



## The Effect of Inflation, Bi Rate, JUB, Exchange Rate, and SBIS on the Jakarta Islamic Index in 2010-2023

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### ABSTRACT

**Purpose:** Despite variations in economic indicators such as inflation, central bank interest rates, monetary supply, currency valuations, and Islamic financial products, the Jakarta Islamic Index maintains steady stock trading performance. The study examines how various economic factors influenced the Jakarta Islamic Index (JII) between 2010 and 2023. In particular, it explores how the index's behavior is shaped by inflationary pressures, Bank Indonesia's benchmark rate, money circulation, foreign currency exchange rates, and Islamic-compliant certificates issued by Bank Indonesia.

**Design/Method/Approach:** The study utilizes quantitative methods, analyzing data collected over time from credible institutions such as Bank Indonesia, the Financial Services Authority, the Central Statistics Agency, and other reputable sources. Various analytical approaches are employed, including classical assumption testing, multiple linear regression, individual and collective significance evaluations, and determination coefficient analysis. This research employs various analytical techniques to examine how multiple economic variables (including inflation rates, the Bank Indonesia interest rate, money supply levels, currency exchange rates, and Bank Indonesia Sharia Certificates) potentially influence or correlate with the performance of the Jakarta Islamic Index.

**Findings:** The study's results indicate that among the economic factors analyzed, such as Inflation, BI Rate, Money Supply, and Bank Indonesia Sharia Certificates, most did not show significant individual effects on the Jakarta Islamic Index. The exchange rate, however, emerged as the only factor with a notable individual impact. Collectively, when all these economic variables were considered together, they were found to have a combined influence on the Jakarta Islamic Index.

**Originality/Values:** This study's findings offer valuable information for both investors and policymakers, shedding light on the intricate workings of the Islamic capital market and pinpointing crucial economic factors that shape its performance.

## INTRODUCTION

The capital market has a very crucial function in today's global economy because it is a means to attract investment, strengthen financial conditions, and become one of the vital components in the modern economic financial system (Rahmah, 2023). The capital market serves as a platform for trading financial instruments and equities. A key purpose of share issuance in this market is to help companies maintain their capital base. While the Islamic capital market fulfills a similar function to its conventional counterpart, it distinguishes itself through the use of financial instruments and trading practices that adhere to Islamic principles, specifically avoiding interest (*riba*) and speculative activities (Setiawan & Rojasari, 2019). These elements have the potential to influence the degree of investment yield within the Islamic capital market sector. The following graph explains the Inflation condition in 2010-2023.

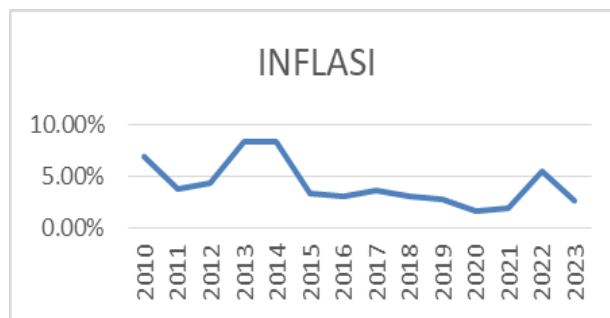


Figure 1. Inflation Growth  
(Source: Statistics Indonesia, 2024)

The inflation rate in Indonesia has shown variability over the 13-year period spanning from 2010 to 2023, as evidenced by the aforementioned data. In 2020, 1.68% was the lowest rate, which is a significant impact of the COVID-19 outbreak on domestic demand. In contrast, in 2013 it was 8.38% the highest rate. The Indonesian government's decision to raise subsidized fuel prices in mid-2013, aimed at easing the state budget, had a ripple effect. This price hike resulted in increased transportation and production costs, subsequently driving up prices across various goods and services. Consequently, higher inflation rates diminish the purchasing power of currency. Moreover, elevated inflation levels reduce the real returns investors receive from their capital investments (Ardyansyah, 2022). Unexpected shifts in inflation rates or alterations in how people anticipate future inflation can influence both economic policies and stock market performance (Hoong *et al.*, 2023). Furthermore, the following is a graph of the BI Rate during 2010-2023.

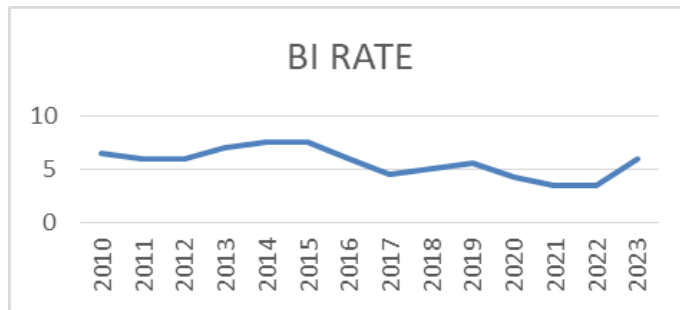


Figure 2. BI RATE Growth  
(Source: Statistics Indonesia, 2024)

The BI Rate has changed, in 2021 and 2022 by 3.52% the lowest level. Bank Indonesia's policy to protect low interest rates aims to support economic stability after the COVID-19 pandemic, with the hope of increasing consumption and investment. On the other hand, the peak was reached in 2014 at 7.54%, coinciding with Bank Indonesia's decision to increase interest rates. The action was intended to protect the rupiah's value against volatility in international financial markets. Additionally, below you can find a chart depicting the Money Supply trends from 2010 to 2023.

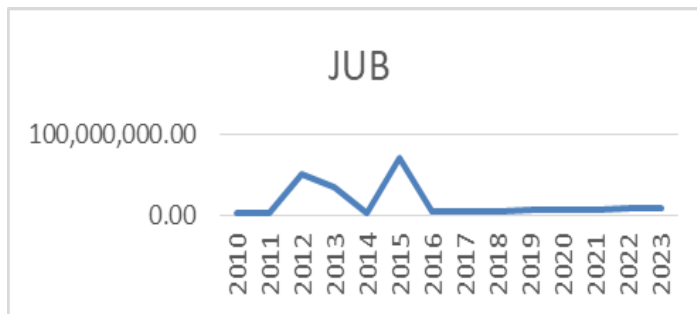


Figure 3. Growth of JUB  
(Source: Financial Services Authority, 2024)

In the Money Supply experienced development, in 2014 amounting to 1,457,394.27 the lowest level was due to Bank Indonesia practicing accommodative monetary policy to support economic growth. Relatively low interest rates and loose liquidity policies help increase the money supply in society. While in 2013 it amounted to 51,392,847.44 the highest level this is because in 2013, Indonesia experienced significant economic growth, which encouraged increased economic activity and demand for money. The amount of money in circulation plays an important role because it is a transaction tool that drives the economy. The size of the amount of money in circulation will affect the buying power of the community and the availability of the needs of the

community. If the amount of money in circulation is too much, it will increase the production of goods so that the production of goods in the country will increase (Hamzah *et al.*, in.d.). Furthermore, the following is a graph of the exchange rate during 2010-2023.

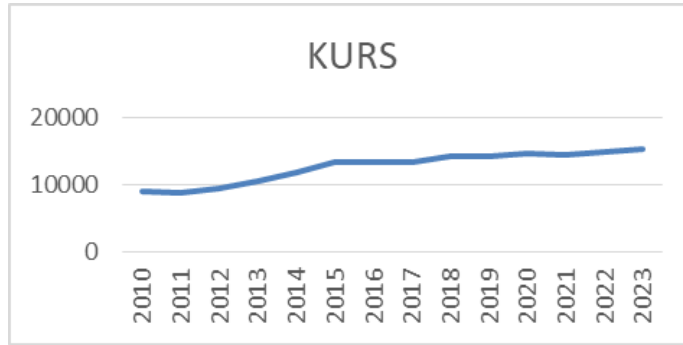


Figure 4. COURSE Growth  
(Source: Bank Indonesia, 2024)

Over time, the Indonesian rupiah has been experiencing a trend of depreciation against foreign currencies. The currency reached its strongest position in 2011, with an exchange rate of 8,779.49 rupiah per foreign currency unit, following Indonesia's efforts to stabilize and revitalize its economy in the wake of global economic turbulence. Consistent economic growth and controlled inflation helped strengthen the rupiah. However, by 2023, the exchange rate peaked at 15,255.05. This was primarily due to major central banks, like the US Federal Reserve, raising interest rates to combat inflation. Consequently, there was a capital outflow from developing countries, including Indonesia, leading to a weaker rupiah. Additionally, a graph shows the development of Bank Indonesia Certificates from 2010 to 2023.

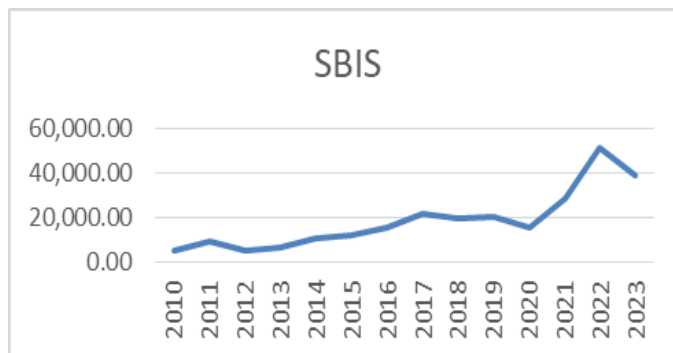


Figure 5: Growth of SBIS  
(Source: Financial Services Authority, 2024)

Sharia Bank Indonesia Certificates show an increase every year. In 2012 amounting to 4,993.00 the lowest level, this is because in that year Bank Indonesia implemented a looser monetary policy to encourage economic growth, including lowering the benchmark interest rate which had an impact on reducing the level of Islamic Bank Indonesia Certificates. In contrast, 2022 saw the peak level at 51,463.00, likely due to Bank Indonesia implementing stricter monetary measures to curb rising inflation. These measures included hiking the benchmark interest rate, which consequently led to an increase in Sharia Bank Indonesia Certificates. The chart below depicts how the Jakarta Islamic Index has performed between 2010 and 2023.

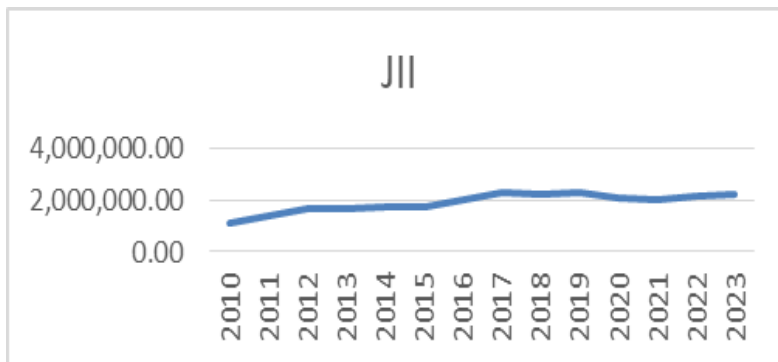


Figure 6. Growth of the Jakarta Islamic Index  
(Source: Financial Services Authority, 2024)

The table above shows that the Jakarta Islamic Index (JII) has increased every period. In 2010 it amounted to 1,134,632.00 the lowest level; this was influenced by the negative impact of the global financial crisis in 2008 which was still felt in the capital markets of various countries, including Indonesia. This resulted in a decline in investor confidence and a decline in stock indices, including the JII. Conversely, in 2019 it was 2,318,565.69 the highest level, this was influenced by political stability and government policies that support investment, thus increasing investor confidence and driving the index up.

Multiple prior studies have investigated the macroeconomic factors influencing the Jakarta Islamic Index (JII). Al Ghifari's research, which examined how macroeconomic variables affected the JII, determined that from 2015 to 2019, the SBIS (likely referring to Sertifikat Bank Indonesia Syariah), currency exchange rates, and inflation all had a considerable negative impact on the JII (Al Ghifari et al., 2021). My study differs from the aforementioned research, particularly in terms of the independent variables examined and the timeframe under consideration. This investigation focuses on the effects of

inflation, the Bank Indonesia (BI) Rate, money supply, exchange rates, and SBIS over a longer period, spanning from 2010 to 2023.

In their 2023 study, Ahmad, Nisa, and Dela examined the impact of the Jakarta Islamic Index (JII) on inflation, interest rates, and money supply from 2015 to 2021. The findings revealed that interest rates and money supply have a partial effect on the JII, while inflation does not. However, when considered together, all these variables influence the JII. Consequently, investors in the JII should consider both macroeconomic and microeconomic factors to achieve optimal returns (Ryad *et al.*, 2023). This study differentiates itself from my previous research, primarily in its selection of independent variables and the timeframe under examination. My current investigation focuses on the variables of inflation, Bank Indonesia's policy rate (BI Rate), monetary supply, currency exchange rates, and Bank Indonesia Sharia Certificates (SBIS), covering the years from 2010 to 2023.

Research by Dini Rahmayanti in 2021 investigated the effects of macroeconomic variables on the Jakarta Islamic Index (JII) during the period 2015-2021. The results showed that both inflation and the Dow Jones Industrial Average significantly and negatively affected the JII. In contrast, exchange rates and crude oil prices demonstrated a significant positive effect. The research also indicated that industrial production growth and interest rates did not have a noteworthy impact on the JII during the observed timeframe (Dini, 2021). The current study differs from the previous research in two key aspects: the selection of independent variables and the timeframe under examination. This investigation focuses on inflation, the BI Rate, money supply, exchange rate, and SBIS (Sharia Bank Indonesia Certificates) as independent variables, covering the years 2010 to 2023. In contrast, the earlier study analyzed inflation, interest rates, industrial production growth, exchange rates, crude oil prices, and the Dow Jones Industrial Average, spanning the period from 2014 to 2021.

In previous research by Romdhonah Zahrotul M, Ayu Widyaningtias, and Siti Amarah in 2024, they analyzed the effect of Inflation, Exchange Rate, and Gross Domestic Product on the Stock Price Index in the Jakarta Islamic Index. The research results indicate that fluctuations in both inflation and currency exchange rates have a noticeable effect on the Jakarta Islamic Index. Moreover, the study shows that changes in the country's gross domestic product significantly influence how this Islamic stock index performs (Widyaningtias *et al.*, 2024). This research is different from the research I did, especially in terms of the independent variables use and the period of years analyzed. The variables examined in my study include inflation rates, Bank Indonesia's benchmark interest rate (BI Rate), monetary supply levels, foreign exchange rates, and Bank Indonesia Sharia Certificates (SBIS), with data spanning from 2010 to 2023.

In previous research by Three Handayai et al in 2023, which analyzed the macroeconomic influence on the Jakarta Islamic Index for the period January 2020 to 2022, it was found that government consumption expenditure, as a component of gross domestic product (GDP), decreased during the pandemic, except for government consumption expenditure. The COVID-19 pandemic's impact on Indonesia pushed the country's economic growth into crisis levels. The BRIS stock price is marginally affected by three factors: the Bank Indonesia (BI) Rate, with an influence of 0.0003; the Consumer Price Index (CPI), affecting it by 0.0001; and the Exchange Rate, with an impact of 0.0002. Statistical analysis shows an F value of 11.94024 with a 0.000 probability. Together, these various economic variables seem to play a role in shaping the behavior and performance of the Jakarta Islamic Index (JII) (Np *et al.*, 2023). This study distinguishes itself from prior research, particularly in its choice of independent variables and the timeframe examined. This study focuses on five primary variables: Inflation, Bank Indonesia's policy rate (BI Rate), monetary supply, currency exchange rates, and Sharia-compliant Bank Indonesia Certificates (SBIS). The research examines data covering the period from 2010 to 2023. A visual illustration of the study's conceptual structure is presented in Figure 1.

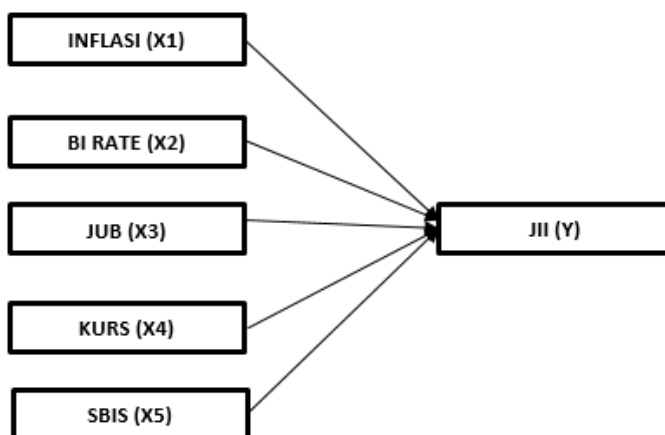


Figure 7. Framework of Thought

Drawing from the previous analysis, it's evident that this research concentrates on a set of specific independent variables: inflationary trends, Bank Indonesia's benchmark interest rate (BI Rate), monetary supply levels, foreign currency exchange rates, and Bank Indonesia's Sharia-compliant certificates (SBIS). The Jakarta Islamic Index serves as the study's dependent variable. Drawing from this research framework, the study proposes the following hypotheses:

## **Inflation Relationship to Jakarta Islamic Index**

Inflation in Indonesia continues to increase; this will affect the market, reduce company value, and result in the company being viewed negatively by shareholders. The results of research from Suandi, Ahmad, and sanurdi in 2023 show that inflation has an impact on the Jakarta Islamic Index, (Dalimunthe, 2021). Research by Ahmad Muhammad Ryad, Nisa Nuraidah, and Dela Triana Sanubari concluded that inflation did not significantly impact the Jakarta Islamic Index. Their analysis of data from 2015 to 2021 revealed an average inflation rate of 3 percent, which is considered low. This finding was derived from a descriptive examination of the data over this six-year period. As a result of this relatively low inflation, the researchers determined that it did not substantially impact the index. Based on previous research and temporary conjectures, the first hypothesis can be made:

H1: The inflation variable partially has a positive effect on the Jakarta Islamic Index (JII) in 2010-2023.

## **Relationship between BI Rate and Jakarta Islamic Index**

Interest rates are an important variable that affects people's choices in determining the form of wealth to be owned, whether it is in the form of money, financial assets, or real objects such as land, houses, machinery, and merchandise. Research results from Dandi Ibnu Sutowo et al in 2023 showed that the BI Rate affects the Jakarta Islamic Index (Sutowo *et al.*, 2022). Meanwhile, research from Dini Rahmayati in 2021 which states that the variable coefficient of interest rates is -8958.2 and the probability is 0.6133. Here's a paraphrased version of the sentence: According to the statistical findings, changes in interest rates do not appear to have a meaningful or substantial effect on the performance of the Jakarta Islamic Index. Drawing from prior studies and preliminary assumptions, we can formulate the second hypothesis as follows:

H2: BI Rate variable partially has a positive effect on the Jakarta Islamic Index (JII) in 2010-2023.

## **Relationship between Total Money in Circulation and the Jakarta Islamic Index**

Total Money in Circulation is a description of the economy in a country where the total money supply will affect investor interest in investing this is because the amount of money circulation can affect the rise and fall of stock prices (Zuhri, 2020). The 2023 study conducted by Ahmad Muhammad Ryad and colleagues demonstrates that the money supply (JUB) influences the performance of the Jakarta Islamic Index (Ryad *et al.*, 2023). In contrast, a 2022



study by Lukman and Yuliawati found that exports, as measured through money supply, did not significantly impact the JII (Jakarta Islamic Index). Drawing from prior studies and preliminary assumptions, we can formulate the third hypothesis as follows:

H3: The JUB variable partially has a positive effect on the Jakarta Islamic Index (JII) in 2010-2023.

### **Exchange Rate Relationship to Jakarta Islamic Index**

While a stronger exchange rate might indicate better money market performance, persistent inflation leads to further depreciation of the domestic currency against the dollar. This, in turn, affects business performance and capital market investments. However, research conducted by Umi Sartika in 2017 suggests that exchange rate fluctuations do not significantly affect the Jakarta Islamic Index (Al Ghifari *et al.*, 2021). This study's findings align with the 2022 research by Heri Sasono, which concluded that the US Dollar Exchange Rate significantly impacts the Jakarta Islamic Index (JII). Building on this previous research and preliminary suppositions, we can propose the fourth hypothesis as follows:

H4: The exchange rate variable partially has a positive effect on the Jakarta Islamic Index (JII) in 2010-2023.

### **Relationship of Sharia Bank Indonesia Certificates (SBIS) to the Jakarta Islamic Index**

Sharia Bank Indonesia Certificates (SBIS) are securities that have a short term in rupiah currency issued based on sharia principles. The results of research from Raka Abidzar Al Dhifari et al in 2021 show that the Sharia Bank Indonesia Certificate has an impact on the Jakarta Islamic Index (Al Ghifari *et al.*, 2021). Conversely, a 2023 study by Agustina Suliyani indicates that the Sharia Bank Indonesia Certificates (SBIS) variable does not influence the Jakarta Islamic Index (JII). Drawing from this previous research and initial assumptions, we can formulate the fifth hypothesis as follows:

H5: The Sharia Bank Indonesia Certificate (SBIS) variable partially has a positive effect on the Jakarta Islamic Index (JII) in 2010-2023.

### **The relationship between Inflation, Money Supply, BI Rate, Exchange Rate, and Sharia Bank Indonesia Certificates (SBIS) to the Jakarta Islamic Index.**

High inflation can reduce demand for stocks in the JII. This can lead to a decline in the overall index. An increase in money supply usually increases liquidity in the market. If liquidity increases, investors tend to invest more

actively, including in JII stocks, which can push up the index. An increase in the BI Rate usually makes borrowing more expensive, which may reduce investment and consumption. Here's a paraphrase of the given sentences: The JII's performance can be adversely affected by these factors, potentially causing a decline in the index. Additionally, fluctuations in the rupiah's exchange rate against other currencies influence the JII. A depreciation of the rupiah may lead to higher import costs for raw materials used by JII-listed companies, potentially diminishing their profits and share values. An increase in SBIS issuance may attract funds from the stock market to this instrument, which may reduce liquidity in the stock market and lower the JII.

H6: Inflation, Money Supply, BI Rate, Exchange Rate, and Sharia Bank Indonesia Certificates (SBIS) simultaneously affect the Jakarta Islamic Index (JII) in 2010-2023.

## RESEARCH METHOD

This study employs a descriptive causal research methodology to examine how specific economic indicators influence the Jakarta Islamic Index. The research analyzes the effects of several independent variables - including inflation levels, money supply, the central bank's benchmark interest rate, foreign exchange rates, and Islamic financial instruments issued by Bank Indonesia - on the performance of the Islamic stock index. The research structure is designed to uncover and evaluate possible cause-and-effect connections between these economic indicators and the Islamic stock index's performance. The sources used in this research are secondary data obtained from Bank Indonesia, the Financial Services Authority, and other official sources. The data collected covers the period 2010-2023. Collection techniques through the documentation method by accessing financial reports, economic publications, and relevant stock market data. The data analysis techniques used are multiple linear regression, classical assumption test, t test, f test, and determination test. This analysis was conducted to examine the effect of Inflation, JUB, BI Rate, exchange rate, and SBIS on the Jakarta Islamic Index. The population of this research is all annual data related to JUB Inflation, BI Rate, exchange rate, SBIS and the Jakarta Islamic Index during the period 2010-2023. Data analysis is carried out using statistical software such as SPSS to facilitate data processing and interpretation of results.

## RESULT AND DISCUSSION

### Classical Assumption Test

Table 1. Classical Assumption Test Results

Alat Uji	Hasil Uji	Kesimpulan
Normalitas	Prob>0,05	Terdistribusi Normal
Multikolinieritas	VIF<10	Tidak tedapat Multikolinieritas
Heteroskedastisitas	Sig>0,05	Tidak terjadi gejala Heteroskedastisitas
Autokolerasi	4-Du<d<4-dL	Tidak dapat ditarik Kesimpulan
Runs Test	Sig> 0,05	Tidak terjadi Autokolerasi

Source: Data processed with SPSS 11, 2024

### Multiple Linear Regression Test with Time Series Data

Table 2. Multiple Linear Regression Test Results

Model	Unstndardized Coefficients	
	B	Std. Error
1 (Constant)	0,464	0,606
Inflasi	0,001	0,036
Kurs	0,000	0,000
JUB	0,000	0,003
BI Rate	-0,039	0,073
SBIS	-0,003	0,008

Source: Data processed with SPSS 11.2024

From the data above, the regression equation model is:

$$Y = 0,464 + 0,001 X_1 + 0,000 X_2 + 0,000 X_3 + (-0,039X_4) + -0,003X_5 + e$$

From this equation can be interpreted as other:

The regression analysis reveals a baseline value of 0.464 for the Jakarta Islamic Index (JII). This figure represents the projected average value of the JII between 2010 and 2023 if all the independent economic factors in the study remain unchanged or have no impact. For each percentage point increase in Inflation, the JII rises by 0.001 during this period. Changes in the Exchange Rate and Money Supply have negligible impacts on the JII, as shown by their 0.000 coefficients. However, a one percentage point increase in the BI Rate corresponds to a 0.039 decrease in the JII. Lastly, for every percentage point increase in SBIS, the JII decreases by 0.003 over the 2010-2023 timeframe.

### Simultaneous Significance Test (F-Test)

Table 3. Simultaneous Significance Test Results

Model	Sig.
1 Regression	0,014
Residual	
Total	

Source: Data processed with SPSS 11.2024

The SPSS statistical analysis reveals a p-value of 0.014, which is below the 0.05 significance threshold. This indicates a statistically significant combined impact of inflation, the BI Rate, money supply, exchange rate, and SBIS on the Jakarta Islamic Index.

### Determination Coefficient Test

Table 4. Determination Test Results

Model	R	R Square	Adjusted R Square
1	0,886	0,785	0,651

Source: Data processed with SPSS 11.2024

According to the SPSS summary model output, the Adjusted R Square value of 0.651 suggests that 65.1% of the fluctuations in the Jakarta Islamic Index can be accounted for by the independent variables examined in this study, namely inflation, BI Rate, money supply, exchange rates, and SBIS. The remaining 34.9% of the variation is attributed to other factors not considered within the scope of this research.

### Partial Significance Test (T-test)

Table 5. Partial Significance Test Results

Model	t	Sig.
1 (Constant)	0,767	0,465
Inflasi	0,028	0,979
Kurs	3,070	0,015
JUB	-0,164	0,874
BI Rate	-0,535	0,607
SBIS	-0,321	0,758

Source: Data processed with SPSS 11.2024

The SPSS analysis reveals varying impacts of economic factors on the Jakarta Islamic Index (JII): Inflation shows no significant effect on the JII (t-value: 0.028, below 2.30600; significance: 0.979, above 0.05). Exchange rate significantly influences the JII (t-value: 3.070, above 2.30600; significance: 0.015, below 0.05). Money supply does not significantly affect the JII (t-value: -0.164, below 2.30600; significance: 0.874, above 0.05). The Bank Indonesia (BI) Rate has no significant impact on the JII (t-value: -0.535, below 2.30600; significance: 0.607, above 0.05). Bank Indonesia Sharia Certificates (SBIS) show no significant effect on the JII (t-value: -0.321, below 2.30600; significance: 0.756, above 0.05).

The analysis conducted using SPSS reveals that the Jakarta Islamic Index, which is the study's dependent variable, is influenced by various macroeconomic factors. The study examined several economic variables: Inflation, BI Rate, Money Supply, Exchange Rates, and Bank Indonesia Sharia Certificates. Results indicate that these economic indicators significantly influence the Jakarta Islamic Index, both when analyzed collectively and when evaluated as separate factors.

## **Discussion**

### **Effect of Inflation rate on Jakarta Islamic Index**

According to the statistical results, inflation's impact is not statistically significant. This conclusion is drawn from two key findings: the calculated t-value for inflation (0.028) is less than the critical t-table value (2.30600), and its significance level (0.979) is greater than the standard 0.05 criterion for statistical significance. These results suggest that Inflation does not exert a partial influence on the Jakarta Islamic Index (JII) from 2010 to 2023, although it does contribute to a simultaneous effect. Consequently, hypothesis H1 is rejected. This outcome implies that inflationary increases do not directly correlate with decreased stock prices for JII-listed companies. The explanation lies in the relatively modest inflation rates during the 2008-2018 periods, which were insufficient to prompt significant capital outflows or substantial stock price declines. Moreover, Muslim investors in Indonesia tend to prioritize long-term fundamental analysis over short-term emotional responses to market fluctuations, contributing to the JII's resilience against inflation rate variations during this timeframe (Noval & Nadia, 2020). The findings of this study are consistent with the research conducted by Ahmad Muhammad Ryad, Nisa Nuraidah, and Dela Triana Sanubari, which also concluded that inflationary pressures have little impact on the performance of the Jakarta Islamic Index (JII). This conclusion is supported by descriptive analysis revealing that the average inflation rate during the 2015-2021 period was a mere 3 percent. Such a

low inflation rate explains why it did not substantially influence JII movements during that timeframe (Ryad *et al.*, 2023). The results of this research are further corroborated by a study carried out by Noval and Nadia. Their study also found that changes in the Jakarta Islamic Index (JII) were not significantly influenced by inflation rates (Noval & Nadia, 2020).

### **Effect of BI Rate on Jakarta Islamic Index**

The analysis of the statistical data indicates that the BI Rate's computed t-value (-0.535) falls below the critical t-value (32.30600) from the t-distribution table. Additionally, the observed significance level (0.607) exceeds the commonly used threshold of 0.05. This suggests that the BI Rate alone has not had a significant impact on the Jakarta Islamic Index between 2010 and 2023. However, it still plays a role in the overall effect when combined with other variables. As a result, hypothesis H2 is not supported. This outcome may be attributed to the presence of various other influential elements affecting stock prices, such as inflation, exchange rates, and global economic conditions. These factors might exert a stronger influence or counteract the effect of interest rates on stock prices within the Jakarta Islamic Index (Sanjaya & Pratiwi, 2018). The findings of this study are consistent with Dini Rahmayati's 2021 research, which identified the interest rate variable as having a coefficient of -8958.2 and a probability value of 0.6133. These findings suggest that, from a statistical standpoint, the interest rate does not significantly impact the Jakarta Islamic Index. However, interest rates continue to play a crucial role in society's decision-making process when selecting investment forms or asset types. These choices may include cash holdings, financial assets, or tangible assets such as real estate, machinery, and inventory stock (Dini, 2021). The findings of this research corroborate the conclusions drawn by Dewi, Riska, and Sulistya in their previous study. Both investigations determined that fluctuations in the Bank Indonesia (BI) interest rate do not have a statistically significant effect on the price dynamics of Islamic equities. Their research also highlighted that the transition from the BI Rate to the BI-7 Day Repo Rate as the central bank's new benchmark interest rate necessitates a brief adjustment period. This adaptation time is crucial to prevent interest rate fluctuations from becoming a primary consideration for investors when making decisions in the Islamic capital market (Sjam *et al.*, 2023). The findings of this study are corroborated by research conducted by Ahmad, Nisa, and Dela. Their work suggests that inflationary periods lead to increased production costs for goods and services, which can subsequently erode company profits. This reduction in profitability often results in lower dividend payments, ultimately diminishing the appeal of stocks to investors and potentially leading to decreased demand for shares (Ryad *et al.*, 2023).

### **The effect of the level of Money in Circulation on the Jakarta Islamic Index**

Statistical tests reveal that the Money Supply (JUB) has a t-value of -0.164, which is below the t-table value of 2.30600, and a p-value of 0.874, which is above the 0.05 significance threshold. This suggests that JUB by itself does not have a significant impact on the Jakarta Islamic Index from 2010 to 2023, but it does play a role when considered alongside other variables. Consequently, hypothesis H3 is not supported by the data. This finding might be explained by the presence of other key factors influencing stock prices, such as interest rates, inflation, and global economic conditions. These elements may have a more substantial impact or potentially offset the effects of money supply on stock prices within the Jakarta Islamic Index (Ash-Shidiq & Setiawan, 2020). The findings of this research are consistent with a 2022 study by Lukman and Yuliawati. Their analysis found that exports, as measured by money supply, had no significant effect on the Jakarta Islamic Index (JII), resulting in their hypothesis being rejected. This conclusion contradicts the theoretical expectation that changes in exports, which are mirrored in money supply fluctuations, would influence the JII (Jensen *et al.*, 2022).

### **The effect of the exchange rate on the Jakarta Islamic Index**

The statistical results show that the exchange rate's t-value is 3.070, exceeding the t-table value of 2.30600. The significance level is 0.015, which is less than 0.05. This analysis reveals that the exchange rate significantly influences the Jakarta Islamic Index (JII) stock price over the period from 2010 to 2023. This effect is observed both when the exchange rate is examined independently and when it's considered in conjunction with other variables. Consequently, these findings support the hypothesis H4. This conclusion aligns with prior research by Heri Sasono in 2022, which also found that the US Dollar Exchange Rate significantly influences the Jakarta Islamic Index (JII) (Sasono & Apriwanto, 2022). A 2019 study by Jayanti, Widiyati, and Kodir revealed that a weakening rupiah led to higher production costs and increased corporate debt. This negatively affected company performance and reduced investor enthusiasm for capital market investments. The factors influencing exchange rate fluctuations are diverse and complex. To mitigate these risks, investors might consider alternative investment options. Government Securities (SUN) or Indonesian Retail Bonds (ORI) present investment opportunities with comparatively lower risk profiles (Hardiman *et al.*, 2019).

### **The effect of SBIS level on Jakarta Islamic Index**

The statistical analysis shows that the SBIS (Sharia Bank Indonesia Certificates) has a t-value of -0.321, which is below the t-table value of 32.30600,

and a significance level of 0.756, which is above 0.05. This indicates that SBIS does not individually affect the Jakarta Islamic Index during the 2010-2023 periods, although it contributes to a collective impact when combined with other factors. Therefore, the fifth hypothesis (H5) is not supported. This result may be due to various other factors influencing stock prices, such as inflation, exchange rates, and global economic conditions, which might have a more significant impact or counteract the influence of SBIS. This finding is consistent with Agustina Suliyani's 2023 research, which also concluded that the SBIS variable does not significantly affect the JII (Suliyani & Benarda, 2023).

### **The Effect of Inflation, Money Supply, BI Rate, Exchange Rate, and Sharia Bank Indonesia Certificates (SBIS) on the Jakarta Islamic Index**

The study confirms that when taken together, Inflation, BI Rate, Money Supply, Exchange Rate, and Bank Indonesia Sharia Certificates have a combined effect on the Jakarta Islamic Index. This finding provides evidence in favor of hypothesis H6. Rising inflation can reduce consumers' buying power, potentially leading to decreased investment in stock markets, including the JII. To combat high inflation, interest rates are often increased, which can adversely affect stock markets. The BI Rate, Bank Indonesia's key interest rate, affects borrowing costs and investment choices. When the BI Rate rises, it typically increases the cost of borrowing, which may discourage stock market investments. Conversely, a reduction in the BI Rate might stimulate increased investment in stock markets, including the JII (Dalimunthe, 2021).

### **CONCLUSION**

The analysis reveals that when considered individually, Inflation, Money Supply, BI Rate, and Bank Indonesia Sharia Certificates (SBIS) do not show significant effects on the Jakarta Islamic Index. The Exchange Rate stands out as the only variable demonstrating a substantial individual impact. In contrast, when considering the combined effect of all five factors together, they demonstrate a substantial impact on the Jakarta Islamic Index. Collectively, these economic indicators (inflationary trends, Bank Indonesia's benchmark rate, monetary supply levels, currency exchange rates, and Bank Indonesia Sharia Certificates) explain 65.1% of the fluctuations seen in the Jakarta Islamic Index's performance. The remaining 34.9% of the changes are likely attributed to other variables not examined in this research.

For further research, it is recommended to extend the observation time span to the latest year. This is intended to obtain information that is up-to-date and relevant to the current economic situation, adding other variables that may affect the JII, such as commodity prices, unemployment rates, or government



fiscal policies, more in-depth analysis of specific sectors in the JII to see differences in the influence of economic variables in certain sectors, and comparing research results with other Islamic stock indices in other countries to see differences in the influence of economic variables in various markets.■

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