



Macro Variables Affecting The Jakarta Islamic Index (Jii) In Indonesia

Heri Sasono¹, Legowo Dwi Resihono²

Master of Management, STIE Dharma Bumiputera, Jakarta(heribtc@yahoo.co.id)

Company Management, Pratama Mulia Politeknik, Surakarta(legowo.resihono@gmail.com)

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ABSTRACT

The goal of investors is to expect their investment funds to develop in the capital market, especially the Islamic capital market. This research wants to see what macro factors influence changes in the Jakarta Islamic Index (JII), in Indonesia. The macro variables observed are inflation, economic growth, SBI and the dollar exchange rate against the Rupiah. The analytical method uses multiple regression analysis and partial and joint testing (Anova), using SPSS software, and the research period is from 2010 to 2021.

It turned out that only the dollar exchange rate variable had a significant effect on the Jakarta Islamic Index (JII), while the inflation, economic growth and SBI variables did not have a significant effect. But together, inflation, economic growth, SBI and the dollar exchange rate have a significant effect on the Jakarta Islamic Index (JII) for the period 2010 to 2021 in Indonesia.

Keywords: *Inflation, Economic Growth, SBI and Dollar Exchange Rate*

I. PRELIMINARY

Economic analysis mentions a strong relationship between the macroeconomic environment and performance on the Indonesian capital market or the JCI or other indices such as the

LQ45 or the Jakarta Islamic Index (JII). Capital market fluctuations are related to changes that occur in macroeconomic variables. The capital market is one of the driving tools for the economy of a country, such as Indonesia, because the capital market is a means of forming capital and accumulating long-term funds, because it increases public participation in placing their funds in the Indonesian capital market (Indonesia Stock Exchange).

The capital market often experiences increases (bullish) and decreases (bearish) as seen from the ups and downs of stock prices presented on the Jakarta Composite Index (IHSG). JCI, LQ45 and JII are always related to macro variables, such as; inflation, economic growth, SBI and the dollar exchange rate against the rupiah and the population of a country. The total population of Indonesia in 2020 is 270.20 million people and approximately 80% (86.88%, BPS as of 30 September 2021), and the majority of Indonesia's population is Muslim, so researchers want to see the relationship between investors and sharia stocks in Indonesia.

The Jakarta Islamic Index (JII), often fluctuates from year to year which is expected by sharia investors to continue to increase, so that investors get certainty about returns from investment funds placed in the Islamic Capital Market.

Table of JII, Inflation and Economic Growth, Dollar Exchange Rate and SBI In Indonesia 2010 to 2021

Tahun	Indek JII Number	Inflation (%)	Economic Growth (%)	Kurs Dollar (Rupiah)	SBI (%)
2010	532,90	6,96	6,22	8,909	6,50
2011	537,03	3,79	6,49	9,070	6,00
2012	594,79	4,30	6,26	10,030	5,75
2013	585,11	8,38	5,79	12,190	7,50
2014	691,04	8,06	5,01	12,440	7,75
2015	603,35	3,35	4,88	13,800	7,50



2016	694,13	3,02	5,03	13,440	6,50
2017	759,07	3,61	5,07	13,570	4,25
2018	685,22	3,13	5,17	14,150	6,00
2019	698,09	2,72	5,02	13,900	5,00
2020	630,42	1,68	-2,07	14,110	3,75
2021	630,42	1,68	-2,07	14,110	3,75

The table above shows that JII, inflation, economic growth and the dollar exchange rate and SBI fluctuated from 2010 to 2021, moving up and down unpredictable from year to year. The highest JII in 2017 reached 759.07, the highest inflation in 2010 was 6.97%, the highest economic growth in 2011 was 6.49%, the highest dollar exchange rate in 2018 reached Rp. 14,150, - and the highest SBI in 2014 was 7.75%.

Changes in JII, of course there are many factors and variables that influence it, especially macro variables, including; inflation, interest rates (SBI), economic growth and foreign exchange rates, GDP, unemployment and per capita income and others. It is this macro condition that is difficult for prospective sharia investors (JII Index) to predict, as well as non-shariah investors or general investors (JCI).

Interest rates are also one of the variables that can affect stock prices. According to Fahmi (2015: 173), fluctuations in banking interest rates, such as; deposits, savings and loans will influence the decision of the prospective investor community to purchase company shares on the IDX, especially sharia shares (JII). If bank interest rates increase, potential investors will save their funds in banks in the form of deposits. But on the contrary, if bank interest rates fall, then the public will place their funds to buy shares in the Capital Market. Increased economic growth will directly result in a country's economic conditions improving, such as; unemployment decreased, people's income increased, the country's gross domestic product increased, people's purchasing power increased and others.

With this improving economy, it is hoped that people will start to have excess funds, so that they will place their excess funds into several investment instruments, such as; savings, deposits, property and capital markets (stocks, bonds, sukuk etc.). Increased economic growth is expected to increase share prices (bullish) on the Indonesian capital market (IDX) and vice versa, if economic growth declines, stock prices will decrease (bearish).

Based on the statement above, the researcher is interested in testing whether macro variables, such as; inflation, economic growth and

SBI (7-Day reverse repo rate) and the US Dollar Exchange Rate will affect the Jakarta Islamic Index (JII) in Indonesia from 2010 to 2021.

II. THEORETICAL REVIEW

Definition of Capital Market according to Capital Market Law No. 8 of 1995 are activities related to public offerings and securities trading, companies related to securities issued, as well as institutions and professions related to securities. In simple terms, the capital market means a meeting place for parties who need long-term funds with those who invest their funds.

According to Sunariyah (2011), the Capital Market is a meeting place between supply and demand for securities. It is in the capital market that investors, both individuals and business entities, invest in securities offered by issuers. On the other hand, in the capital market, companies or entities that need funds offer securities by first listing them on the capital market as issuers.

According to Martalena and Maya (2011), the Capital Market is a market for various long-term financial instruments that can be traded, both securities (bonds), stocks, mutual funds and other instruments. The capital market in Indonesia performs two functions namely; functions as a means for funding and a means for the public to invest in financial instruments. Based on some of the definitions above, it can be concluded that the capital market is a place for buying and selling shares, bonds and other instruments that must be listed first on the Indonesian Stock Exchange, in order to provide benefits to each party.

According to Darmadji and Hendy (2006: 1), the Capital Market is a market for various long-term financial instruments that can be traded, both in the form of debt, equity (shares), instruments, and other instruments. The capital market is a means of funding for companies and other institutions (eg the government) and means of investing activities. The capital market is the market for securities and part of the financial market (financial market).

The capital market can also be said to be a container and monopoly on company ownership, because after the company goes public and takes



advantage of the capital market, the holder of securities also becomes the owner of the company, thus becoming the owner of the instrument (Gitosudarmo and Basri, 2002: 239).

Inflation is a symptom of rising prices covering almost all types of goods and services from time to time continuously, causing the purchasing power of the rupiah to be different from the rupiah in other years (Boediono, 1986:155). In the Accounting Principles Board No. 4, 1990, Inflation as a decrease in purchasing power caused by an increase in the price level in general for a number of goods and services. With the decline in people's purchasing power, it will cause the company's profit to decrease, resulting in a decrease in the company's share price in the capital market. Inflation will encourage people to reduce investment and will save more of their investment funds in banks to obtain higher yields (interest), when compared to other investment returns. This condition will reduce investment in the capital market, resulting in a tendency for the JCI to experience a bearish (decrease).

Economic Growth according to the Central Bureau of Statistics (BPS) is the development of the production of goods and services in an economic area in a certain year against the previous year's value which is calculated based on GDP / GRDP at constant prices. Economic growth according to Jhingan, (2007:57) is a change in a country's economic conditions on an ongoing basis towards a better condition.

Economic Growth is a long-term increase in the ability of a Country (Region) to provide more and more economic goods to its population, this ability grows in accordance with technological advances, and institutional adjustments.

Economic growth according to Sukirno (2010: 10), means the development of activities in the economy which causes the goods and services produced in society to increase and the prosperity of the community to increase, from one period to another the ability of a country to produce goods and services will increase.

The SBI interest rate, according to Mishkin (2008: 4) is the cost of the loan or the price paid for the loan. According to Darmawi (2005: 181) the interest rate is the price that must be paid by the borrower to obtain funds from the lender for a certain period of time.

The BI 7-Day (Reverse) Repo Rate or SBI instrument is used as a new policy interest rate, because it can quickly affect the money market, banking and real instruments. The BI 7-Day (Reverse) Repo Rate instrument as the new reference has a stronger relationship to money market interest

rates. With the use of the BI 7-Day (Reverse) Repo Rate instrument as the new policy rate, three main impacts are expected, namely; (1). Strengthening monetary policy signals with the BI 7-Day Reverse Repo Rate (BI7DRR), as the main reference in the financial market. (2). Increasing the effectiveness of monetary policy transmission through its influence on movements in money market interest rates and banking interest rates. (3). The formation of a deeper financial market, especially transactions and the establishment of an interest rate structure on the Interbank Money Market (PUAB) for a tenor of 3-12 months.

According to Fabozzi and Franco (1996:724) an exchange rate is defined as the amount of one currency that can be exchanged per unit of another currency, or the price of one currency in items of another currency. So it can be concluded that the currency exchange rate is the price of the currency value of a country against another country, and is carried out for exchange transactions used in conducting trade transactions, the exchange rate between two countries where the exchange rate is determined by the supply and demand of both currency.

According to Ekananda and Mahyus (2015), the notion of an exchange rate is the price of a country's currency against another country's currency. Currency values have an important role in purchasing decisions, because the exchange rate allows us to translate prices from various countries into the same instrument.

According to Mankiw (2007), the currency exchange rate between two countries is the price of the currency used by residents of these countries to trade with each other. Abhimanyu (2004) states that currency exchange rates are currency prices relative to other countries' currencies, and because this exchange rate includes two currencies, the balance point is determined by the supply and demand of the two currencies.

The Jakarta Islamic Index (JII) is one of the stock indexes in Indonesia that calculates the average stock price index for types of stocks that meet sharia criteria. The history of the Islamic capital market in Indonesia itself began with the issuance of Islamic Mutual Funds by PT. Danareksa Investment Management on July 3, 1997.

Subsequently, the Indonesia Stock Exchange collaborated with PT. Danareksa Investment Management launched the Jakarta Islamic Index (JII) on July 3, 2000 which aims to guide investors who wish to invest their funds in a sharia manner.



The shares in the Jakarta Islamic Index (JII) consist of 30 types of shares selected from stocks that comply with Islamic sharia, which are evaluated every 6 months.

III. RESEARCH METHODS

Population and Sample

According to Arikunto (2010) that the population is all objects to be studied. The population in this study are inflation, economic growth, interest rates (SBI), foreign exchange rates (US Dollar exchange rate), and JII. The sample is part or representative of the population that is the object of research. The samples in this study are inflation, economic growth, interest rates (SBI), foreign exchange rates (US Dollar exchange rate) and JII in Indonesia for the period 2010 to 2021.

Data collection technique

The data collection technique used in this study is a documentation technique obtained from the Indonesia Stock Exchange (IDX), the Central Bureau of Statistics (BPS) and Bank Indonesia (BI). The data used in this research is secondary data, namely; Inflation, Economic Growth, Interest Rates (SBI), Foreign Exchange Exchange (US Dollar Exchange Rate) and JII in Indonesia for the period 2010 to 2021.

Data analysis technique

The method of data analysis in this study is multiple regression analysis and residual test for moderating variables. The research data was processed using the SPSS (Statistical Package for Social Science) program. Multiple regression analysis intends to predict how the condition of the dependent variable

is, when it is associated with two or more independent variables.

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where :

$$Y = \text{JII}$$

b_1 sd b_4 = Regression Coefficient

X_1 = Inflation

X_2 = Economic Growth

X_3 = SBI Interest Rate

X_4 = Dollar Exchange Rate

e = Error Term

Method of collecting data

a. Secondary Data. This study uses secondary data in the form of time series data on an annual scale taken from data sources including Bank Indonesia (BI), the Financial Services Authority (OJK), the Central Bureau of Statistics (BPS) and the Indonesia Stock Exchange (IDX) and Other websites that can be used as reference sources.

b. Literature. Data collection in this study was also complemented by reading and studying and analyzing literature sourced from books, articles and journals related to this research.

c. Data source. Data collection by means of online library research. This research uses books, journals, or articles, and sources from internet media, including:

1. Indonesia Stock Exchange (<https://www.idx.co.id>),
2. Yahoo Finance (<https://finance.yahoo.com>),
3. Capital financial services authority (<https://www.ojk.go.id>),
4. Bank Indonesia (<https://www.bi.go.id>),
5. Capital Statistics Central Agency (<https://www.bps.go.id>),

IV. RESULTS AND DISCUSSION

Multiple Linear Regression Equation, to find out whether or not there is influence between the independent (independent) variables on the dependent (dependent) variable.

Partial Test (t test)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	176.308	563.316		.313	.763
	Inflasi	16.751	39.392	.111	.426	.683



Pertbh_Ekonomi					
SBI	40.22	33.33	.26	1.21	.26
Kurs_Dollar	-.906	.61	-.38	-1.46	.18
	158.08	35.86	.92	4.40	.00

a. Dependent Variable: JII

Multiple Linear Regression Results

$$Y = 176,308 + 16,751 \text{ Inflation} + 40,221 \text{ Economic_Growth} - 0,906 \text{ SBI} + 158,088 \text{ Dollar Exchange Rate}$$

Partial Test Results (t test)

Partial test, shows how far the influence of one independent variable individually in explaining the dependent variable. Partial test results (t test) as follows:

(a). Inflation has a t count of 0.426 < t table of 2.306, and a significance value of 0.683 > 0.050, it can be concluded that inflation has no significant effect on the Jakarta Islamic Index (JII).

(b). Economic Growth has a t count of 1,210 < t table of 2,306, and a significance value of 0,265 > 0,050, it can be concluded that Economic Growth has no significant effect on the Jakarta Islamic Index (JII).

(c). Bank Indonesia Certificates (SBI) have a t-count of 1,464 < t-table of 2.306, and a significance value of 0.187 > 0.050. It can be concluded that SBI has no significant effect on the Jakarta Islamic Index (JII).

(d). The dollar exchange rate has a t count of 4,408 > t table of 2.306, and a significance value of 0.003 < 0.050, it can be concluded that the dollar exchange rate has a significant effect on the Jakarta Islamic Index (JII).

Simultaneous Test

Based on the F test (Anova), the resulting regression equation is as follows:

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1056737.038	4	264184.260	7.413	.012 ^b
Residual	249456.138	7	35636.591		
Total	1306193.176	11			

a. Dependent Variable: JII

b. Predictors: (Constant), Inflation, Economic_Growth, SBI, Dollar_Exchange_Rate

Simultaneous test results show that the influence of inflation, economic growth, SBI, dollar exchange rate has a significant effect on JII {(Sig. 0.000 < 0.050) and F Count 7.413 > F table 4.066}.

Correlation Test

Model Summary^b

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.889 ^a	.809	.700	188.77656

a. Predictors: (Constant), Inflation, Economic_Growth, SBI, Dollar_Exchange_rate

b. Dependent Variable: JII

The correlation between Inflation, Economic Growth, SBI, Dollar Exchange Rate for the period 2010 to 2021 is 0.889 or 88.9% and the Adjusted R Square is 0.700 or 70.0%, so it can be said that it has a strong influence on the Jakarta Islamic Index (JII).

V. CONCLUSION

The conclusion of this study is that inflation, economic growth, SBI have no significant effect on JII, while the dollar exchange rate has a significant effect on JII. Simultaneously Inflation, Economic Growth, SBI, Dollar Exchange Rate have



a significant effect on the Jakarta Islamic Index (JII) in Indonesia from 2010 to 2021.

VI. REKOMENDATION

Investors in the capital market, especially the sharia market, must pay attention to changes in the dollar exchange rate against the rupiah, if the dollar rises, it is likely that the sharia index (JII) will move down and vice versa. The sharia index is not affected by changes in inflation, economic growth and SBI in Indonesia.

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