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Original Research Article

Evaluation of Macroeconomic Influences on Company Stock Prices in the Jakarta Islamic Index (JII): Analysis of Inflation, Exchange Rates, and Money Supply (2020-2023)

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Abstract: The research is intended to examine the impact of the independent variables, namely inflation, exchange rates, and total money in circulation, on the stock rates of companies listed on the Jakarta Islamic Index (JII). Using a quantitative approach and purposive sampling method, the study cited a sample of 16 companies that were consistently listed on the JII from January 2020 to December 2023. Data analysis was carried out using panel information analysis with the help of the Eviews12 application. The research confirmed that inflation and money supply have a significant favorable impact on stock prices, through respective coefficients of 0.087409 and 0.751782. In contrast, the exchange rate has a significant adverse impact on the stock rate, through a coefficient of -1.646472. The simultaneous F-test confirms that all three variables together have a significant impact on the stock rate.

Keywords: Inflation, Exchange Rate, Money Supply, Stock Price, JII.

1. INTRODUCTION

The capital market in Indonesia has seen rapid growth in recent decades, which has made it attractive for people to start investing. According to Sriwanti *et al*., (2023), the majority of the population in Indonesia is Muslim. Therefore, the Islamic financial industry in Indonesia can be supported by the development of many Muslims in Indonesia. The Islamic capital market is a part of Islamic financial investment services in the capital market, where transactions and products are adjusted to Sharia principles (Sulia Sukmawati *et al*., 2020).

Stocks are financial instruments that represent ownership in a company. In Indonesia, the stock market has become a crucial pillar of the national economy. The Indonesian stock market, known as the Indonesia Stock Exchange (IDX), provides a platform for companies to raise capital through the sale of shares to the public and for investors to gain profits from their investments.

The first Islamic mutual fund was issued in 1997, marking the start of the Islamic capital market in Indonesia. Using mudharabah contracts first issued in 2002, the Jakarta Islamic Index (JII) was introduced in 2000 as the country's first Islamic stock and sukuk index. There are currently thirty issuers of Sharia-based stock categories in the Jakarta Islamic Index (JII). The following graph shows the changes in the price of Islamic stocks in the Jakarta Islamic Index from 2000 to 2023.

Figure 1: Sharia Stock Price in JII for the Period 2000-2023

In the figure above, it can be seen that the movement of stock rates in the Jakarta Islamic Index encountered variations and unstable changes during the period 2000 - 2023 and tended to increase during that period. The highest increase in stock prices occurred in 2023 where the resulting increase in numbers was much more significant than the value of stock prices in the previous year.

According to Syahrir in Ardana (2016) According to Syahrir in Ardana (2016), fluctuations (development or ups and downs) of the stock index in the Jakarta Islamic Index (JII) are due to the impact of external and internal factors. External factors, such as Bank Indonesia Syariah Certificates (SBIS), inflation, JUB, and exchange rates, play an important role in determining the direction of the Islamic financial market. The issuance of SBIS by Bank Indonesia and fluctuations in inflation and currency exchange rates affect financial market liquidity and investor interest in Islamic financial instruments. In addition, internal elements, such as the state of the national economy, security, political conditions, and government policies also have a significant impact on the performance of the Islamic index. In this study, the macroeconomic variables studied include inflation, exchange rates, and money supply (m2) which reflect efforts to understand and analyze the elements that affect the overall performance of Islamic financial markets.

Inflation is part of the external influences that affect the movement of the Islamic stock index in Indonesia. Inflation occurs when the money score decreases because the total money in circulation increases unbalanced through the availability of products and services, which causes an overall price increase (Nugraha in Rera, 2022). Inflation in Indonesia tends to fluctuate, influenced by various factors, including rapid economic growth, increased consumer demand, rising production costs, or inappropriate monetary policy. An increase in demand over supply leads to rising prices. For investors, the deterioration in the purchasing power of money is due to the rising level of inflation, which has the effect of reducing profits for investors (Mawaddah *et al*., 2024). The following is a graph of the movement of inflation in Indonesia for the period 2000 to 2023.

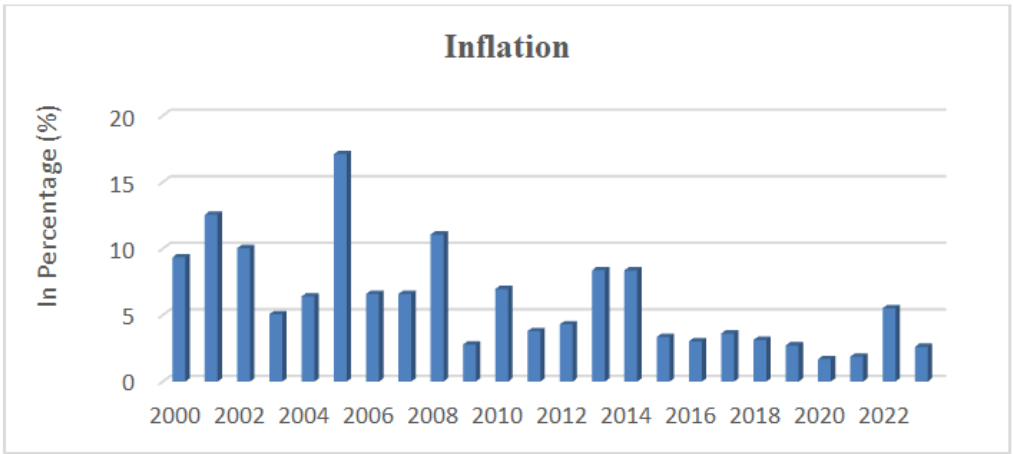


Figure 2: Inflation Growth Rate for the Period 2000-2023
Source: BPS (Data processed)

The figure shows that inflation fluctuated over the period 2000-2023. In 2005, high inflation in Indonesia was due to a surge in world crude oil prices which reached its peak. Meanwhile, high inflation also occurred in 2008 as a result of a combination of various global economic pressures. Research by Muharrami *et al.*, (2017), which shows that inflation has no meaningful impact on the Islamic bank stock price index, lends credibility to this study. In addition, Surepno *et al.*, (2019) found that the JII was not significantly affected by inflation. Mashudi *et al.*, (2020) found that the Jakarta Islamic Index stock price is affected by inflation.

The exchange rate is one of the variables that influence the development of the Islamic stock index. The relative pricing of two currencies, or the exchange rate, indicates how many units of a currency can be exchanged for another currency at any given moment.

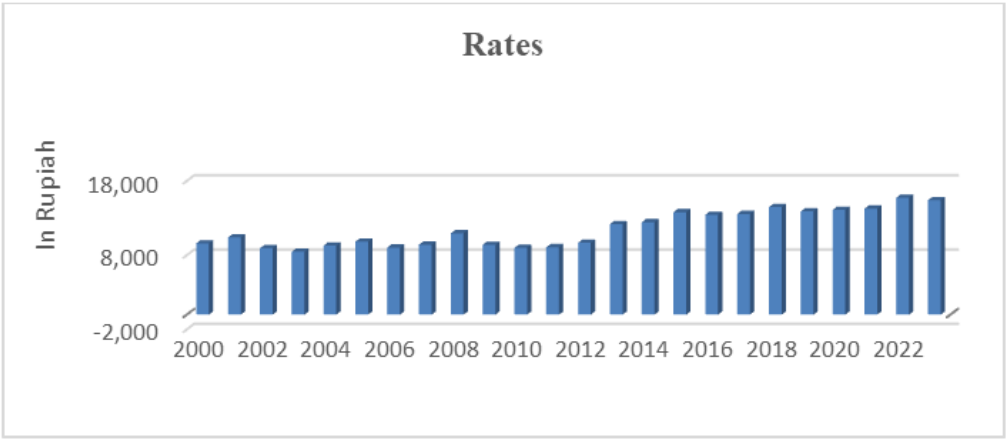


Figure 3: Graph of Exchange Rate Movement for the Period 2000-2023
Source: Bank Indonesia (Data processed)

You can observe the exchange rate movement over the past 20 years in the chart below. The movement of the Indonesian currency rate fluctuated between 2000 and 2023, followed by an increase. Based on Bank Indonesia data, the exchange rate in the last two years began to decline compared to the previous year and was very much different. This is by the research of Surepno et al. The Jakarta Islamic Index was significantly positively influenced by the currency exchange rate in 2019. However, the results obtained by Amijaya et al. were different, which showed that there was a negative correlation between the exchange rate and the JII.

In addition to inflation, a macroeconomic factor that can affect the development of stocks is their total money supply. The total money supply has a significant effect on stock rates, especially over the long term. In the short term, the total money supply has no significant effect because investors pay more attention to inflation and the exchange rate than the total money supply. However, in the long run, the total money supply has a significant effect because investors start to pay attention to the profit that can be obtained from investing in stocks, which is influenced by the money supply.

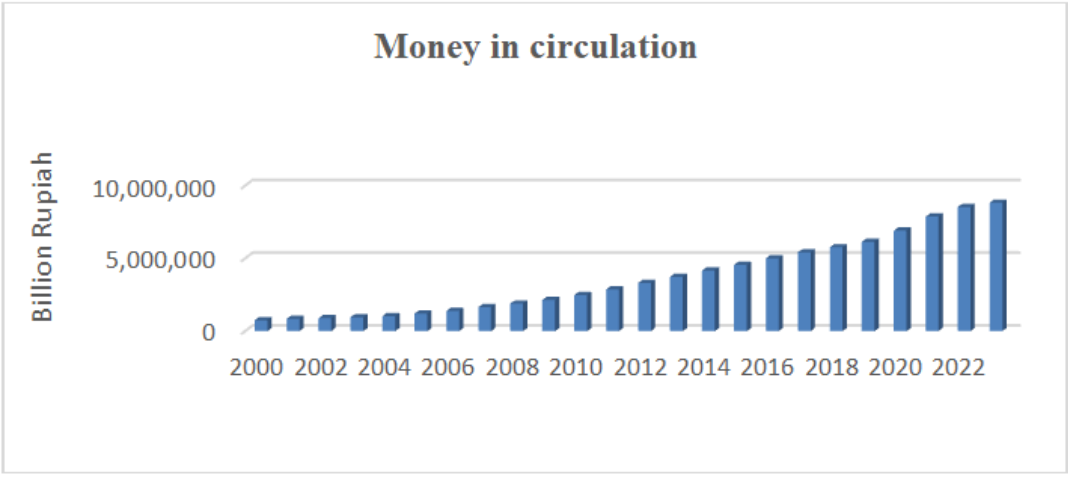


Figure 4: Movement chart of JUB for the period 2000-2023
Source: Bank Indonesia (Data processed)

In the graph, it can be seen that in the period 2000-2023, the money supply in Indonesia continued to meet developments in the previous year. Through this, it can be said that the economy in Indonesia continues to develop. This is supported by the research by Bahloul *et al*., (2016) simultaneously ensures that the total money supply (M2) has a significant impact on the stock rate of JII stocks. However, in their research, Iswara & Iskak (2021) shows a bad relationship over the stock rate index.

Based on the differences in findings and the existence of gaps from previous studies, researchers are fascinated to examine more deeply the behavior of financial markets and evaluate the effect of inflation, exchange rates, and money supply on the share prices of companies in the Jakarta Islamic Index (JII).

2. LITERATURE REVIEW

2.1 Investment

Investment in Indonesia involves capitalizing to achieve future profits. In the context of macroeconomics, investment plays a crucial role in driving the development of the national economy and the creation of jobs. Keynesian theory suggests that investment is influenced by interest rates and expected returns, while neoclassical theory emphasizes the importance of the marginal productivity of capital.Based on the differences in findings and the existence of gaps from previous studies, researchers are fascinated to examine more deeply the behavior of financial markets and evaluate the effect of inflation, exchange rates, and money supply on the share prices of companies in the Jakarta Islamic Index (JII).

2.2 Inflation

Inflation in Indonesia is the development of general product and service rates in the economy over a certain period, measured using the Consumer Price Index (CPI). From the perspective of Islamic economics, inflation is not only seen as a monetary phenomenon but is also influenced by the imbalance between the demand and supply of products and services. Islamic economic principles emphasize the importance of justice and equitable distribution of wealth to control inflation. Prohibited practices such as usury (interest) are also considered causes of inflation, as they can create distortions in the price and value of goods.

2.3 Exchange Rate

The exchange rate in the context of Islamic economics reflects the rate of one currency for its unit of another currency, similar to conventional economics. However, Islamic economic principles emphasize the importance of stability and fairness in exchange rates. A fair exchange rate system should avoid excessive speculation and usury practices. Ideally, exchange rates are determined by real economic forces, such as trade in Sharia-compliant goods and services. Exchange rate fluctuations should be minimized to ensure economic stability and avoid unfairness in international transactions.

2.4 Money in circulation

The money supply from the perspective of Islamic economics is also the total money that is presented in the economy, including cash and chiral funds. Islamic economic principles emphasize that money should act as a medium of exchange and a store of value, not a commodity for speculation. The money supply must be controlled in such a way that it reflects the needs of the real economy, avoiding excessive inflation and deflation. The central bank in the Islamic economic system is expected to regulate the money supply with policies that are free from usury and support productive and halal economic activities.

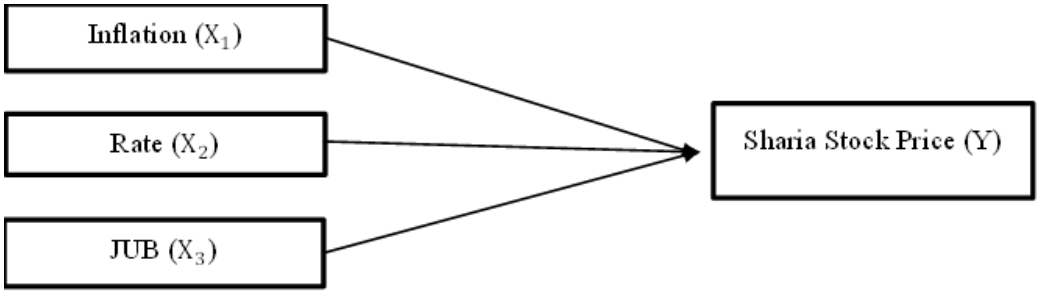
2.5 Islamic Share Price

Islamic share prices in Indonesia reflect the value of shares of companies that adhere to Islamic sharia principles, i.e. do not engage in prohibited business activities such as usury, gambling, and the production of haram goods. These stocks must also meet certain financial criteria, such as a debt-to-equity ratio that must not exceed a set limit. The price movement of Islamic stocks can be affected by macroeconomic elements such as inflation, exchange rates, and global market conditions, as well as microeconomic factors such as the performance of companies listed as Islamic stocks.

2.6 Jakarta Islamic Index (JII)

Consisting of 30 Indonesia Stock Exchange business stocks that meet sharia requirements, the Jakarta Islamic Index (JII) is a sharia stock index. To make investments based on Islamic sharia principles, investors can consult the JII as a source. The Sharia company model and certain financial ratios are among the selection criteria used in the JII stock offering process. Exchange rates, inflation, and the state of world markets all have an impact on the performance of the JII.

In this research framework, several factors are considered to influence the fluctuation of the Jakarta Islamic Index (JII) stock price. The following diagram illustrates the relationship between variables in this research model:



Hypothesis

The Effect of Inflation on the Stock Price Index

Inflation is the phenomenon of general and continuous rate increases that affect a country's economy (Rahardja and Manurung). Then Sukirno says that inflation occurs because demand exceeds supply in the market and then there is an increase in the price of goods and services. Studies by Fama (1981) show that rising inflation can reduce the purchasing power of customers and can increase the company's production costs.

Research by Sulia Sukmawati *et al*., (2020), Ghifari *et al*., (2021), and Baskara *et al*., (2023) found that inflation has a negative relationship with stock prices on the IDX, including sharia stocks in the JII. High inflation tends to reduce stock prices due to an increase in operating costs and a decrease in the company's net profit.

Effect of Exchange Rate on Stock Price Index

The exchange rate is an exchange rate set so the market rate of a country where this currency is foreign exchange. Nopirin (2009) explains that the exchange rate system in Islamic economics has different characteristics from the conventional exchange rate system. In the context of Islamic economics, the exchange rate is not determined freely by the market or monetary authority, but rather based on sharia principles.

Exchange rate fluctuations can affect stock prices, especially in an open economy like Indonesia. Studies by Dornbusch and Fischer (1980) show that exchange rate depreciation can increase export competitiveness, which can boost corporate earnings growth and stock prices. However, exchange rate volatility can also create uncertainty and increase risk for investors. Research by Mashudi *et al*., (2020) Sjam *et al*., (2023) and Rera (2022) confirmed that exchange rate fluctuations have a significant impact on economic growth and stock rates in Indonesia, including Islamic stocks.

Effect of Money Supply on Stock Price Index

Total funds in circulation is the total money in circulation in the economy. According to Fisher's (1911) quantity theory of money, an increase in the total money supply can increase prices in the economy. In the context of the stock market, an increase in money supply can increase liquidity and credit availability, which can encourage investment and increase stock prices. Studies by Mankiw (2007) show that the growth of total money supply is linked both through economic growth and stock prices in the short run.

Research by Bahloul *et al*., (2016) and (Iswara & Iskak (2021)) found that an increase in money supply correlates with an increase in economic activity and stock prices on the IDX.

3. METHODOLOGY

This study uses quantitative methodology to examine the effect of money supply, currency exchange rate, and inflation on the stock prices of companies included in the Jakarta Islamic Index (JII). Secondary data from government agencies such as the Central Statistics Agency (BPS), the Financial Services Authority (OJK), and Bank Indonesia (BI) are the data sources used. Companies listed on the JII from 2020 to 2023 are the population used as research objects. Purposive sampling is used to take samples, namely stocks that are regularly included in the JII index during this period. BPS monthly inflation data, Bank Indonesia information on the rupiah exchange rate against the US dollar and money supply (M2), as well as Indonesia Stock Exchange closing price data for stocks listed in the JII, are some of the quantitative data used.

The research variables consist of dependent factors (stock price, variable Y) and independent variables (inflation, variable X1, exchange rate, and money supply, variables X2 and X3). Multiple regression analysis is used in data analysis to determine the effect of independent variables on the stock price of JII businesses. Model selection tests using Chow, Hausman, and Lagrange Multiplier tests are part of the data analysis stage. In addition, multicollinearity and heteroscedasticity tests are used to verify that the regression model meets the classical assumptions. The t-test (partial) and F-test (simultaneous) are used in multiple regression analysis to test the effect of independent variables on the dependent variable. The coefficient of determination (R^2) is also used to measure how much variability in the dependent variable can be explained by the independent variables in the model.

4. DATA ANALYSIS, RESULTS AND DISCUSSIONS OF FINDINGS

4.1 Model Selection Test

In regression analysis, choosing the right design is the key to obtaining accurate and reliable results. For this reason, we will carry out a sorting test of 3 test designs to determine the most suitable regression design through three stages of testing, namely the Chow test, Hausman test, and Lagrange Multiplier (LM) test.

Tabel 1. Uji Test Model Regresi Data Panel

Pengujian	Prob.
Uji Chow	0,0000
Uji Hausman	1,0000
Lagrange Multiplier (LM)	0,0000

Sumber: data diolah dengan Eviews, 2024

The Chow test is the first stage in selecting the panel data regression analysis model used to compare the common effect panel data design through the fixed effect. In the test findings, it is found that the Chi-square score achieved is 0.0000. The score is excessively minimal at the alpha significance level of 0.05, which is the general limit for determining statistical significance. This indicates that the test results are highly significant. With an F probability value that is less than the significance score of 0.05 (0.000 < 0.05), it can be concluded that there is a highly significant difference between the tested designs. The most appropriate panel data regression design to use is the fixed effect design. This design indicates that the differences between units in the panel data are constant and can be accurately measured by the model.

In panel data regression analysis, the Hausman test is used to determine whether the fixed effect model or random effect model is more appropriate to use for panel data analysis. The Hausman test findings show a probability value of 1.0000, which is greater than the alpha significance level of 0.05 (1.000 > 0.05). This indicates that the null conjecture, which states that the random effect model is more appropriate, cannot be rejected. Therefore, the appropriate design to use is the random effect model. The next action is to carry out the Lagrange Multiplier (LM) test to verify whether the random effect design is superior to the pooled OLS design. The LM test will help ensure that the use of the random effect model provides more efficient and better results than the pooled OLS model, which assumes no differences between units in the panel data. Thus, the Hausman test results guide the selection of the appropriate model for panel data analysis, while the LM test will provide additional confirmation of the decision.

The Lagrange multiplier test is the final stage in testing the best model to determine whether the random effect model or the common effect model is more appropriate for panel data analysis. The findings of the Lagrange multiplier test show a probability value of 0.0000. This value is excessively minimal above the significance level of 0.05 (0.000 < 0.05), which indicates that the appropriate regression design is the random effect model.

After conducting a series of tests, namely the Chow test, Husman test, and Lagrange Multiplier test, it can be concluded that the most appropriate regression design for the study is the random effect model. The random effect model approach does not specifically take into account the time dimension or individual dimension separately. This model assumes that the unobserved variation between firms or cross-section units is random and unlinked through the independent variables in the model. This allows the design to capture such random variation and provide more efficient estimates in situations where the variability between units is not fully explained by the observed independent variables.

4.2 Classical Assumption Test

The classical assumption test is a series of tests carried out to show that the linear regression design meets the basic requirements needed so that the estimation results are reliable, precise, relevant, and unbiased (known as Best Linear Unbiased Estimate/BLUE). In his research, the classical assumption tests used are the Multicollinearity test and the Heteroscedasticity test.

The multicollinearity test is used to detect a high correlation between independent variables in the regression model. High multicollinearity can cause the estimation of regression coefficients to be stagnant and the interpretation of the coefficients to be difficult. A common indicator to measure multicollinearity is by looking at the tolerance score and VIF score. If the tolerance score is > 0.1 and the VIF score is < 10, there is no multicollinearity between the independent variables.

Tabel 2. Hasil Uji Multikolinieritas

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	98.26498	110177.6	NA
INF	0.006934	8.627958	1.805578
KURS	1.036430	107095.3	1.561068
JUB	0.139310	39132.20	1.697114

Sumber: data diolah dengan Eviews, 2024

Based on the findings of the analysis of the correlation coefficient values above, all the independent variables in the study have centered VIF scores < 10. The findings confirm that there is no significant multicollinearity among the independent variables. In this way, the regression design used meets the essential requirements of the classical assumptions, so that the results obtained are reliable and valid for interpretation and decision-making.

To detect whether there is an inequality of residual variance between observations, a heteroscedasticity test is performed. To detect it, we can look at the significance of the regression results. If the significance score is greater than 0.05, there is no heteroscedasticity. The test used in his research is to use the Glajser test.

Tabel 3. Hasil Uji Heterokedastisitas

F-Statistic	0.269966	**Prob. F (3,764)**	0.8471
Obs*R-squared	0.813276	**Prob. Chi-Square(3)**	0.8463
Scaled explained SS	1.189400	**Prob. Chi-Square(3)**	0.7555

Sumber: data diolah dengan Eviews, 2024

Based on the findings of the analysis, it can be seen that the Chi-square probability score is above 0.05 (0.8463 > 0.05) which means that the residual variance does not change systematically with the values of the independent variables. It can be concluded that there is no significant heteroscedasticity in the regression design used.

4.3. Panel Data Regression Analysis Test

Panel data regression test is a method used to test hypotheses in a study. The method allows analyzing the relationship and impact between the linkages and the impact between independent variables that total more than two. Through the panel data regression test, researchers can evaluate how strong the relationship between variables is and identify their impact on panel data.

Table 4: Regression Test Results of Independent Variables on JII Stock Rates

Variable	Coefficient
C	12.14819
X1	0.087409
X2	-1.646472
X3	0.751782

Source: Data worked with Eviews, 2024

From the table, the regression equation results are as follows:

$$Y_{it} = 12.14819 + 0.087409X_{1it} - 1.646472X_{2it} + 0.751782X_{3it} + e_{it}$$

The explanations given are as follows, namely:

In the context of regression analysis, the fixed value of 12,14819 indicates that without the influence of the Inflation (X1), Exchange Rate (X2), and Total Money in Circulation (X3) variables, the stock score (Y) will increase by 12,14819, which means that there are no other variables that affect the stock value.

Meanwhile, the beta coefficient for the Inflation (X1) variable of 0.087409 indicates that if the other variables remain constant, and Inflation (X1) increases by one unit, the stock rate (Y) will increase by 0.087409, which means that inflation has a favorable impact on the stock rate. The regression analysis also confirms a positive link between inflation and stock rates, which means that an increase in inflation will be followed by an increase in stock prices.

The beta coefficient for the Exchange Rate (X2) variable of -1.646472 indicates that if the other variables remain constant, and the Exchange Rate (X2) increases by one unit, the stock value will decrease by 1.646472, which means that the exchange rate hurts the stock score. Conversely, if the Exchange Rate (X2) decreases by one unit, the stock value (Y) will increase by 1.646472.

The beta coefficient for the variable Total Money Supply (X3) of 0.751782 indicates that if the other variables remain constant, and Total Money Supply (X3) increases by one unit, the stock value (Y) will increase by 0.751782, which means that Total Money Supply has a favorable impact on the stock score. Similarly, if Total Money Supply (X3) decreases in magnitude by one unit, the stock score (Y) will decrease in magnitude by 0.751782.

4.4. Model Feasibility Test

1. Test t (Partial)

The T-test, referred to as the partial t-test, is used to determine the partial effect of each independent variable on the dependent variable. The test evaluates the average difference between the predicted and actual values of each independent variable. The calculated t value is then compared through the t-table score to assess the significance of the effect. If the estimated t score exceeds the t table score, the effect is considered significant.

Table 5: Findings of the test (Partial)

t-Statistic	Prob.
4.291115	0,0000
3.685107	0,0002
-5.677750	0,0000
7.071194	0,0000

Source: Data worked with Eviews, 2024

The impact of the independent variable on the dependent variable partially includes:

a. The findings of the t-test in the inflation variable (X1) achieved an estimated t score of 3.685107 over the t-table score of 1.9630 and a big score. 0.0002 is greater than 0.05, Ha is accepted, and H0 is rejected, meaning that the inflation variable has an impact on the stock rates of JII companies.
b. The findings of the t-test in the variable exchange rate or exchange rate (X2) achieved an estimated t-score of 5.677750 over the t-table score of 1.9630 and a big score. 0.0000 is excessively minimal above 0.05, that H0 is rejected and Ha is accepted, meaning that the variable exchange rate or exchange rate has an impact on the stock rates of JII companies.
c. The findings of the t-test in the variable money supply (X3) achieved an estimated t score of 7.071194 over the t-table score of 1.9630 and a big score. 0.0000 excess minimum above 0.05, then H0 is rejected and Ha is accepted, meaning that the total money supply variable has an impact on the stock rates of JII companies.

2. F Test (Simultaneous)

The F test, also known as the simultaneous test or model test, is used to evaluate the extent to which the independent variables as a whole affect the dependent variable. The test measures the average difference between predicted and actual values in a regression model involving several independent variables. The calculated F value is compared through the F table score to determine the significance of the effect. If the estimated F score is greater than the F table score, the effect is considered significant.

Tabel 6. Uji F (Simultan)

F-Statistic	36.15486
Prob. (F-Statistic)	0.000000

Sumber: data diolah dengan Eviews, 2024

Based on the table the estimated F score of 36.15486 is greater than the F table which is 2.616543 and the sig. the score is 0.000000 excess minimal above 0.05, then H0 is rejected and Ha is accepted, meaning that the variables of inflation, exchange rates, and money supply have an impact on the stock rates of the Jakarta Islamic Index (JII) companies.

3. Coefficient of Determination (R2)

The coefficient of determination (R2) used in regression analysis is used to estimate the extent to which the regression design can explain the variance in the dependent variable. In different scales, the R2 score ranges between 0 and 1, with a score closer to 1 ensuring that the design has a good ability to explain the variance of the dependent variable. A higher R2 value means the regression model is more effective at explaining the variance in the dependent variable, but a lower R2 value score means the regression model is less effective at explaining the dependent variable.

Tabel 7. Uji F (Simultan)

R-squared	0.124320
Adjusted R-squared	0.120881

Sumber: data diolah dengan Eviews, 2024

It can be seen that the simultaneous F test results show that the Adjusted R-squired score (R2) is 0.120881, which means that the independent variables in the model have an influence of 12.08% on the dependent variable. In other words, this model can explain 12.08% of the variation that occurs in the dependent variable. Meanwhile, the remaining 87.92% is caused by other elements not included in the regression model.

Discussion

a. The Effect of Inflation on the Stock Price Index

This study proposes the first hypothesis which states that the Jakarta Islamic Index (JII) stock price index is significantly influenced by inflation. Computational results using Eviews hypothesis analysis show a t-test significance value of 0.0002 less than 0.05. This finding supports the first hypothesis which is the conclusion of this study.

This finding supports previous research on the positive and large impact of inflation on the stock price index conducted by Mashudi *et al*., (2020), Sjam *et al*., (2023), and Huda *et al*., (2024). As a result, rising inflation impacts stock price growth and investment returns, which in turn affects investor decision-making. Based on the regression results, rising stock prices are correlated with rising inflation, suggesting that low inflation may be a sign of good economic conditions and investor confidence. Inflation and stock prices have a negative relationship, according to various findings by Sulia Sukmawati *et al*., (2020), Ghifari *et al*., (2021), and Baskara *et al*., (2023).

b. Effect of Exchange Rate on Stock Price Index

The second hypothesis used in this study states that the Jakarta Islamic Index (JII) stock price index is significantly influenced by the exchange rate. By using the Eviews application for hypothesis testing, the computational results show a significant value of the t-test of 0.0000 less than 0.05. This finding supports the acceptance of the second hypothesis in this study.

The currency exchange rate has a large influence and has a negative influence. In other words, stock prices will fall when the exchange rate rises and vice versa. These findings are by research Agestiani & Sutanto (2019), Amijaya *et al*., (2020), and Baskara *et al*., (2023) that inflation has a bad and significant relationship. However Mawaddah et al. (2024) got different results, namely the exchange rate does not have a significant link to the Islamic stock index, and is supported by the research of Sjam *et al*., (2023), Mashudi *et al.,* (2020), and Rera (2022).

c. Effect of Money Supply on Stock Price Index

By using Eviews software to apply the hypothesis, the computational results show that the t-test value is 0.0000, less than 0.05. Based on this research, the third hypothesis, namely the money supply with the Jakarta Islamic Index stock price index has a meaningful and positive relationship and is accepted (JII).

Higher money supply is often associated with more market liquidity, which encourages investment and increases stock values. This suggests that an increase in money supply tends to increase investor optimism and increase the shares of companies included in the Jakarta Islamic Index (JII). Bahloul *et al*., (2016) and Iswara & Iskak (2021) conducted research that produced similar findings. According to research by As-Shidiq & Setiawan (2015), there is no real relationship between the money supply and the Jakarta Islamic Index (JII) stock price index.

d. The Effect of Inflation, Exchange Rate, and Money Supply on the Stock Price Index

The simultaneous F-test shows that money supply, exchange rate, and inflation all have a large influence on the stock price index. Given this large influence, investors should consider macroeconomic variables when making decisions as they can directly affect stock market performance.

Even in the context of the Islamic stock market, there is still a lack of research on the effect of money supply, inflation, and currency value on stock prices in the Jakarta Islamic Index (JII). Nevertheless, several studies have tried to include these three variables. For example, research conducted by Iswara & Iskak (2021) found that money supply, currency value, and inflation simultaneously have a significant impact on stock prices in the Jakarta Islamic Index (JII). This study shows that the impact of these three factors on the price of JII Islamic stocks can change according to the prevailing macroeconomic conditions and monetary policies.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

For companies that never left the Jakarta Islamic Index (JII) between 2020 and 2023, panel data regression analysis was used to determine the effect of money supply, currency exchange rate, and inflation on the stock price index. The findings of the analysis show that the stock prices of Jakarta Islamic Index (JII) businesses are significantly and positively affected by inflation. That is, stock prices may rise in response to higher inflation. In addition, exchange rate appreciation may adversely affect stock prices as the exchange rate itself adversely affects stock prices. Additionally, and fortunately, money supply affects stock prices. Therefore, the research findings show that money supply, currency rate, and inflation have a significant effect on the stock prices of companies listed on the Jakarta Islamic Index (JII).

Research Limitations

The drawback of this study is that it does not take into account other factors such as the political situation, government policies, and technical advancements that can affect stock values. This study only examines inflation, money supply, and exchange rates. In addition, this study may not be generally applicable under different economic conditions. Changes in global economic conditions may affect the results obtained from this study.

Recommendation

For Investors: Pay attention to inflation and money supply and investors need to be aware of exchange rate fluctuations.

For companies: Companies should look for ways to manage and control production costs, especially amid high exchange rates, such as by increasing operational efficiency or finding alternative sources of cheaper raw materials.

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