to optimize their potential profits in investing.

This study possesses its novelty from earlier studies by including macroeconomic factors and introducing IHSG as an independent variable. In prior studies, the IHSG variable was treated as a dependent variable affected by other factors. According to most previous studies, the use of macroeconomic variables also uses one or a combination of macroeconomic variables such as inflation, interest rates, and exchange rates. Then the newest thing in this research is the time series. This research covers the period 2012 to 2022 on a quarterly basis. The time series taken in previous research covered a short period of years on a monthly basis. In addition, company sampling has been extensively utilized by researchers in the

past studies. In contrast, this study employs a saturated sample, which is equivalent to sampling the entire population.

LIMITATIONS

The study is limited in its concentration on predetermined macroeconomic elements, disregarding the many determinants that exist in macroeconomics. Therefore, a broader set of variables is required to include a larger variety of factors. In addition, the study is limited by its reliance on SPSS 26 as a data processor, which prevents the use of more contemporary data processing tools like SmartPLS and Eviews.

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