

Journal of Economics and Business Aseanomics

Journal homepage <http://academicjournal.yarsi.ac.id/jeba>

The Effect Of Inflation, Interest Rates, And Exchange Rate On The Indonesian Sharia Stock Index (ISSI)

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Informasi

Artikel

History of article:

Received: 2023-06-25

Accepted: 2023-08-10

*Keywords: Inflation,
Interest Rates, Exchange
Rates, Indonesian
Sharia Stock Index*

Abstract

The purpose of this study is to examine the relationship between exchange rates, interest rates and inflation on the Indonesian Sharia Stock Index. This type of research is quantitative or positivist, using multiple regression as an analytical tool. Data on the Indonesian Sharia Stock Index which are listed on the Indonesia Stock Exchange for the period 2019 to 2021, are the population in this study. A total of thirty six month samples were used for three years. The official website of Bank Indonesia: www.bi.go.id, and the official website of the Indonesia Stock Exchange: www.idx.co.id, are documentation used in collecting research data. The results of the study show that, first: The exchange rate has a negative and significant effect on the Indonesian Sharia Stock Index, second: Interest rates have a positive and significant effect on the Indonesian Sharia Stock Index, and third: Inflation has no effect on the Indonesian Sharia Stock Index listed on the Indonesia Stock Exchange since 2019-2021. Exchange rates and interest rates affect the Indonesian Sharia Stock Index, but inflation cannot be affected, this is an implication of the results of this study.

Abstrak

Tujuan penelitian ini yaitu untuk menguji hubungan diantara nilai tukar, suku bunga dan inflasi terhadap indeks Saham Syariah Indonesia. Jenis penelitian ini adalah kuantitatif atau positivistis, dengan menggunakan regresi berganda sebagai alat analisis. Data Indeks Saham Syariah Indonesia yang listing di Bursa Efek Indonesia periode 2019 hingga 2021, adalah merupakan populasi dalam penelitian ini. Sejumlah tiga puluh enam bulan sampel yang digunakan selama tiga tahun. Situs resmi Bank Indonesia: www.bi.go.id, dan situs resmi Bursa Efek Indonesia: www.idx.co.id, adalah dokumentasi yang digunakan dalam pengumpulan data penelitian. Hasil penelitian menunjukkan bahwa, pertama: Nilai tukar berpengaruh negative dan signifikan terhadap Indeks Saham Syariah Indonesia, kedua: Suku bunga berpengaruh positif dan signifikan terhadap Indeks Saham Syariah Indonesia, dan ketiga: Inflasi tidak berpengaruh terhadap Indeks Saham Syariah Indonesia yang terdaftar di Bursa Efek Indonesia sejak tahun 2019-2021. Nilai tukar dan Suku bunga mempengaruhi Indeks Saham Syariah Indonesia, akan tetapi inflasi tidak dapat dipengaruhi, hal ini merupakan implikasi dari hasil penelitian ini.

Kata kunci:

*Inflasi, Suku Bunga,
Nilai Tukar, Indeks
Saham Syariah
Indonesia*

JEL

Classification:

G1

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1. Introductions

In the current era of globalization, the industrial world is experiencing ups and downs. The development of the industrial world is followed by funding needs, so that the industry must seek sources of funds to carry out its operational activities. The need for these sources of funds can be met by selling shares to the public through the capital market or Go Public. The capital market is also one of the important factors that measure the economic development of a country, especially countries that have a market economy system because it can be an alternative source of financing for a business (Siregar, 2018).

Since March 2020, the world of stocks in Indonesia has been toyed with due to the Covid-19 Pandemic. Covid-19 does not only threaten public health but also economic growth in a country. All stock sectors experienced a decrease in daily transaction volume and value. The decline in the value of this share is most likely due to investors experiencing panic after seeing an increase in the number of positive cases in Indonesia. So investors do what is called 'Panic Selling'(Kompasiana.com).

Throughout 2021 the Indonesia Stock Exchange recorded encouraging results. As of December 29, 2021, the share price closed at 6,600 with a market capitalization of IDR 8,277 trillion. Even in the Covid-19 pandemic situation, the Main Director of the IDX, Inarno Djajadi said, the Indonesia Stock Exchange (IDX) and the Self Regulatory Organization (SRO) with the support of the Financial Services Authority (OJK) could still maintain maximum performance. seamless trading operations (Msn.com).

The Islamic capital market is a market whose activities are related to public offerings and securities trading that do not conflict with sharia principles. In Indonesia, this capital market is also part of the Islamic finance industry which is regulated by the Financial Services Authority (OJK) based on Law no. 8 of 1995 and DSN MUI Fatwa.

Inflation can be said to be influential because changes in prices in general and last a long time will affect the desire of potential investors to invest in a company (Aulia & Latief, 2020). The inflation rate in Indonesia often fluctuates and causes price volatility in general. This has an impact on shares in the capital market. An increase in price will reduce the demand for shares because people's real income decreases. When inflation increases, the company's production costs increase thereby reducing the value of the company's gross, operating, and net profit. With the decline in corporate profits, resulting in a decrease in dividends to investors in the capital market. The fluctuating inflation rate will affect the level of investment in the capital market, including the Indonesian Sharia Stock Index (Triuspitorini, 2021).

In addition to inflation affecting ISSI, the exchange rate can also affect the Indonesian Sharia Stock Index (ISSI). Exchange rates are determined by market mechanisms that measure the forces of market supply and demand and the ways in which government interventions are regulated in this area. The behavior pattern of the rupiah exchange rate or what is often referred to as the exchange rate depends on the monetary system in force in that country (Herlina & Latief, 2020).

Another macroeconomic factor that influences the stock development index is the interest rate. In general, investors expect Bank Indonesia to raise interest rates. However, in the long run this will hurt investors. An increase in interest rates will lead to an increase in the rate of return on other, lower-risk investments, compared to high-risk stock investments. That way, stock investment enthusiasts will move and reduce the number of shareholders, including sharia shares (Triuspitorini, 2021).

The results of research conducted by Aulia & Latief (2020) shows that inflation has no significant effect on the Indonesian Sharia Stock Index, in contrast to the results of research conducted by Junaidi et al., (2021) which states that the inflation variable has a positive and significant effect on the Indonesian Sharia Stock Index (ISSI).

The results of research conducted by Junaidi et al., (2021) revealed that the interest rate variable had a negative and significant effect on the Indonesian Sharia Stock Index inversely with the research conducted by Chotib & Huda (2020) which states that the interest rate variable has a positive effect on the movement of the Indonesian Sharia Stock Index (ISSI) and encourages an increase in the Indonesian Sharia Stock Index (ISSI).

According to research conducted by Mawarni & Widiasmara (2018) the result is that the Exchange Rate variable has a significant negative effect on the Indonesian Sharia Stock Index (ISSI). However, there is an opposite relationship with research conducted by Herlina & Latief (2020) who get the result that the Exchange Rate variable has no significant positive effect on the Indonesian Sharia Stock Index (ISSI).

Based on the phenomena and theories that have been described previously, the authors are interested and want to know more about the development of the Islamic stock index as a whole, especially in Indonesia. Therefore, the dependent variable used in this study is the Indonesian Sharia Stock Index (ISSI) with the aim of knowing the effect of macroeconomic factors such as inflation, interest rates and exchange rates on the Indonesian Sharia Stock Index on the Indonesia Stock Exchange in 2019-2021. ISSI can also be used as a reference and benchmark for sharia-based stock investment which is expected to increase investor confidence in making decisions in investing in sharia.

2. Literature Review

2.1 Literature and Hypothesis Review

In research conducted by Nur & Fatwa (2022), this study aims to analyze the effect of inflation, Bank Indonesia Interest Rates, Exchange Rates on the Indonesian Sharia Stock Index (ISSI). Using quantitative research methods and secondary data types from January 2015 to June 2021. The results of this study indicate that the inflation variable has a positive effect on the Indonesian Sharia Stock Index (ISSI), the Exchange Rate variable has a negative and significant effect on the Indonesian Sharia Stock Index (ISSI), and the Interest Rate variable which shows a negative but not significant effect on the Indonesian Sharia Stock Index (ISSI). The difference between this research and research conducted by Nur & Fatwa (2022), this study does not use the Jakarta Composite Index variable.

In research conducted by Anwar & A, Dwi (2020), this study aims to empirically determine the effect of inflation and exchange rates on the movement of the Indonesian Sharia Stock Index (ISSI). The research was conducted using quantitative research methods, with multiple linear regression analysis models. Data collection uses secondary data from related data documentation. The data used is monthly closing price data for each company from 2014-2018 for 60 months. The results of this study indicate that the inflation variable partially has a significant effect on the movement of the Indonesian Sharia Stock Index (ISSI). Exchange rate variables partially have no effect on the movement of the Indonesian Sharia Stock Index (ISSI).

In research conducted by Hussin et al., (2018), this study aims to determine the relationship between the development of the Islamic stock market and macroeconomic variables in Malaysia. The variables used are the Kuala Lumpur Sharia Index (IKLS), Industrial Production Index (IPI), Consumption Price Index (CPI), Money Supply (M3), Islamic Inter-Bank Interest Rates (IIR), and the Malaysian Ringgit-US Dollar Exchange Rate Union. The analytical method used is Vector Auto Regression (VAR). The results showed that KLSI had a positive and significant relationship with the IPI and CPI variables, but had a negative and significant relationship with the M3 variable and the exchange rate. While the relationship with the IIR variable was found to be negative but not significant.

In research conducted by Amadasu (2018), this study aims to determine the relationship between the variables Interest Rates, Inflation, and Exchange Rates on the Nigerian Stock Index. This study found that there is some relationship between variables although not significant. The results showed that the interest rate variable had a negative and insignificant effect on the Nigerian Stock Index, while the Exchange Rate and Inflation had a positive effect on the Nigerian Stock Index.

2.2 Relationship Between Variables

2.2.1 The Effect of Inflation on the Indonesian Sharia Stock Index

Aulia & Latief (2020), states that inflation is not the main reason for investors in making a decision to buy a share or not, because when the company's shares are of good quality and have the potential to provide benefits, investors will continue to purchase these shares. The increase in inflation is able to increase production costs to be greater than the increase in raw material prices compared to the increase in selling prices set by the company. This will reduce the company's profitability with the assumption that sales will continue to decline and will increase investment risk. This decrease in profitability will reduce investor interest in investing, thereby causing a decline in stock prices and stock indexes. Inflation has a significant influence on stock price movements in ISSI. The underlying assumption is that when inflation occurs quickly and increases sharply from before, investors' interest in investing will decrease. Declining investor interest in investing will reduce company stock prices and reduce stock indices, including the Indonesian Sharia Stock

Index (Aliandaru, 2020). This theory is supported by research conducted by Junaidi et al. (2021), which reveals that inflation has a positive and significant influence on the Indonesian Sharia Stock Index (ISSI). However, this is contrary to the results of research conducted by Aulia & Latief (2020), which shows that inflation has no significant effect on the Indonesian Sharia Stock Index (ISSI). Therefore, the temporary answer for this research is that there is an effect of inflation on the Indonesian Sharia Stock Index (ISSI) in accordance with the theory presented and in line with research (Junaidi et al, 2021).

H1: There is an effect of inflation on the Shares of Syariah Index Indonesia (ISSI) in Indonesia Stock Exchange 2019-2021.

2.2.2 The Effect to Interest Rates on the Indonesian Sharia Stock Index

Tripuspitorini (2021: 114), states that interest rates have influence on the stock index in the capital market. In general investors expect Bank Indonesia to increase interest rates. However, In the long term, this will be detrimental to investors. Tribe increase interest will lead to an increase in the rate of return on other investments with lower risk compared to stock investments with risk tall one. That way, stock investment enthusiasts will move and reducing the number of shareholders, including sharia shares. This theory is supported by research conducted by Chotib & Huda (2020) which states that interest rates have a positive effect on movement of the Indonesian Sharia Stock Index (ISSI). Meanwhile in research conducted by Junaidi et al. (2021) revealed that interest rates have a negative and significant effect on the Sharia Stock Index Indonesia (ISSI). Therefore, the temporary answer to this research is ethnicity interest has an influence on the Indonesian Sharia Stock Index (ISSI) in accordance with the theory presented and in line with the results of the research conducted by Chotib & Huda (2020).

H2: There is an influence of Interest Rates on Indonesian Sharia Index Shares (ISSI) on the Indonesia Stock Exchange in 2019-2021.

2.2.3. The Effect of the Exchange Rate on the Indonesia Sharia Stock Index

Yuanita (2018:93), states that development and movement Islamic stock performance can be influenced by several factors, both factors internal and external of the issuer company. One of the external factors is the exchange rate change. when the exchange rate increases will affect the increase in prices in general associated with 20 amount of money, and the exchange rate of this currency is stable and can also be unstable or too moving up or down. With an increase in the exchange rate This will lead to an assessment in the minds of investors that the Index Indonesian Sharia Stocks (ISSI) experienced an increase in demand and the sale is doing well, with so many investors who will interested and willing to invest in the company, so the request The Indonesian Sharia Stock Index (ISSI) is increasing and of course the volume sharia stock trading (ISSI) increased. This theory is supported by research conducted by Herlina and Latief (2020) that the Exchange Rate has no significant positive effect on Indonesian Sharia Stock Index (ISSI). However, contrary to results of research conducted by Mawarni & Widiasmara (2018) get the result that the Exchange Rate has a significant negative effect to the Indonesian Sharia Stock Index (ISSI). Hence, answer while this research is the exchange rate has an influence on the index Indonesian Sharia Stocks (ISSI) according to the theory presented and in line with research by Herlina & Latief (2020).

H3: There is an influence of the Exchange Rate on the Indonesian Sharia Index (ISSI) Shares on the Indonesia Stock Exchange in 2019-2021

3. Data and Methods

Data analysis is an activity carried out after collecting data from all respondents or other data sources. Data analysis activities are grouping data based on variables and types of respondents, tabulating data based on variables from all respondents, and providing accurate variable data. For each variable in the study, research was carried out to answer the problem formulation, and calculations were carried out to test the hypotheses that had been proposed (Sugiyono, 2017:232).

In this study, researchers used Econometric Views (Eviews) software version 10.0 and Microsoft Excel to help researchers get accurate analysis results and match the research variable data. Multiple regression

analysis techniques were also carried out in this study to examine the relationship or relationship of influence between the related variables which are more than two in number.

Coefficient of Determination

The coefficient of determination basically measures the model's ability to explain changes in the dependent variable. The coefficient value is between zero and one ($0 \leq R^2 \leq 1$). The small value of R^2 means that the ability of the independent variable to explain changes in the dependent variable is very limited. Score close to 1 indicates that the independent variable provides almost all the information needed to predict changes in the dependent variable (Ghozali, 2018:97).

Hypothesis Test and T Test

The t test basically shows the magnitude of the influence of an explanatory variable or independent variable in explaining changes in the dependent variable (Ghozali, 2018:98). The criteria for testing the t statistical test are as follows:

- If $t \text{ count} < t \text{ table}$, and the probability of significance > 0.05 , then the independent variable has no effect on the dependent variable.
- If $t \text{ count} > t \text{ table}$, and the probability of significance < 0.05 , then the independent variable affects the dependent variable.

Hypothesis Test and F Test

The F statistical test basically shows that all independent variables or independent variables included in the model have the same effect on the dependent variable or dependent variable (Ghozali, 2018:98). The criteria for testing the F statistical test are as follows: If $F \text{ count} < F \text{ table}$, and probability significance > 0.05 , then all independent variables have no effect on the dependent variable

4. Results

T test

The change in the dependent variable is explained by explanatory variables or independent variables, this is intended to find out how much influence it has when the t test is carried out. Comparing the t table with the t count, as well as the significance value, is aimed at determining whether the hypothesis testing is rejected or accepted. If $\alpha = 5\% = 0.05$ is the level of significance in this study. The independent variable has no effect on the dependent variable if $t \text{ count} < t \text{ table}$. The independent variable affects the dependent variable, if $t \text{ count} > t \text{ table}$.

Table 4.1 T Test Analysis Results

Variable	coefficient	std. Error	t-Statistics	Prob.
INFLATION	-0.042689	0.057861	-0.737784	0.4660
INTEREST RATE	0.054046	0.025817	2.063443	0.0443
EXCHANGE RATE	-0.713498	0.550873	-3.110513	0.0039
C	9.362700	2.286228	4.095261	0.0003

Source: Eviews Multiple Linear Regression Output Results Version 10.0, 2022

The number of observations is ($n = 36$), can be seen in table 4.10, worth ($k = 3$) is the number of independent variables. Value $36-3-1 =$ obtained from degree of freedom ($df = n-k-1$). T table = 2.036933, the significance level is 0.05. Below is clearly seen based on the results of a unilateral test (T-test).

1. The first hypothesis is inflation (X1) with a value of -0.737784 and a significance level of 0.4660. if compared then $-0.737784 < 2.036933$ (t count is smaller than t table) and $0.4660 > 0.05$ (significance greater than the real level). Based on the test results above, it can be concluded that inflation (X1) has no effect on the Indonesian Sharia Stock Index (ISSI). Based on the test results above, it can be concluded that H1 which states that inflation has an effect on ISSI is rejected. This can be interpreted that during the observation period the inflation rate was in a normal period or it can be said not during a crisis so that it does not affect investors' decisions to conduct stock transactions. During the research period, investors did not use the inflation rate as a consideration in making decisions to make sharia-based investments. There are other factors that can affect investors' decisions in investing in Islamic stocks, such as interest rates and exchange rates.

2. The second hypothesis of Interest Rate (X2) has a value of t count of 2.063443 and a significance level of 0.0443, when compared to 2.063443 > 2.036933 (t count is greater than t table) and 0.0443 < 0.05 (Significance is smaller than the real level). Based on the test results above, it can be concluded that interest rates have a significant positive effect on the Indonesian Sharia Stock Index (ISSI). Based on the test results above, it can be concluded that H2 which states that interest rates have an effect on ISSI is accepted. The results of this study show that interest rates contributed to an increase in the Indonesian Sharia Stock Index (ISSI) during the 36 period January 2019-December 2021. The results of this study are in accordance with research conducted by Chotib & Huda (2020). Which shows a positive and significant influence between Interest Rates and ISSI. In contrast to the research conducted by Junaidi et al., (2021) which showed a negative and significant effect between Interest Rates and ISSI,
3. The third hypothesis of the Exchange Rate (X3) has a calculated t value of -3.110513 and a significance level of 0.0039, when compared to -3.110513 > 2.036933 (t count is greater than the real level) and 0.0039 < 0.05 (Significance is smaller than the real level). Based on the test results above, it can be concluded that the Exchange Rate has a significant negative effect on the Indonesian Sharia Stock Index (ISSI). Based on the test results above, it can be concluded that H3, which states that exchange rates have an effect on ISSI, is accepted. The weakening of the Rupiah value triggers an increase in prices, including manufactured goods. Of course this has an impact on increasing production costs, and decreasing company profits. The decline in company profits will affect dividend policy, especially cash dividends and this will attract investors. Declining investor interest in stocks can have an impact on declining stock prices, so that the Indonesian Sharia Stock Index also experiences a decline.

Test F

All independent variables or independent variables, in principle, are obtained from the results of the statistical F test. Dependent variable or dependent variable, included in the modeling of statistical analysis tools that influence one another. The table below presents the results of the statistical t test:

Table 4.2 F Test Analysis Results

R-squared	0.395176	Means var depends	2.231655
Adjusted R-squared	0.338473	SD depends on var	0.049477
SE from regression	0.040242	Criterion info Akaike	-3.483373
Sum of squared residues	0.051821	Schwartz criteria	-3.307427
Probability logs	66.70072	Hannan-Quinn criteria.	-3.421963
F-statistics	6.969305	Durbin-Watson statistics	1.843757
Prob(F-statistics)	0.000971		

Source: Eviews Multiple Linear Regression Output Results Version 10.0, 2022

Based on table 4.11, the calculated F is 6.969305 with a p-statistic F value of 0.000971. Based on the F table, the value is 2.90112 with df 1 = (k-1) = (4-1) = 3 and df 2 = 9 (nk) = (36-4) = 32 with degrees of freedom $\alpha = 0.05$ ($\alpha = 5\%$). This means F count \geq F table or equal to 6.969305 \geq 2.90112 with a p-value F-statistic < 0.05 or equal to 0.000971 < 0.05 which means the independent variables namely Inflation, Interest Rates and Exchange Rates simultaneously affect the dependent variable namely the Indonesian Sharia Stock Index (ISSI).

Determination Coefficient Test

Dependent variable, the changes are explained in a measurement of the ability of the model based on the coefficient of determination. The value between zero and one ($0 \leq R^2 \leq 1$), is the coefficient value. The adjusted R-Square value is intended to determine how much the independent variable (X) is capable of explaining changes in the dependent variable (Y).

Table 4.3 Determination Coefficient Test Results

R-squared	0.395176	Means var depends	2.231655
Adjusted R-squared	0.338473	SD depends on var	0.049477

Source: Eviews Multiple Linear Regression Output Results Version 10.0, 2022

Based on table 4.12 it can be seen that the value *Adjusted R-Square* as big **0.338473** meaning that together Inflation, Interest Rates and Exchange Rates have a contribution to ISSI of 33.84%, while the remaining 66.16% is influenced by other variables not examined or not included in this research model.

5. Discussion

The Effect of Inflation on the Indonesian Sharia Stock Index

The first hypothesis which states that inflation affects the Indonesian Sharia Stock Index (ISSI) is rejected. It can be seen from table 4.6 that the calculated t value is smaller than t table ($-0.737784 < 2.036933$), and can also be seen from the prob results which are greater than the significance level ($0.4660 > 0.05$). Inflation Coefficient of -0.042689 , meaning that every 1 time the value of inflation changes, ISSI will decrease by -0.042689 . Inflation has no effect on ISSI.

The results of this study can be interpreted that inflation does not affect the movement of the Indonesian Sharia Stock Index. In this research period, investors did not use the inflation rate as a consideration in making decisions to make sharia-based investments. There are other factors that can affect investors' decisions in investing in Islamic stocks, such as interest rates and exchange rates.

The results of this study are in line with research Aulia & Latief (2020) which reveals that inflation has no significant effect on ISSI. This research is also in line with research Triuspitorini (2021) which states that inflation has no effect on ISSI. Unlike the research conducted by Junaidi et al. (2021), which reveals that inflation has a positive and significant effect on the Indonesian Sharia Stock Index (ISSI).

The Effect of Interest Rates on the Indonesian Sharia Stock Index

The second hypothesis which states that interest rates have an effect on the Indonesian Sharia Stock Index (ISSI) is accepted. It can be seen from table 4.6 that the calculated t value is greater than t table ($2.063443 > 2.036933$), this can also be seen from the prob results which are smaller than the significance level ($0.0443 < 0.05$). Interest Rate Coefficient of 0.054046 , meaning that every 1 time the value of the Interest Rate changes, ISSI will increase by 0.054046 . Interest rates have a positive effect on the Indonesian Sharia Stock Index.

The results of this study can be interpreted that the higher the interest rate, the higher the Indonesian Sharia Stock Index. The results of this study indicate that interest rates have a strong contribution to increasing the Indonesian Sharia Stock Index (ISSI) during the 36 period January 2019-December 2021. Interest rates are influenced by monetary instruments issued by Bank Indonesia. Therefore, to develop sharia-based stock indexes such as the ISSI, Bank Indonesia needs to develop sharia-based monetary instruments.

The results of this study are in line with research conducted by Chotib & Huda (2020) which states that interest rates have a positive effect on the movement of the Indonesian Sharia Stock Index (ISSI). And in line with research conducted by Junaidi et al. (2021) revealed that interest rates have an effect on the Indonesian Sharia Stock Index (ISSI). Unlike the research conducted by Zuhri (2020) stated that interest rates had no effect on the Indonesian Sharia Stock Index (ISSI).

The Effect of Exchange Rates on the Indonesian Sharia Stock Index

The third hypothesis which states that the Exchange Rate affects the Indonesian Sharia Stock Index (ISSI) is accepted. It can be seen from table 4.6 that the calculated t value is greater than t table ($-3.110513 > 2.036933$), this can also be seen from the prob results which are smaller than the significance level ($0.0039 < 0.05$). Exchange Rate Coefficient of -0.713498 , meaning that every 1 time the exchange rate changes,

the ISSI will decrease by -0.713498. The Exchange Rate has a negative effect on the Indonesian Sharia Stock Index.

The results of this study can be interpreted that a decrease in the Exchange Rate can reduce the Indonesian Sharia Stock Index. The weakening of the exchange rate triggers an increase in prices, including manufactured goods. Of course this has an impact on increasing production costs, and decreasing company profits. The decline in company profits will affect dividend policy, especially cash dividends and this will attract investors. Declining investor interest in stocks can have an impact on declining stock prices, so that the Indonesian Sharia Stock Index also experiences a decline.

The results of this study are in line with research conducted by Mawarni & Widiastara (2018) and Nur & Fatwa (2022) the result is that the Exchange Rate variable has a significant negative effect on the Indonesian Sharia Stock Index (ISSI). Unlike the research conducted by Tripuspitorini (2021) that the Rupiah Exchange Rate has no effect on the Indonesian Sharia Stock Index (ISSI).

6. Conclusion

1. Inflation has no effect on the Indonesian Sharia Stock Index. This shows that no matter how high the inflation rate is, it cannot affect the Indonesian Sharia Stock Index. In that period, investors did not use the inflation rate as a consideration in making decisions to make sharia-based investments. And because of the unstable economic conditions, it is better for people to use their money for their daily needs than to invest their money in companies.
2. Interest rates have a significant positive effect on the Indonesian Sharia Stock Index. This shows that the higher the interest rate, the higher the Indonesian Sharia Stock Index. Interest rates are influenced by monetary instruments issued by Bank Indonesia. Therefore, to develop sharia-based stock indexes such as the ISSI, Bank Indonesia needs to develop sharia-based monetary instruments.
3. The Exchange Rate has a significant negative effect on the Indonesian Sharia Stock Index. This shows that a decrease in the Exchange Rate can reduce the Indonesian Sharia Stock Index. The weakening of the exchange rate triggers an increase in prices, including manufactured goods. Of course this has an impact on increasing production costs, and decreasing company profits. The decline in company profits will affect dividend policy, especially cash dividends and this will attract investors. Declining investor interest in stocks can have an impact on declining stock prices, so that the Indonesian Sharia Stock Index also experiences a decline.

Recommendation

Based on the conclusions above, there are suggestions that can be drawn from the research results as follows:

1. The government keeps the movement of inflation from getting too high which will have an impact on the people's economy.
2. Bank Indonesia must further improve its policy on sharia-based monetary instruments and maintain interest rate stability.
3. The government should continue to try to maintain the stability of the exchange rate, this is intended so that the company's income remains stable and increases which has an impact on the company's dividend policy.

Limitations and Paths for Future Research

By paying attention to the research conclusions, the author realizes that there are limitations and weaknesses that still need to be improved, including:

This study is limited to three independent variables, namely inflation, interest rates and exchange rates. However, ISSI has other macroeconomic factors such as the Money Supply, World Oil Prices, FED Rate, Gold Prices, etc. There are also other additional variables that were not included in this study, such as moderation and intervening.

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