

Analysis Role of Exchange Rate, BI Seven Days Rate, Inflation and Gold Price on Return of ISSI (*Indeks Saham Syariah Indonesia*)

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ABSTRACT:

The aim of the researchers to be achieved in this study, is to test and analyze the short-term effect of the inflation rate, the rupiah exchange rate, world gold prices, and interest rates on ISSI returns. Test and analyze the long-term effect of the inflation rate, the rupiah exchange rate, world gold prices, and interest rates on ISSI returns. Data analysis was carried out using the EVIEWS 10 application or program, because the author uses time series data. With good performance for analyzing time series data, the authors prefer to use this program, compared to SPSS. ECM testing is carried out when there is an indication of a long-term relationship using the Cointegration test. In order to conclude that a data is cointegrated, each variable must be stationary in a similar or the same order. Based on the discussion of the research results, it can be concluded that in the short term, there is only one variable that has a significant influence on the return of the Indonesian Sharia Stock Index (ISSI). The variable is the rupiah exchange rate. Meanwhile, the other three variables, namely inflation, world gold prices, and interest rates have no significant effect on ISSI returns. Meanwhile, in the long term, there are three variables that have a significant influence on ISSI returns. The three variables include the rupiah exchange rate, world gold prices, and interest rates. Meanwhile, the inflation variable in the long term also does not have a significant effect on ISSI returns.

Keywords: exchange rate, inflation, gold price, return of ISSI.

JEL Classification: F31; P24; E31.

INTRODUCTION

The development of the Islamic economy in Indonesia has experienced quite significant developments. This can be seen from the success of a number of banks that have grown with their sharia system. This success was also followed by several other financial sectors, including the Islamic capital market. Various financial products in the Islamic capital market are currently being offered as substitutes for conventional investment products (Sherif & Lusyana, 2017). There are a number of investment products offered by the Islamic capital market, including Sharia Shares, Sukuk, Sharia Mutual Funds, and State Sharia Securities (SBSN).

As one of the investment products in the Islamic capital market, Islamic stocks have their own stock price index. One of the indexes used is the Indonesian Sharia Stock Index (ISSI). ISSI itself was formed with the aim of being able to separate Islamic stocks from conventional stocks which were previously united in the Jakarta Composite Index (IHSG). The index, which consists of all shares listed on the Indonesia Stock Exchange (IDX) and the Sharia Securities List (DES), was published on May 12 2011 by Bapepam-LK and the National Sharia Council of the Indonesian Ulema Council (DSN-MUI).

If seen, the movement or development of Islamic stocks every year occurs because there are factors that influence it, one of which is macroeconomics. These factors are then taken into consideration for investors in determining their investment decisions. Because, Islamic stocks also have risks, like a number of other investments. In determining their investment decisions, good investors will use their ability to analyze macroeconomic conditions to obtain the desired profit (Tandellin, 2007). There are quite a lot of macroeconomic variables that investors often use in their analysis. There are quite a lot of macroeconomic variables that affect the development and movement of Islamic stocks which will then affect the factor of the level of profit (return) in investment (Prasetyo, Athoillah, & Rosadi 2019).

One of the macroeconomic variables is inflation. Inflation can be interpreted as the percentage increase in the price level from year to year (Hubbard, O'Brien, Eid & El-Anshasy, 2011). A high inflation rate is considered to be able to cause the currency to depreciate and can have an impact on investors making it difficult to achieve their investment goals. This was caused by rising prices, because inflation can make the price standard become more expensive, so that it will make the price of production materials increase. So, high prices due to inflation will be able to reduce product sales, then the company's financial performance will become negative and have an impact on the fall of a company's shares. So thus, the inflation rate can be one of the factors used by investors in predicting stock movements, both conventional and sharia. Rachmawati & Laila (2015) stated that an increase in the inflation rate could provide a signal for investors in the capital market. This statement is in accordance with research conducted by Suciningtias & Khoiro (2015) which concluded that the inflation rate has a significant influence on ISSI. Furthermore, the rupiah exchange rate also participates in influencing the movement of ISSI. In his research, Jubaedah, Janiman, & Islami (2019) said that the rupiah exchange rate or rupiah exchange rate is one of the variables that can influence the development and movement of stocks on the market. When the rupiah exchange rate drops or depreciates, it will threaten the standard price increase due to inflation arising from the shift in the rupiah exchange rate. So, the impact will make the costs of a company will increase and incur more costs. This causes a company's income to decrease. Such conditions will have an impact on the decline in the stock price index (Pratama & Azzis, 2018).

Meanwhile, another macroeconomic factor that also influences the Islamic stock index is the world gold price. An increase in the price of gold can affect stock movements. This is because gold can be an alternative for investors to invest, because gold tends to be risk-free and safe (Sunariyah, 2013). An increase in the price of gold is able to push up the stock index, because this increase can make investors switch to investing in gold, the stock index will automatically decrease. The influence between the gold price and the Islamic stock index is proven by research conducted by Ali, Sari, and Putri (2019), which states that world gold prices have an effect on the stock price index. In their research, Suciningtias & Khoiroh (2015) stated that the value of the rupiah exchange rate has a significant negative effect on the Indonesian Sharia Stock Index (ISSI), both long and short term. Ardana (2016) stated that the rupiah exchange rate did not have a significant effect on ISSI in the long term.

Meanwhile, in his research, Arintika & Isyuardhana (2016), which stated that gold prices did not have a significant effect on ISSI. Thus, researchers also feel interested and compelled to further examine the macroeconomic variables that affect the movement of Islamic stocks, especially those incorporated in the Indonesian Sharia Stock Index (ISSI). The researcher will use the variables of inflation, rupiah exchange rate, world gold prices, and interest rates. As a difference, in this study researchers will use data for the period from

March 2022 to May 2022. As is known, that since early 2020, there have been international health issues related to the spread of Coronavirus Disease which has shaken the economy in Indonesia.

The aim of the researchers to be achieved in this study, is to test and analyze the short-term effect of the inflation rate, the rupiah exchange rate, world gold prices, and interest rates on ISSI returns. Test and analyze the long-term effect of the inflation rate, the rupiah exchange rate, world gold prices, and interest rates on ISSI returns.

LITERATURE REVIEW

Stocks Return

Return is the result obtained from investment, while shares are proof of ownership of capital in a company. For this reason, stock returns are payments received for their ownership rights. Return is the level of profit obtained by the owner of capital on an investment made (Ang, 1997). In other words, stock returns can be referred to as investment profits or rates of return. In investing, a rational investor will consider two things, namely the expected return and the risk contained in the alternative investments made. Stock return is largely determined by the high or low price of a stock. To find out, investors must know the factors that affect the stock price. There are also many factors that influence stock returns, both macroeconomic and microeconomic (Samsul, 2006). There are macro factors that are part of economic factors, and non-economic factors. Macroeconomic factors are detailed in several variables, including inflation, the rupiah exchange rate, interest rates, inflation, world fuel prices, world gold prices, regional stock indices, economic growth rates, and so on. While non-economic macro factors, including the condition of a country's political stability, social events, law, international politics.

Inflation

Mankiw (2003) means that inflation is an increase in the price level that occurs as a whole and continuously. Meanwhile, according to Sukirno (2011) inflation is a process of increasing prices that occur in an economic system. From these two definitions, it can be concluded that inflation is an economic event that occurs due to rising prices caused by several factors such as increased public consumption. According to Bank Indonesia, there are 3 causes of inflation, namely demand full inflation (this inflation arises when aggregate demand increases faster than the productive potential of the economy), cost-push inflation (this inflation arises due to exchange rate depreciation, the impact of foreign inflation, especially countries trading partner countries, increases in commodity prices that are regulated by the government, and negative supply shocks due to natural disasters and distribution disruptions, inflation expectations (inflation is influenced by the behavior of society and economic actors whether they are more adaptive or forward looking). from the behavior of price formation at the level of producers and traders, especially at the time of religious holidays and the determination of regional minimum wages. According to Murni (2006) there are five consequences of inflation, namely inflation will reduce the real income received by the community, inflation will also have a bad impact on the balance sheet yaran, because declining exports and increasing imports caused an imbalance in the inflow of funds out of the country. During times of uncertainty, the owners of capital are more likely to invest their capital in the form of purchasing land, houses and buildings. This diversion of investment causes productive investment activity to decrease and economic activity to decline. When production costs rise due to inflation, this will be very detrimental to entrepreneurs and this will cause investment activities to shift to activities that are less to encourage national products. Inflation will reduce the value of wealth in the form of money.

Exchange Rate

The movement of currency exchange rates can change over time due to economic changes that occur in that country. There are changes in the demand and supply curves that cause exchange rate movements. When a country's currency depreciates, investors will reduce investment in that country so that it will affect the movement of shares in that country. According to Sadono Sukirno (2011) the exchange rate system is divided into a fixed exchange rate system and a free exchange rate system. The fixed exchange rate system is the determination of a foreign currency value system in which the central bank fixes the prices of various foreign currencies and these prices cannot be changed in the long term. Governments (monetary authorities) can determine foreign exchange rates with the aim of ensuring tangible exchange rates will not have an adverse effect on the economy. This set

rate is different from the rate set through the free market. The flexible exchange rate system is the determination of the value of foreign currency which is determined based on changes in demand and supply in the foreign exchange market from day to day.

Gold Price

Gold is a form of investment that tends to be risk-free (Sunariyah, 2013). This is because the value of gold has a tendency to be stable and increase in value, making it the most desirable form of investment. The price of gold rarely declines. For this reason, gold is often used as a tool that can be used to ward off frequent inflation. Gold is a dense, shiny, soft metal and one of the most flexible of all metals. According to Jack Weatherford in (Dipraja, 2011) gold has advantages wherever people want to touch it, wear it, play with it and also own it, because it is different from copper which turns green, iron which rusts easily and silver which fades, pure gold remains pure. and does not change" it is these natural characteristics that cause the value or price of gold to be very valuable.

BI Rate

According to Bank Indonesia, the BI Rate is an interest rate that reflects the attitude or monetary policy stance set by Bank Indonesia and announced to the public. The Board of Governors of Bank Indonesia in each monthly Board of Governors Meeting will present the BI Rate and this will be implemented in monetary market operations conducted by Bank Indonesia through liquidity management in the money market to achieve monetary policy operational targets. The operational target of monetary policy is reflected in the development of inter-bank Overnight money market rates. Movements in deposit rates, and in turn bank lending rates. Natsir (2014) interprets that the BI Rate is a signal in the form of a number in monetary policy transmission that shows the current economic situation, including an overview of the challenges in achieving the inflation target. Meanwhile, Kasmir (2012) revealed that interest can be interpreted as the price that must be paid to customers (who have deposits) with what customers must pay to banks (customers who obtain loans).

RESEARCH METHOD

In this study, the authors focus on the movement of the Indonesian Sharia Stock Index (ISSI) as the dependent variable, using the return from ISSI. Meanwhile, for the independent variables, researchers used several macroeconomic variables, including the rupiah exchange rate, interest rates using the BI 7 Days Rate, and world gold prices. In this study, researchers will examine the influence relationship between the dependent and independent variables. The data used in this research is time series data or so-called time series. In this study, the authors used quantitative data methods using statistical analysis with multiple linear regression approaches. Multiple linear regression is an analysis used to measure the influence between variables by involving more than two independent variables on the dependent variable. This research was conducted by researchers to see how the relationship occurs between one variable and another, either in the short or long term. For this reason, in this study too, the authors used the Error Correction Model (ECM) approach, because the data is not stationary at the level level, but stationary at the first, or subsequent, level of differentiation and cointegrated. With this ECM model, the problem of linear regression or chaotic regression models can be overcome through the use of the right difference or difference variables in the model by carrying out a stationary test.

Data analysis was carried out using the EVIEWS 10 application or program, because the author uses time series data. With good performance for analyzing time series data, the authors prefer to use this program, compared to SPSS. ECM testing is carried out when there is an indication of a long-term relationship using the Cointegration test. In order to conclude that a data is cointegrated, each variable must be stationary in a similar or the same order. To research this, there are a number of stages to test it. In this study, researchers used the Phillips-Perron test (Pp-test). In carrying out this research, the coefficient value in the regression results has a very important value as the basis of an analysis. The relationship of a variable with other variables can be said to have a unidirectional relationship, if the β coefficient in the regression results has a positive value (+). This can be interpreted, that any increase in the independent variable will affect the dependent variable to experience the same thing, namely an increase, the same thing also happens if the variable decreases. That is, if the independent variable decreases, the dependent variable will also decrease.

RESULT AND DISCUSSION

Based on the results of the normality test, it shows that all variables in this model test are normally distributed, or in other words, the normality requirements have been fulfilled. This can be seen from the Jarque-Berra value of 0.287908 with a probability of 0.865927. Then the probability value is greater than $\alpha = 0.05$ ($0.865927 > 0.05$). Based on these results, the null hypothesis (H_0) cannot be rejected, and shows that the data for all variables in this study are normally distributed, so that the normality requirements have been fulfilled. Based on the linearity test, it can be seen that the probability in the linearity test or the Ramsey RESET Test has a value of 0.1872. This value is greater than the degree of error of 5% or 0.05. This means that from the results above it can be concluded that there is no linearity problem, or it can be said that the form of the estimation model in this study is linear. This means that this research can be continued to the next testing process. Based on the stationary test, it shows the results of the unit root test by testing using the Phillips-Perron Test (Pptest). From these results it was found that there were two stationary variables, namely Return ISSI and Inflation. The two variables are said to be stationary, because the probability value on the Pptest is both smaller than the Critical Value of 5% (0.05). For Return ISSI, it has a probability of 0.0034 ($0.0034 < 0.05$), while Inflation has a probability value of 0.000 ($0.000 < 0.05$). Meanwhile for other variables, namely the World Gold Price (HED), the Rupiah Exchange Rate, and the Bank Indonesia Interest Rate (SKBI) are not stationary. This can be seen from the probability value of the three variables is greater than the Critical Value of 5% (0.05). The World Gold Price variable has a probability value of 0.9315 ($0.9315 > 0.05$), the Rupiah Exchange rate variable has a probability value of 0.8523 ($0.8523 > 0.05$), while Interest Rate has a probability value of 0.594 ($0.594 > 0.05$). So in other words, the World Gold Price (HED), Rupiah Exchange Rate, and Interest Rate variables at this level experience unit roots problems. Therefore it is necessary to proceed with the first degree of integration test.

In the long term, the value of the constant has a value of 0.421068, which indicates if the independent variable or total ISSI Return is 0.421068. Whereas in the short term, the constant value has a value of 0.000267, which indicates if the independent variable or total ISSI return is 0.000267. The calculation results show that the inflation variable has a positive and insignificant effect on the return of the Indonesian Sharia Stock Index in the short or long term. This can be seen from the probability level in the short term of 0.5300 and in the long term of 0.2928. The probability value of the inflation variable in the short and long term, both have numbers that are greater than the significance level used of 0.05 or 5% ($0.5300 > 0.05$, $0.2928 > 0.05$). Thus, it can be concluded that H_0 is accepted, that is, there is no significant influence between the inflation variable on the Indonesian Sharia Stock Index in the short and long term. These results are consistent with previous research conducted by Ash-Shiddiq and Setiawan (2015), which stated that the inflation variable did not significantly influence the Indonesian Sharia Stock Index (ISSI). In addition, this study also supports previous research by Setyani (2017) and Ardana (2016), who both concluded that inflation has no effect on ISSI, both in the long or short term. However, this study differs from the results of research conducted by Rusbariandi (2016), Suciningtias & Khoiroh (2015), which state that the inflation variable affects the Islamic stock index. The results of this study also contradict the theory used, that inflation is a price increase that occurs continuously and simultaneously or in general. Inflation can increase a company's production costs, so that it can cause a decrease in the profits it generates. The decline will also have an impact on decreasing returns and dividends. In addition, it will also be able to reduce the expected return, so that it can cause a decrease in the demand for shares in a company. A decrease in demand for shares will be able to cause a decline in stock prices and stock price indexes (Prananda, 2015). Thus, it can be concluded that changes in inflation of any value cannot affect changes in ISSI returns.

The test results and calculations show that the rupiah exchange rate variable has a significant negative effect in the short and long term on ISSI returns. It can be concluded from the probability value of the rupiah exchange rate in the short and long term. In the short term, the rupiah exchange rate has a probability value of 0.0031. This value is smaller than the significance level, namely 0.05 or 5% ($0.0031 < 0.005$). So for this rupiah exchange rate variable, H_0 is rejected and H_1 is accepted, that there is a significant influence between the Rupiah exchange rate variable on the Indonesian Sharia Stock Index. Judging from the coefficient of -3.98, it can be interpreted that in the short term the rupiah exchange rate has a negative influence. That is, if the rupiah exchange rate increases by 1% in the short term, it will make ISSI returns fall by 3.98%. Meanwhile, in the long term, the rupiah exchange rate has a probability value of 0.0014. This value is smaller than the significance level, namely 0.05 or 5% ($0.0014 < 0.005$). So for this rupiah exchange rate variable, H_0 is rejected and H_1 is accepted, that there is a significant influence between the Rupiah exchange rate variable on the Indonesian Sharia Stock Index. Judging from the coefficient of -2.93, it can be interpreted that in the long run the rupiah exchange rate

also has a negative influence. That is, if the rupiah exchange rate increases by 1% in the long term, it will make ISSI returns fall by 2.93%.

The calculation results show that the world gold price variable does not have a significant effect on ISSI returns in the short term. This can be seen from short-term testing, that the world gold price variable has a probability value of 0.6866. This value is greater than the significance value of 5% or 0.05. ($0.6866 > 0.05$). So it is concluded, that at this gold price variable, H_0 is accepted, that world gold prices do not have a significant effect on ISSI returns in the short term. This result means that changes in the price of gold in the short term do not affect changes in ISSI returns. These results are in line with research conducted by Rusbariandi (2012), which states that world gold prices have no significant effect on ISSI. However, this is different from the research conducted by Prayitno (2012), which concluded that world gold prices have a positive influence on stock prices. Meanwhile, for the long term, world gold prices have a significant negative effect on changes in ISSI returns. Evidenced by a probability value that is smaller than the significance value of 0.05 or 5%, which is equal to 0.0439 ($0.0439 < 0.05$). In the long term, the world gold price has a coefficient of -0.00010, or has a negative relationship to ISSI. That is, if the world gold price increases by 1% in the long term, it will make ISSI returns fall by 0.01%. This research is in accordance with research conducted by Purnamasari (2016) which states that the price of gold has a significant influence on the Islamic stock index in the long term. However, it is different from the results of research conducted by Arintika & Isyнуwardhana (2016), which states that gold prices do not have a significant effect on ISSI in the long term. In this study, researchers also found that interest rates in the short term have a significant effect. This is evidenced by the interest rate probability value of 0.2275, which is greater than the significance value of 5% or 0.05 ($0.2275 > 0.05$). The lack of effect on interest rates in the short term can be caused by the type of investors in Indonesia who like to carry out stock transactions in the short term or are commonly called traders or speculators, so that investors are more likely to make profits by hoping to get high capital gains (Kewal, 2012).

CONCLUSION

Based on the discussion of the research results, it can be concluded that in the short term, there is only one variable that has a significant influence on the return of the Indonesian Sharia Stock Index (ISSI). The variable is the rupiah exchange rate. Meanwhile, the other three variables, namely inflation, world gold prices, and interest rates have no significant effect on ISSI returns. Meanwhile, in the long term, there are three variables that have a significant influence on ISSI returns. The three variables include the rupiah exchange rate, world gold prices, and interest rates. Meanwhile, the inflation variable in the long term also does not have a significant effect on ISSI returns. Researchers suggest to further researchers to further enrich the data. There are several things that can be done, including extending the research period, or using a period of days in the study. Furthermore, you can also add variables in the study, both variables that are internal factors or external variables, such as political stability, national income, or the money supply. Thus, it is hoped that further research will get even better results.

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