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The Effect of Inflation Rate, Rupiah Exchange Rate, World Oil Prices, and World Gold Prices on Indonesia Sharia Stock Index (ISSI)

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Abstract---*This study aims to determine the effect of inflation, the exchange rate rupiah, world oil prices, and the price of gold in the world of the Indonesian Islamic stock index. The samples used were 60 data for 2014-2018 with sampling techniques saturated. The data analysis technique used multiple linear regression analysis. Results obtained are inflation and significant negative impact on ISSI, use-values rupiah and significant negative impact on ISSI, world oil prices have no significant impact on ISSI, world gold prices have a positive and significant impact on ISSI. To achieve the inflation target set by the Government, Bank Indonesia may implement policies that include: a) open market operations on the rupiah money market, including foreign exchange intervention to stabilize the rupiah; b) determination of the BI rate as the benchmark interest rate and c) stipulation of a policy of minimum statutory reserves for banks. The implementation of monetary control is carried out through banks operating conventionally and through the activities of banks operating based on sharia.*
Keywords---*inflation, rupiah exchange rate, world gold prices against the Indonesian Sharia stock index, world oil prices.*

Introduction

Along with the development of investment in Indonesia which has a population of Muslims the largest in the world, and the emergence of market capital sharia which is seen as strategic new opportunities in the world of investments, (Sutendi, 2011), but not as well as immediately followed by the growth of Islamic investment are encouraging. The Islamic capital market continues to grow, but its development is relatively slow (Gonçalves & Salles, 2008; Al-Marhubi, 1997). It is market not the high interest of investors in the stock of sharia. Inaction development of Islamic stocks was due to business finance not entered into the index stocks. It is known that sharia regulations do not provide opportunities for financial sector stocks to be listed in the index (www.investasi.kontan.co.id) accessed on October 2, 2019).

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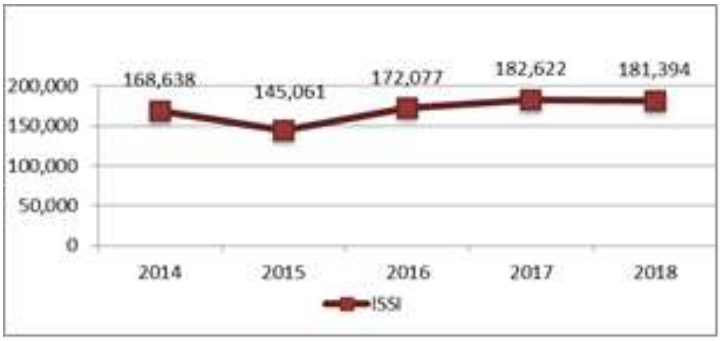

Figure 1. ISSI growth chart 2014- 2018

During the observation period, the movement of ISSI tends to fluctuate. The position of the lower rise in the year 2015 was 145.061, and the highest in the year 2018 was 181.394. The Indonesian Sharia Stock Index (ISSI) growth is influenced by several factors such as micro and macroeconomics in GDP, JUB, BI Rate, Exchange Rate, Inflation, and others (Siregar & Rajan, 2004; Sugiharti et al., 2020).

Table 1
Macroeconomic for Period 2014-2018

	2014	2015	2016	2017	2018
PDB Growth	5.0	4.8	5.0	5.1	5.2
Inflation Rate	8.4	3.4	3.0	3.6	3.1
Exchange Rate	11,800	13,389	13.309	13.381	14,250

Sources: Indonesia Investments, World Bank, Central Statistics Agency (BPS), Bank Indonesia, International Monetary Fund (IMF), and Fitch Ratings

The high of digit inflation describes the condition of the less good economy because it would reduce the power of the power purchase against the rupiah. Inflation, which has a significant negative effect, was found in (Suciningtias & Khoiroh, 2013) research, but different conditions resulted from the Qomaryah et al. (2018) which concluded that there was no effect of inflation on ISSI. Two research other shows the results differ, study (Rachmawati & Laila, 2015) find that even though there is the influence of the negative of inflation, would be. However, the effect was not significant to the ISSI while (Astuti, 2016) revealed that inflation positively and significantly affected the JCI. During the observation period, the value of the exchange rate tends to weaken. Rupiah conditions were weakening can affect not good against the company. Dornbusch et al. (2004) argue that the development of the rupiah exchange rate will impact the company's performance because changes in the rupiah exchange rate affect the company's income result in increased costs for operating the company. Exchange rate risk is related to fluctuations in the exchange rate of the local countryside with the value of foreign currencies. In previous research, it was found that the exchange rate affected ISSI negatively and significantly (Utami & Herlambang, 2017; Rusbariand et al., 2012).

Another sector that is closely related to the stock index is crude oil prices. The development of oil prices has become a significant sector and has attracted the investment world's attention. Gumilang (2014) in his research, revealed that the price of oil of crude have a significant impact, but the impact of adverse stock price, which means that the development of the price of oil affect the rise in various material needs of the subject because oil is one of the commodities most needed in the world. In contrast to the research of Witjaksono (2010) and Rusbariand et al. (2012) where world oil prices were found to affect stock prices positively. Different things happened in the research results of Suciningtias & Khoiroh (2013). On the other hand, (Qomaryah et al., 2018) in his research, found the negative effect of world oil prices on ISSI. A factor else that affects the development of ISSI is the price of the gold world. Research by (Nabila, 2017) and (Nabila, 2017) states that gold prices positively influence the JCI. Meanwhile, Insiyah & Huda, (2017) research suggests that gold prices do not affect stock prices.

Literature Review
Inflation rate

Inflation is known as a familiar term in the discussion of economic development. Inflation is defined as a condition where the prices of all goods are continuously observed (Sukirno, 1997; Karya & Syamsyuddin, 2016). Inflation was declared as a state of rising prices needs and sustainability and impacted the increase in goods. When the rise in the price only occurs at slight goods specified, then the case was not yet able to say as inflation.

Rupiah exchange rate

The rupiah's exchange rate is a ratio of the rupiah's value against the currencies of foreign countries. In trading, the exchange rate is often used as a reference that is a value exchange rate against Dollar USA (Musdholifah & Tony, 2007; Triyono, 2008).

World oil prices

The world oil price that is used as a measurement is according to WTI. WTI is a world standard because WTI crude oil is considered to be of the highest quality.

World gold

According to Mas'ud (2009) gold is highly regarded in the world of investment globally because of its relatively stable price. Gold can be melted into pieces so easily bought and sold in various shapes and sizes. Gold is a metal noble who made a choice free investment risk and often made an effort to maintain its value against the possibility of economic crisis, social and political.

Relationship and influence between variables

Investors in the capital market information from observations of inflation movements so that information is a signal for investors to make decisions. This is also related to signal theory. Faisal et al. (2018) revealed that investors expect a decrease in inflation because if inflation increases, it can be considered a negative symptom for investors in the stock market. Utoyo & Riduwan (2016) explained that investors generally prefer to release shares when inflation rises to maintain financial stability. If inflation continues to increase, the investment risk will be higher, and investors do not want to disburse funds because they are already pessimistic about the possibility of profit. The exchange rate is known as the ratio of a country's currency to a foreign currency. Concerning signal theory, the exchange rate is used as a sign for model investors to monitor the development of stock prices in the capital market. According to Nugroho (2008) when the rupiah weakens against foreign currencies, this condition is considered a negative signal to the equity market for investors, so stock trading tends to be unattractive to investors.

The development of world oil prices is often in the spotlight of investors around the world. Investors tend to decide to invest in oil commodities rather than stocks. When the demand for shares decreases, the value of the shares also tends to decrease. According to Witjaksono (2010) the increase in oil prices is not the result of a reduction, but the increase in oil prices occurs due to increased demand. The increasing oil demand is the impact of world economic growth. Although the price of gold often fluctuates in the run short, in general, the price of gold each year continues to rise. Investors will choose to invest in gold if economic conditions are unstable. The influence of the negative that was found in the study shows the significance of the price of gold with JII correlated to the contrary. If the world gold price increases, JII will decline; a different condition occurs if gold falls, the JII index tends to rise (Naylor & Higgins, 2017; Hussain et al., 2017).

Hypothesis

Based on the framework of thinking and the influence between variables, the following hypotheses can be made:

- The inflation rate is suspected of having a significant negative impact on ISSI.
- The rupiah exchange rate is suspected of having a significant negative impact on ISSI.
- World oil prices are suspected of having a significant positive impact on ISSI.
- The world gold price is suspected of having a significant negative impact on ISSI.

Research Methods

This research is classified as quantitative research, namely because it uses numerical data, which is used as a tool to obtain the necessary information. Data research is classified as secondary data sourced from several sites web that publishes the value of the variables studied (Aditya et al., 2018; Mardiana, 2016). The study population was in the form of inflation data, the exchange rate of rupiah, crude oil price data for the world, and the price of gold started in January 2018 and December 2018. The determination of the samples was carried out by taking a sampling technique that saturated all the data variables studied in the period 2014 to 2018, namely 60 data.

Data analysis technique
Normality test

Test for normality helpful to make sure the variable residual standardized its distribution is normal. If normality by using charts PP plot, then normality reflected in the spread of data in all the data line of the linear graph. When testing the Kolmogorov Smirnov test, data t redistributes normal when the significance of> 0.05, or vice versa. (Sanjaya, 2016).

Multicollinearity test

The independent variables involved in multiple linear regression analysis should not be highly correlated, so to test whether multicollinearity does not occur, it is necessary to do a multicollinearity test. The criteria for deciding the case or not multicollinearity was carried out concerning the criteria of tolerance ≤ 0.10 and Variance Inflation Factor (VIF) ≥ 10 (Ghozali, 2011).

Autocorrelation test

Test autocorrelation sealed it right because research data series data of time or data periodically. This test is performed to detect the relationship between the disturbance error in period t and the fault error in period t-1 (previous). If has a strong correlation, which means an autocorrelation (Ghozali, 2011).

Heteroscedasticity test

Tests to determine the heteroskedasticity can be reached in several ways; among them is by referring to the graphic scatterplot, the point spread of irregular and does not spread patterns of specified above or even below the axis zero. If it is obtained, it can be concluded that there is no heteroscedasticity so that the regression model can be used (Ghozali, 2011).

Regression analysis

It is used to test the strength of the independent variable that affects the dependent variable, namely ISSI. The multiple regression model formula is :

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

Where:
Y = ISSI
a = constant, the value of Y if all X variables are zero
X 1 = Inflation in period t
X 2 = Exchange Rate (Exchange Rate) in period t
X 3 = World Oil Price in period t
X 4 = World Gold Price in period t
b = regression coefficient of variable X
e = error

Hypothesis testing
Determinant coefficient test (R^2)

The coefficient of determination is obtained from the square of the multiple correlation values (R^2), where from the value of the coefficient of determination, it can be seen that the percentage of independent variables can explain the variation of the dependent variable. The coefficient of determination is calculated using the formula:

$$R^2 = \frac{ESS}{TSS} = 1 - \frac{\Sigma ei^2}{\Sigma Yi^2}$$

Like the correlation value, the value of the determinant coefficient is also in the interval between zero and one. The large or small value of the coefficient of determination shows the large or small percentage of the independent variable, explaining the variation of the dependent variable. (Ghozali, 2011).

F test

Test F function to look at the feasibility of the model. The hypotheses that can be formulated are H: b1, b2, b3 0, meaning that if the significance is less than 0.05, the model is feasible to use, or vice versa.

t-test

Test t implemented as test partial to test the coefficient of regression of the variables are independent. Hypothesis statistics for the test are H: bi ≥ 0. If the significance is smaller than 0.05, partial variable smoking affects variable bound and applies instead.

Research Result

Descriptive analysis results

Table 2
Descriptive analysis results

Descriptive Statistics					
	N	Minimum	Maximum	mean	Std. Deviation
inflation	60	,0279	,0836	,046678	0.0169115
Exchange Rate	60	11427	15179	13237,80	855,992
Oil Price	60	410751.24	1251619.32	786318,1363	220224,45887
Gold Price	60	14289662,1400	18448404,8100	16402906,815000	1164924,2368415
ISSI	60	134.3920	197,4640	169,202083	14,4956574
Valid N (listwise)	60				

According to the table above, inflation is the lowest during the observation period 2014-2018 was recorded at 2,8 %, which occurred in August 2016, and the highest by 8,4% that occurred in December 2014, while the average inflation during the period of observation amounted to 4,7%. The lowest rupiah exchange rate during the research period was IDR 11,427 in March 2014, meaning that under these conditions, the rupiah was the strongest during the observation period (Al-Marhubi, 2000; Lane, 1997; Pemayun & Yasa, 2020). Rupiah value was highest at IDR 15.179 in October 2018, which means that the exchange rate of rupiah to find the point of the lowest on the rate that during the period of observation. The average rupiah exchange rate is IDR 13.23 8. Oil prices are lowest during the study period amounted to USD 410,751.24 or 30.39 USD per barrel in February 2016. At the same time, oil price highs of IDR 1,251,619.32 or 105.24 USD a barrel were in June 2014. During the study period, the gold price lows amounted to IDR 14,289,662.14 or 1,175.3 USD per Troy Ounce in November 2014 that at the same time, gold price highs of IDR 18,448,404.81 or 1215 USD per Troy Ounce occurred in October 2015.

Coefficient of determination (R2)

Table 3
Coefficient of determination

Model	R	R Square	Adjusted R Square
1	,744 [a]	,554	,521

The model summary table shows that the R Square value is 0.5 54. That is, the ability of the independent variable inflation (X1), an exchange rate (X2), the price of oil (X3), and the price of gold (X4) to explain the variables bound ISSI (Y) as much as 55.4%, while the rest as much as 44.6% influenced by other variables that are not included in this research. Based on the value of Adjusted R Square that the independent influence on the dependent variable is sufficient.

F Test

F test is a test to see how the influence of the independent variables together on the dependent variable. If the probability value of F is less than 5%, then the variable affects.

Table 4
F test

Significant Value	Result
,000 [b]	Significant

Source: Secondary Data Processed (2021)

The Anova table shows that the calculated F value is 18.267, and the significance value is 0.000. F value table as much as 2.54, so obtained F count > F table and sig <0.05, means fulfilled the requirements to reject Ho and accept H1, meaning that variables freely in simultaneous impact on variable bound and the model are worth using (Godil et al., 2020; Hammoudeh et al., 2014).

Individual Parameter Significance Test Results (t-test)

Table 5
Individual parameter significance test results (t-test)

Dependent Variable	T-test	Significant Value	Result
inflation	-2.193	0.03 3	Significant Influence
Exchange Rate	1.348	0, 183	No Significant Effect
Oil Price	-0.457	0, 650	No Significant Effect
Gold Price	5.051	0.000	Significant Influence

Based on the table above, it is known that the significance value < 0.05 is in the inflation variable (X1) and the Gold Price (X4). In the Rupiah Exchange Rate (X2), the significance value is 0.183 or > 0.05, and for the oil price (X3), the significance value is 0.650 or > 0.05. The t- count value for the inflation variable (X1) is -2.193, and the Gold Price (X4) is 5.051. While the value of the t-count price for the Rupiah Exchange Rate (X2) is 1.348, and the price of oil is -0.457.

Result multicollinearity

Table 6
Result multicollinearity

Dependent Variable	B
C Constanta	-21365.58

inflation	-243590.64
Exchange Rate	3,120
Oil Price	-39,658
Gold Price	131.428

The regression equation that can be made from the table above is as follows:
$Y = -21365{,}58 - 243590.64\ X_1 + 3{,}120\ X_2 - 39{,}658\ X_3 + 131{,}428\ X_4$

Discussion

Based on these results, we can conclude that inflation has a significant negative impact on ISSI, where an increase in inflation can cause a decrease in ISSI. Increased inflation in relative terms is a sign of a negative for investors in the capital market; investors will be removing the right of its shares if there is a rise in inflation even when the conditions of hyperinflation will invest the higher as well as their attitude investor pessimism about the capacity of the capital to earn income now or later (Rachmawati & Laila, 2015). The results of this research are the same as the research conducted by Firdausi & Esterlina, (2017) which revealed that inflation had an impact on ISSI. However, it was different from the research results conducted by Widyasa & Worokinasih, (2018) and Qomaryah et al. (2018) which revealed that inflation has no impact on ISSI.

Based on the research results, the rupiah exchange rate has a significant negative impact on ISSI. The decrease in the rupiah exchange rate means that the rupiah exchange rate hurts the economy and the capital market, where the decline in the rupiah exchange rate indicates the public's demand for the rupiah has decreased due to the shrinking national economy or the increasing demand for the US dollar currency as an international payment instrument. (Nugroho, 2008). The results of this research are the same as those of (Widyasa & Worokinasih, 2018), which revealed that the rupiah exchange rate hurt ISSI.

Research results that world oil has no significant impact on ISSI. This means that world oil prices can not closely impact the transmission of ISSI's growth. The results of this research are the same as those of (Hanafiah, 2015), (Mawarni & Widiasmara, 2018) suggest that, partially, World Oil Prices have no impact on Stock Prices. However, in contrast to research by Witjaksono, (2010) which revealed that world oil prices had a positive impact on the JCI, and research by Qomariyah et al. (2018) and Sartika, (2017) stated that world oil prices hurt ISSI. This research also shows that world gold prices have a positive and significant impact on ISSI. That is, an increase in gold prices will cause an increase in ISSI. Sambodo, (2013) stated that the increase in the price of gold would attract investors to decide to invest in gold than in the capital market because the risk is relatively small, and gold can create results payoff nice with a price increase. The results of this research contradict the results of Sartika, (2017) which concludes that world gold prices have no impact on the Jakarta Islamic Index.

Conclusion

Based on the study results, it is known that inflation and the rupiah exchange rate have a negative and significant effect on ISSI, while the price of gold has a positive and significant effect on ISSI. However, world oil prices did not significantly affect ISSI, although the increase in gold prices caused ISSI to decline. To achieve the inflation target set by the Government, Bank Indonesia may implement policies that include: a) open market operations on the rupiah money market, including foreign exchange intervention to stabilize the rupiah; b) determination of the BI rate as the benchmark interest rate and c) stipulation of a policy of minimum statutory reserves for banks. The implementation of monetary control is carried out through banks operating conventionally and through the activities of banks operating based on sharia.

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