

THE SHORT-TERM AND LONG-TERM EFFECTS OF MACROECONOMICS AND THE COVID-19 PANDEMIC ON THE PERFORMANCE OF THE INDONESIAN SHARIA STOCK INDEX

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(Submitted by The Author: 05-03-2024)

(Accepted by The Editorial Board: 26-06-2024)

(Published by The Editorial Board: 27-06-2024)

ABSTRACT

This research aims to determine the short-term and long-term influence between the variables Inflation, SBI Interest Rate, Rupiah Exchange Rate, Bank Indonesia Sharia Certificate, World Oil Prices, and the Covid-19 Pandemic with the Indonesian Sharia Stock Index. This research uses a quantitative approach with multiple regression analysis techniques to analyze panel data using Eviews 10.0 software. The results of this research show that in the short term the inflation variables, SBI interest rates, Bank Indonesia Sharia Certificates (SBIS), world oil prices, and the Covid-19 pandemic do not have a significant influence on the Indonesian Sharia Stock Index. Meanwhile, in the short term, the rupiah exchange rate has a negative and significant effect on ISSI at the specified significance level. On the other hand, in the long term, the variables inflation, rupiah exchange rate, and Bank Indonesia Sharia Certificate (SBIS) do not have a significant influence on ISSI. While the SBI interest rate, world oil prices, and the Covid-19 pandemic have a significant influence on the Indonesian Sharia Stock Index (ISSI).

Keywords: Inflation; Rupiah Exchange Rate; SBIS, BI Interest Rates; Covid-19; ISSI

Pardiansyah, E., Fakhrudin, M., Najmudin, Friantoro, & D. 2024. The Short-Term and Long-Term Effects of Macroeconomics and the COVID-19 Pandemic on the Performance of the Indonesian Sharia Stock Index. *Jurnal Syarikah : Jurnal Ekonomi Islam* 10(1): 81-91.

INTRUDUCTION

As one of the fastest-growing economies, Indonesia faces various external challenges that can affect macroeconomic stability and public well-being. One event that has a significant impact is the global pandemic of COVID-19, which has profoundly changed the global economic landscape (World Health Organization, 2020). As part of an effort to understand the impact of this pandemic on the financial sector, the research focus can be directed to the Indonesian sharia stock index. (ISSI).

The Indonesian Sharia Stock Index (ISSI) is one of the sharia stock indices on the Indonesia Stock Exchange (IDX) (Suciningtyas and Khoiroh, 2015). ISSI reflects the performance of companies that comply with sharia principles. Based on OJK data (2022), the development trend of the ISSI has been growing from 2016 to 2019 but has decreased since 2020, when the Covid-19 pandemic entered Indonesia. The coronavirus has caused the world economy to fluctuate. This event also greatly impacts the economic activities of the capital market sector (Herwany *et al.*, 2021; Pardiansyah *et al.*, 2023).

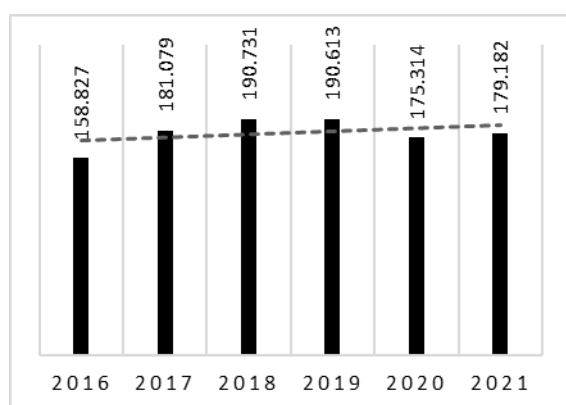


Figure 1. Development of ISSI in Indonesia

Changing macroeconomic conditions and the impact of the Covid-19 pandemic can provide a deeper understanding of the resilience and dynamics of the sharia stock market in Indonesia. Fluctuations in capital market conditions are closely linked to various factors, especially

macroeconomic external conditions. (Tandelilin, 2017). Macroeconomic factors such as inflation, SBI interest rates, rupee exchange rates, Sharia Bank Indonesia (SBIS) certificates, and world oil prices have great potential to influence ISSI movements.

Several previous studies have tried to test the relationship between macroeconomic variables and ISSI. According to Ardana (2016) research, inflation has an influence on ISSI because inflation affects stock demand and supply, and when inflation occurs, interest rates will be set so that they affect stock prices. Al Mustofa, and Herianingrum (2019) Inflation has a significant negative influence on the Indonesian Sharia Stock Index (ISSI). Similar research has also studied Sari and Latief, (2020), Bawono and Mutaqin (2019) Sunardi and Ula (2017) which resulted in inflation findings have a reverse negative relationship with ISSI.

Besides, ISSI is also influenced by foreign exchange rates and world oil prices. An important factor in the Indonesian stock market index is the rupee exchange rate. Exchange rate stability is crucial for and industries that rely on the use of foreign currencies for their operations. Junaidi, dkk (2021), Puryandani, (2020), Mubarak, Dkk (2020) in their research noted that the exchange rate of rupiah has a significant negative impact on the Indonesian Shariah Stock Index (ISSI). Al-Mustofa and Herianingrum (2019) also found that the world oil prices have a positive effect on the ISSI.

According to Tandelilin (2017) high interest rates encourage people to invest in savings or deposits rather than stocks. Research conducted by Junaidi, *et al.* (2021) proved that SBI interest rates have a negative impact on ISSI. As for Harif and Natsir's study (2018), Bahrul, *et al.* (2018) stated that the Certificate of the Shariah Bank of Indonesia (SBIS) has a significant negative effect on ISSI.

In addition to the macroeconomic factors mentioned above, the Indonesian Sharia Stock Index (ISSI) is also affected by the Covid-19 pandemic. The COVID-19 Pandemic has hit various economic sectors such as the capital market, having a significant impact on trading on the stock exchange. (Fadila Suryani et al., 2021). Not only in Indonesia, some neighbouring countries like Singapore, Thailand, Malaysia, Vietnam and other ASEAN countries also suffered from the Covid-19 pandemic. Specifically, the study aims to explore the relationship and degree of influence of the Covid-19 pandemic and macroeconomic variables, consisting of inflation, SBI interest rates, exchange rates, world oil prices, and SBIS against the Indonesian Sharia Stock Index (ISSI).

MATERIAL AND METHODS

Signaling Theory

Signaling theory is the theory that explains the signals transmitted by a signaler to a receiver (Connelly et al., 2019; Darmayanti et al., 2021). Thus, signal theory can be defined as a signal carried out by an internal party (manager or company) against an external party (investor) (Ramadani et al., 2019). Many factors can be a signal to society in decision-making, such as macroeconomic factors, technological growth, political circumstances, and global issues, like Covid-19. Signaling theory describes information published as a sign for investors in investment decisions. (Darmayanti et al., 2021).

Indonesian Shariah Stock Index (ISSI)

The Indonesian Shariah Stock Index (ISSI) is one of the shariah stock indices on the Indonesians Stock Exchange (BEI) (Suciningtyas and Khoiroh, 2015). ISSI consists of shares that follow the principle of sharia investment and have passed the sharia stock screening, both business screening and financial screening. ISSI covers all sharia shares listed on the BEI

(Indonesian Stock Exchange) as well as included in the Sharia Stock List and the Financial Services Authority (Qomariyah, dkk, 2018).

Covid-19 Pandemic

In December 2019, the corona virus or known as Covid-19 appeared in Wuhan, China. This virus is very contagious and infects not only Chinese citizens but spreads to all corners of the world including Indonesia. In Indonesia, the first case of death due to Covid-19 occurred in March 2020, after which new victims appeared both positive for Covid-19, as well as PDP (patients under surveillance) and ODP (people under surveillance) (Saraswati, 2020). Mohammad Hidayaturrahman and Edy Purwanto (2020) revealed that Covid-19 has become a major problem in several countries in the world. The number of cases of exposed victims is so large that WHO (World Health Organization) has set its status to pandemic. Many losses have been experienced by countries in the world due to the Covid-19 pandemic, including losses in the economic field. Covid-19, which has become a global disease outbreak, has attacked every economic sector including the Islamic capital market.

Macroeconomic Variables

Inflation

In the macroeconomic concept, inflation is defined as an increase in the prices of goods generally and continuously (Utari, 2015). According to Parakkasi (2016), inflation was a general and sustained increase in commodity prices. There are three components of inflation, one of which is price rise, generalized, and continuous. According to Aini (2022), inflation in Indonesia is caused by several factors including budget deficits and aggregate factors, the amount of money circulating, and foreign supply.

The Exchange Rate

The exchange rate is defined as the price of the domestic currency that reflects the foreign currency, i.e. the price of the domestic currency and the price of the

foreign currency. The exchange rate shows the status of a currency in relation to other currencies and is used in various transactions (Karim, 2014). Meanwhile, Sukirno (2015) defines the foreign exchange rate by comparing the value of a foreign currency (such as the US dollar) with the local currency (such as the Indonesian rupiah).

World Oil Price

Earth oil is a very valuable commodity, it is a minable mineral that requires special handling before it is used. (Oktavia, dkk, 2018). Raw oil is processed through purification and has many variants. Because of its complex production, not every country owns and manages its oil resources. (Basundoro, 2017). According to Salim, dkk (2019) World crude oil prices are determined by the world oil market spot prices, in most cases, world oil prices use the West Texas Intermediate standard (WTI).

Bank Indonesia Certificate Rate

According to Putra (2016), the SBI interest rate is one of the tools used by Bank Indonesia to maintain the stability of the Rupiah exchange rate. The SBI interest rate is also defined as a policy interest rate that reflects the monetary policy stance set by BI (Lapong, 2016).

Bank Indonesia Syariah Certificate (SBIS)

According to Bank Indonesia Regulation (PBI) Number 10/11/PBI/2008, SBIS are securities based on sharia principles with a short term in rupiah currency issued by Bank Indonesia. (Purnomo, 2013). Based on the National Sharia Council Fatwa No: 63/DSN-MUI/XII/ 2007 states that Sharia Bank Indonesia Certificates (SBIS) are securities denominated in rupiah and issued by Bank Indonesia for short-term debt contracts based on Sharia principles. In issuing SBIS instruments, Bank Indonesia uses a ju'alah contract scheme.

Research Methods

Quantitative data is a type of data in the form of numbers or expected

qualitative data (scoring). (Purwono, 2021). Secondary data in this study are time series data (monthly) period from 2016 to 2021, obtained from various credible sources, such as OJK, BI, and other official reports or publications.

Sampling technique in this survey uses non-probability sampling techniques in the form of saturated samplings. (Sujarweni, 2019). The data used as samples are data on the Indonesian Shariah Stock Index (ISSI), monthly data on inflation, SBI interest rates, rupee exchange rates, sharia bank certificates, world oil prices and the Covid-19 pandemic dummy during the period January 2016 - December 2021.

The data analysis technique used in this study is regression analysis with time series data. Eviews 9.0 software and Microsoft Office Excel are used to assist in the processing and processing of research data. Subsequently, a model selection test is carried out, namely: 1) Data stationarity test to find out whether the time ratio data we use is already stationary (Widarjono, 2018); 2) Co-integration test to figure out the stationarities of data from a combination of linear variables development of a variation structure of a time series model that is not stationary, as well as performed for the purpose of finding the long-term stability of these variables (Vidarjono, 2018; 3) Error Correccion Model (ECM), this model is used when the data is not stacionary at the level but stationary on the process of differentiation (Vidarjuno, 2018).; 4) Short-term ECM estimation method; 5) Long-term ECM estimate method. Afterwards, the classical assumptions were tested, namely, data non-normality tests, data multicollinearity tests, heterocadastasis tests, and autocorrelation tests. Finally, a double linear regression test is performed to test partial hypotheses (t-tests), simultaneous tests (f-test), and determination coefficients tests (R^2).

RESULTS AND DISCUSSION

Stationarity Test

The Stationarity test is used to decide which model to use in this study, the Error Correction Model (ECM) or the Autoregressive Distribute Lag (ARDL) model (Widarjono, 2018).

Table 1. Stationarity Test Results

| Variables | Augmented Dickey-Fuller (ADF) | | | |
|----------------------|-------------------------------|---------------|----------------------------|---------------|
| | Level | | 1 st difference | |
| | Test Statistic | Probabilities | Test Statistic | Probabilities |
| ISSI (Y) | -2.410889 | 0.1424 | -7.743139 | 0.0000 |
| Inflation | -1.415230 | 0.5702 | -7.797437 | 0.0000 |
| Interest rate of SBI | -1.772846 | 0.3908 | -6.248658 | 0.0000 |
| Kurs | -2.829148 | 0.0593 | -10.10978 | 0.0001 |
| SBIS | -1.770027 | 0.3922 | -5.088353 | 0.0001 |
| World oil price | -2.191787 | 0.2111 | -7.962270 | 0.0000 |
| Covid-19 | -0.645367 | 0.8529 | -8.366600 | 0.0000 |

Source: Primary data processed, 2023

The results of the stationarity test using the Augmented Dicky Fuller (ADF) test showed that all variables were not stationary at the level because the ADF absolute value was greater than 0.05, therefore a root test was carried out at the 1st difference level with the results of all stationary variable data.

Cointegration Test

The cointegration test aims to determine whether there is a long-term relationship between the independent variable and the dependent variable. The cointegration test in this study uses the Johansen method. If the trace statistic value > critical value (at $\alpha = 5\%$) then there is cointegration or there is a long-term relationship between variables, but if the trace statistic < critical value (at $\alpha = 5\%$) then there is no cointegration or long-term relationship between variables (Widarjono, 2018).

Table 2. The Cointegration Test Results

| Hypothesized No. of CE(s) | Eigenvalue | Trace Statistic | 0.05 Critical Value | Prob.** |
|---------------------------|------------|-----------------|---------------------|---------|
| None * | 0.593731 | 166.1616 | 125.6154 | 0.0000 |
| At most 1 * | 0.451755 | 103.1097 | 95.75366 | 0.0141 |
| At most 2 | 0.362776 | 61.03735 | 69.81889 | 0.2049 |
| At most 3 | 0.184991 | 29.49296 | 47.85613 | 0.7445 |
| At most 4 | 0.127457 | 15.17399 | 29.79707 | 0.7687 |
| At most 5 | 0.069314 | 5.629972 | 15.49471 | 0.7388 |
| At most 6 | 0.008558 | 0.601642 | 3.841466 | 0.4380 |

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level
 * denotes rejection of the hypothesis at the 0.05 level
 **MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

| Hypothesized No. of CE(s) | Eigenvalue | Max-Eigen Statistic | 0.05 Critical Value | Prob.** |
|---------------------------|------------|---------------------|---------------------|---------|
| None * | 0.593731 | 63.05186 | 46.23142 | 0.0004 |
| At most 1 * | 0.451755 | 42.07235 | 40.07757 | 0.0294 |
| At most 2 | 0.362776 | 31.54440 | 33.87687 | 0.0926 |
| At most 3 | 0.184991 | 14.31897 | 27.58434 | 0.8000 |
| At most 4 | 0.127457 | 9.544021 | 21.13162 | 0.7863 |
| At most 5 | 0.069314 | 5.028329 | 14.26460 | 0.7382 |
| At most 6 | 0.008558 | 0.601642 | 3.841466 | 0.4380 |

Source: Primary data processed, 2023

The cointegration test results in Table 2 above show that there is cointegration or a long-term relationship between variables when calculated based on the trace statistic and maximum eigenvalue. According to Widarjon (2018), if the research has cointegration, the next test uses the Error Correction Model (ECM). The model correction test was carried out using a two-step Engle-Grange (Winarno, 2017). As a result, the probability value on RESID01 (-01) 0.015 < 0.05 indicates that the error correction model (ECM) used is valid (Winarno, 2017).

Classical Assumption Test

1. Normality Test

The results of the normality test using the Jarque-Bera test show a Jarque-Bera value of $1.36 < 2$ and a probability value of $0.50 > 0.05$, so it is concluded that the data in this study are normally distributed.

2. Multicollinearity Test

Based on table 3 below, all variables in the model have a Variance Inflation Factor (VIF) value of less than 10 (<10), meaning that the data in this study do not have multicollinearity symptoms.

Table 3. Multicollinearity Test

Variance Inflation Factors
Date: 10/13/23 Time: 10:13
Sample: 1 72
Included observations: 72

| Variable | Coefficient Variance | Uncentered VIF | Centered VIF |
|-------------|----------------------|----------------|--------------|
| C | 1.13E+09 | 1064.012 | NA |
| INFLASI_X1_ | 7537272. | 63.79072 | 5.625768 |
| SB_SBI_X2_ | 3253887. | 75.32582 | 3.113749 |
| KURS_X3_ | 5.483247 | 1016.386 | 1.754238 |
| SBIS_X4_ | 0.166653 | 17.88380 | 1.505082 |
| HMD_X5_ | 13580.24 | 39.63046 | 2.023529 |
| DCOVID_X6_ | 48227692 | 13.91900 | 9.665973 |

Source: Primary data processed, 2023

3. Heteroscedasticity Test

The results of the heteroscedasticity test show that the Obs * R-squared value of 10.33751 with a Prob Chi-Square value of 0.1111 is greater than 0.05, so, it can be concluded that the data in this study are not heteroscedastic.

4. Autocorrelation Test

The autocorrelation test results show that the Durbin-Watson value is 1.940871. The critical value of d at the level of $\alpha = 5\%$ with $n = 72$ and $k = 6$ for $d_L = 1.4430$ and the value of $d_U = 1.8019$. While the value of $4 - d_U = 2.1981$ can be concluded $d_U < d < 4 - d_U = 1.8019 < 1.940871 < 2.198$. Because the statistical value of d lies between d_U and $4 - d_U$, this research data does not occur autocorrelation.

Results of Regression Test

Table 4. Regression Equation Test Results

Dependent Variable: ISSI_Y_
Method: Least Squares
Date: 10/13/23 Time: 09:27
Sample: 1 72
Included observations: 72

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|-------------------------|-------------|------------|-------------|--------|
| C | 222440.9 | 33563.14 | 6.627535 | 0.0000 |
| INFLATION_X1_ | -2289.835 | 2745.409 | -0.834060 | 0.4073 |
| INTEREST RATE BI_X2_ | -4846.587 | 1803.854 | -2.686796 | 0.0091 |
| KURS_X3_ | -3.621077 | 2.341633 | -1.546389 | 0.1269 |
| SBIS_X4_ | 0.414378 | 0.408231 | 1.015058 | 0.3138 |
| WOP_X5_ | 652.6976 | 116.5343 | 5.600906 | 0.0000 |
| D-COVID19_X6_ | -20402.90 | 6944.616 | -2.937945 | 0.0046 |

Source: Primary data processed, 2023

Based on the multiple linear regression test results in the table above, the regression equation is obtained as follows:

$$\text{ISSI} = 222440,9 - 2289,835 X_1 - 4846,587 X_2 - 3,621077 X_3 + 0,414378 X_4 + 652,6976 X_5 - 20402,90 X_6 + e$$

The above equation can be interpreted as follows:

- 1) The constant value of 222440,9 indicates that when the variable being studied is equal to zero (small variable), then the average Indonesian Sharia Stock Index is 222440.9.
- 2) For the inflation slope of -2289,835 can be explained, every inflation rise of 1 percent then the Indonesian Sharia stock index decreases by -22898.8 with the assumption of other variables fixed.
- 3) The SBI interest rate slop value of -4846.5 can be construed, as each increase in the SBI rate of interest by 1% then the ISSI will be corrected by -4846.5 points with the assumed other variable constant.
- 4) The slop value of the rupee exchange rate of -3,621077 can be interpreted, each increase in the rate of the Rupee by 1 rupee then ISSI will be corrected by -3,611077 assuming other variable is fixed.
- 5) The slop value of the Indonesian Sharia Bank (SBIS) certificate of 0.414378 indicates that any increase in the SBIS by 1% will result in an increase of the ISSI by 0.414,378 points, assuming other factors are constant.
- 6) The world oil price slop value of 652,6976 can be interpreted, each increase in world oil prices of 1 dollar then the Indonesian Shariah Stock Index will experience an increase of 6526,976 points on the assumption of other constant factors.
- 7) The Covid-19 pandemic slop value of -20402.90 indicates that each increase in the number of deaths due to the covid-19, then the Indonesian Shariah Stock Index (ISSI) will be corrected by 20402.9 points on the assumption of other constant factors.

Table 5. Partial Test Results (T-Test)

Dependent Variable: ISSI_Y_
Method: Least Squares
Date: 10/13/22 Time: 14:53
Sample: 1 72
Included observations: 72

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---------------------|-------------|------------|-------------|--------|
| C | 222440.9 | 33563.14 | 6.627535 | 0.0000 |
| Inflation_X1 | -2289.835 | 2745.409 | -0.834060 | 0.4073 |
| Interest Rate BI_X2 | -4846.587 | 1803.854 | -2.686796 | 0.0091 |
| Kurs_X3 | -3.621077 | 2.341633 | -1.546389 | 0.1269 |
| SBIS_X4 | 0.414378 | 0.408231 | 1.015058 | 0.3138 |
| WOP_X5 | 652.6976 | 116.5343 | 5.600906 | 0.0000 |
| Covid19_X6 | -20402.90 | 6944.616 | -2.937945 | 0.0046 |

Source: Primary data processed, 2023

The findings above show that 3 (three) of the 6 (six) variables tested have a probability value above 0.05. Meanwhile, the rest have a probability value below 0.05, namely the SBI interest rate variable, world oil prices, and the Covid19 variable.

Table 6. Simultaneous Test Results and Determination

| | | | |
|--------------------------|-----------------|-----------------------|----------|
| R-squared | 0.685632 | Mean dependent var | 175054.2 |
| Adjusted R-squared | 0.656613 | S.D. dependent var | 14899.23 |
| S.E. of regression | 8730.830 | Akaike info criterion | 21.07927 |
| Sum squared resid | 4.95E+09 | Schwarz criterion | 21.30062 |
| | | Hannan-Quinn criter. | 21.16739 |
| F-statistic | 23.62734 | Durbin-Watson stat | 0.587575 |
| Prob(F-statistic) | 0.000000 | | |

Source: Primary data processed, 2023

Based on the results of the f test (simultaneous) above, the Prob (F-statistic) value of 0.0000 < 0.05, so it can be concluded that together the six independent variables affect the ISSI variable. Table 6 also contains information on the determination test results (R-Squared) of 0.685632. Where this shows that the independent variables (inflation, SBI interest rates, Rupiah exchange rates, SBIS, world oil prices, and Covid19) have an influence of 68.5% on the ISSI variable (Y). While the other 31.5% is influenced by other variables.

Short-term Estimation Test Results

Table 7. Short-Term Estimation Test Results

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------------|------------------|-----------------------|------------------|---------------|
| C | 182.9129 | 694.4798 | 0.263381 | 0.7931 |
| Inflation_X1 | -3052.870 | 2656.842 | -1.149059 | 0.2548 |
| Interest Rate_X2 | -5653.855 | 3095.453 | -1.826503 | 0.0724 |
| Kurs_X3 | -8.077084 | 2.209625 | -3.655410 | 0.0005 |
| SBIS_X4 | -0.102485 | 0.588293 | -0.174207 | 0.8623 |
| WOP_X5 | 195.9289 | 123.6743 | 1.584233 | 0.1181 |
| Covid19_X6 | -3748.359 | 7794.128 | -0.480921 | 0.6322 |
| R-squared | 0.397707 | Mean dependent var | 621.6338 | |
| Adjusted R-squared | 0.341242 | S.D. dependent var | 6785.129 | |
| S.E. of regression | 5507.074 | Akaike info criterion | 20.15884 | |
| Sum squared resid | 1.94E+09 | Schwarz criterion | 20.38192 | |
| Log likelihood | -708.6389 | Hannan-Quinn criter. | 20.24755 | |
| F-statistic | 7.043437 | Durbin-Watson stat | 1.972132 | |
| Prob(F-statistic) | 0.000009 | | | |

Source: Primary data processed, 2023

Based on table 7, the results of the short-term estimation test show that 5 of the 6 variables tested, namely the inflation variable, SBI interest rate, Sharia Bank Indonesia Certificate (SBIS), world oil prices, and the covid-19 pandemic have a probability value above 0.05. This means that in the short term these variables do not have an influence on the Indonesian Sharia Stock Index (ISSI). This means that in the short term these variables do not have an influence on the Indonesian Sharia Stock Index (ISSI). Meanwhile, the rupiah exchange rate variable (Kurs) in the short term has an influence on the Indonesian Sharia Stock Index (ISSI).

Long-Term Estimation Test Results

Table 8. Long-Term Estimation Test Results

Dependent Variable: ISSI_Y_
Method: Least Squares
Date: 10/13/23 Time: 09:27
Sample: 1 72
Included observations: 72

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------------------------|------------------|-----------------------|------------------|---------------|
| C | 222440.9 | 33563.14 | 6.627535 | 0.0000 |
| Inflation_X1 | -2289.835 | 2745.409 | -0.834060 | 0.4073 |
| Interest rate BI_X2 | -4846.587 | 1803.854 | -2.686796 | 0.0091 |
| Kurs_X3 | -3.621077 | 2.341633 | -1.546389 | 0.1269 |
| SBIS_X4 | 0.414378 | 0.408231 | 1.015058 | 0.3138 |
| WOP_X5 | 652.6976 | 116.5343 | 5.600906 | 0.0000 |
| DCOVID_X6 | -20402.90 | 6944.616 | -2.937945 | 0.0046 |
| R-squared | 0.685632 | Mean dependent var | 175054.2 | |
| Adjusted R-squared | 0.656613 | S.D. dependent var | 14899.23 | |
| S.E. of regression | 8730.830 | Akaike info criterion | 21.07927 | |
| Sum squared resid | 4.95E+09 | Schwarz criterion | 21.30062 | |
| Log likelihood | -751.8539 | Hannan-Quinn criter. | 21.16739 | |
| F-statistic | 23.62734 | Durbin-Watson stat | 0.587575 | |
| Prob(F-statistic) | 0.000000 | | | |

Source: Primary data processed, 2023

Based on the long-term estimation test results, it shows that the Inflation, Exchange Rate, and SBIS variables have a probability value above 0.05. This indicates that these variables have no long-term influence on the ISSI. Meanwhile, the other three variables, namely SBI interest rates, world oil prices, and Covid_19 have a probability value below 0.05, meaning that these variables have a long-term influence on the Indonesian Shariah Stock Index (ISSI).

Short-term and Long-term Effect of Inflation on ISSI

Based on the regression analysis results of short-term effect estimation, the inflation variable has a probability value of $0.2548 > 0.05$. On the other hand, the results of the long-term estimation test of the inflation variable have a probability value of $0.4073 > 0.05$. This means that the inflation variable does not have a significant influence on the ISSI in the short and long term.

These results explain that when there is a decrease in the inflation rate, it will not affect the movement of the Indonesian sharia stock index much. This is because the inflation movement during the observation period was slow or low, inflation in the period 2016 to 2021 only ranged from 2% to 3% and it can be interpreted that during the observation period the inflation rate did not affect investors' decisions in stock investment. The results of this study are in line with other research conducted by Saputra, et al (2021), Al Mustofa and Herianingrum (2019) and Bahrul, et al (2018) which state that inflation has no effect on the Indonesian SahamsSyariah Index with a negative coefficient. However, this study is not in line with the research of Sari and Latief, (2020) which states that inflation has a negative and significant effect on the ISSI.

Short-term and Long-term Effects of SBI Interest Rates on ISSI

Based on the results of the regression analysis of short-term influence

estimates, the SBI interest rate variable has a probability value of $0.0724 > 0.05$. Whereas, in the long term, the probability rate value of SBI is $0.0091 < 0.05$. It can be inferred that the short-term SBI interest rate has no significant impact on the Indonesian Shariah Stock Index. However, in the long term, based on the test results, SBI interest rates have a negative and significant impact on the established level of significance. Thus, it can be explained that when there is a rise in the SBI interest rate, then in the long term can have a negative and significant influence on the movement of the Indonesian Shariah Stock Index (ISSI).

The rise in interest rates will change the investor's portfolio, where investors tend to invest their money in other financial products, such as banking compared to capital markets because of the high interest rates at banks and the decline in the rise of deposits income. This is because the SBI's increased interest rate will be followed by commercial banks to raise the interest rate on deposits. When the deposit rate is higher than the return rate expected by investors, investors will move the money to the deposit. In the long term, the results of this study are in line with previous research conducted by Bawono and Mutaqin (2019), Junaidi, dkk (2021) Rahmawati and Baini (2020), Sunardi and Ula (2017) and Putra (2016) stated that SBI interest rates have a negative and significant influence on the Indonesian Sharia Stock Index. (ISSI).

Short-term and Long-term Effects of Exchange Rates (Kurs) on ISSI

Based on the results of the regression analysis of short-term influence estimates, the currency exchange rate variable has a probability value of $0,0005 < 0,05$. It can be inferred that the currency exchange rate in the short term has a significant influence on the Indonesian Shariah Stock Index. However, in the long term based on the results of the testing, the rate of exchange of the rupee has no

influence and significant on the established level of significance. Based on these tests, it can be explained that when there is a rise in the exchange rate of the rupee it will have an influence on the movement of the Indonesian Sharia Stock Index in the short term.

However, in the long term, changes in the rupee exchange rate have no significant influence on the ISSI. For exporting companies when the currency rate is depressed it will increase the profits of the company as well as increase the dividend of investors, but in this case, strengthening or weakening of the rupiah exchange rates has no effect on the movement of ISSI since many issuers listing in the ISSi their main activities are not in the field of export/import. In the short term the results of this study are in line with Al Mustofa and Herianingrum (2019) and Mubarok, et al (2020) which stated that the rupiah exchange rate has a significant positive effect on ISSI (2020).

Short-term and Long-term Effect of SBIS on ISSI

Based on the results of the regression analysis of the short-term impact estimate, the variable SBIS has a probability value of $0.8623 > 0.05$. On the other hand, the probability of the SBIS in the test of the long-term influence estimate is $0.3138 > 0.05$. It can be inferred that the SBIS in the short or long term has no significant influence on the Indonesian Shariah Stock Index at the established level of significance. Thus, it can be explained that in the short and long term, the investment movement in the SBIS will not have much influence on the movement of the ISSI movement. Both of these Sharia investment instruments are positively correlated in improving the sharia investment climate. The results of this study are in line with Listriani Research (2017), Ardana (2016), Saputra (2017) and Rahmawati and Baini (2019) which stated in their research that SBIS has no significant influence on ISSI.

Short-term and Long-term Effect of World Oil Price on ISSI

Based on the results of the regression analysis of the short-term impact estimate, the world oil price variable has a probability value of $0.1181 > 0.05$. It can be inferred that the world's oil prices in the short term have no significant impact on the ISSI. However, in the long term, the world oil prices have a significant influence on ISSI at the established level of significance. Thus, it can be stated that in the long term, when there is a rise in world oil prices it can influence the movement of the Indonesian Shariah Stock Index (ISSI). In the long term, the results of this study are in line with previous studies conducted by Al Mustofa and Herianingrum (2019), Mubarok, dkk (2020), Bawono and Mutaqin (2019), which stated that World Oil Prices have a significant positive impact on ISSI.

Effect of Covid-19 Pandemic on ISSI

Based on the regression analysis results of the short-term effect estimation, the Covid-19 variable has a probability value of $0.6322 > 0.05$. Meanwhile, the probability value of Covid-19 in testing the estimation of the long-term effect is $0.0046 < 0.05$. This can be interpreted that Covid-19 in the short term has no significant effect on the Indonesian Sharia Stock Index. However, in the long term, Covid-19 has a significant effect on the ISSI at the specified significance level. So, it can be concluded that in the long term, when there is an increase in cases of the covid-19 pandemic, it can have a negative influence on the movement of the Indonesian Sharia Stock Index (ISSI). The higher the covid-19 pandemic, the greater the ISSI corrected. The existence of the covid-19 pandemic caused panic among stock exchange players, both the government, the public and investors, as a result of this panic led to a decrease in purchasing power, demand, supply and increased production costs. Phenomena like this result in investors being reluctant

to invest their capital in stocks and prefer to save their capital in the form of other assets, because they think stocks are too risky, in the end there is a decline in ISSI.

In the long term, the results of this study are in line with previous research conducted by Halisa and Annisa (2020), Kiptiyah, et al (2022), Kusuma and Setiyono (2021) and Fatmasita (2021) which state that the Covid-19 Pandemic has a negative and significant effect on the Indonesian Sharia Stock Index.

CONCLUSION AND IMPLICATION

Based on the results of the research and discussion that have been presented previously, conclusions can be drawn: 1) The estimated effect in the short term of inflation variables, SBI interest rates, Sharia Bank Indonesia Certificates (SBIS), world oil prices, and the COVID-19 pandemic do not influence the Indonesian Sharia Stock Index (ISSI). Meanwhile, the rupiah exchange rate is the only variable that has a significant effect on the ISSI in the short term. 2) Estimation of the effect in the long term, the variables of inflation, rupiah exchange rate, and Sharia Bank Indonesia Certificates (SBIS) do not affect the Indonesian Sharia Stock Index (ISSI). Meanwhile, the SBI interest rate variable, world oil prices, and the COVID-19 pandemic have a significant effect on the Indonesian Sharia Stock Index (ISSI) in the long term.

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