

THE IMPACT OF INFLATION, THE BI 7-DAY REPO RATE, AND THE RUPIAH EXCHANGE RATE ON THE INDONESIAN SHARIA STOCK INDEX FOR THE 2021-2024

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ABSTRACT

The Indonesian Sharia Stock Index (ISSI) measures the price performance of all sharia-compliant stocks listed on the Indonesia Stock Exchange (IDX). This study aims to analyze external factors influencing ISSI performance during the 2021-2024 period. The external factors used in this study are inflation, the BI 7-Day Repo Rate, and the Rupiah exchange rate. The dependent variable in this study is the ISSI, while the independent variables are inflation, the BI 7-Day Repo Rate, and the Rupiah exchange rate. This research method uses classical assumption testing, hypothesis testing, and multiple linear regression. The results show that inflation, the BI 7-Day Repo Rate, and the Rupiah exchange rate influence the ISSI.

Keywords: *Indonesian Sharia Stock Index, Inflation, BI 7-Day Repo Rate, Rupiah Exchange Rate*

INTRODUCTION

Efforts that can stimulate economic growth include growing the investment sector. Investments can be made in real activities, financial assets, or securities on the capital market (Achmad, 2021). The capital market is a key determinant of global economic growth. It is currently experiencing rapid development and plays a crucial role in raising funds from the public seeking to invest in the capital market (Pham, Quyen, 2025). Investment is a sacrifice made now with the goal of achieving a higher standard of living in the future. The capital market is a place for various financial instruments to be traded, such as debt securities, stocks, mutual funds, derivatives, and other instruments (Oktavilia, Shanty, (2021).

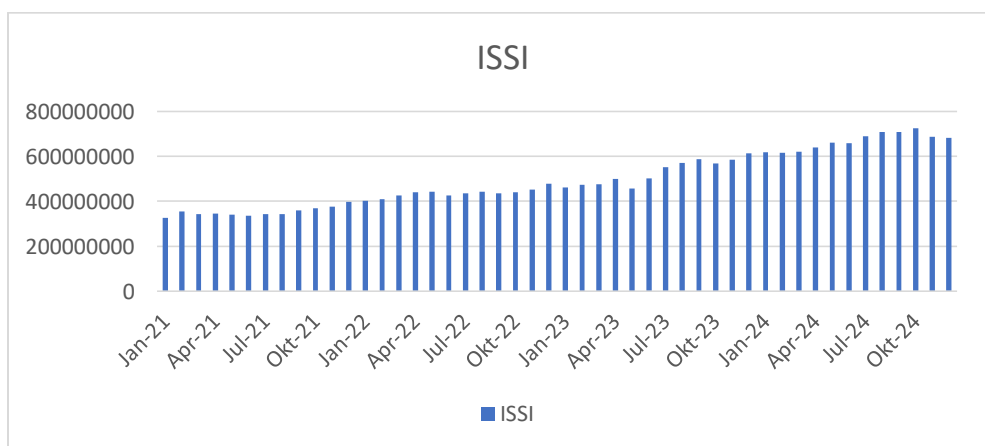
Indonesia is one of the largest Muslim countries in the world that invests in Sharia-compliant capital markets, promoting the development of the Sharia financial sector. The Financial Services Authority (OJK) explains that the concepts of Sharia capital markets and conventional capital markets are not significantly different. In the Sharia capital market, traded securities must be based on companies operating in sectors that meet Sharia criteria and principles, are free from usury, and share transactions with investors avoid various speculative practices. Consequently, there are differences between Sharia and conventional capital markets, as can be seen from the stock index values, instruments used, and transaction mechanisms. According to Detik Finance, Sharia stocks are considered more stable than conventional stocks during economic downturns (Fitriyana, 2022). In Indonesia, there are five Sharia Stock Indices: the Indonesian Sharia Stock Index (ISSI), the Jakarta Islamic Index (JII), the Jakarta Islamic Index 70 (JII70), the JDX-MES BUMN 17, and the IDX Sharia Growth Index.

The Indonesian Sharia Stock Index is a stock index launched on May 12 2011. The ISSI comprises all Sharia stocks listed on the Indonesia Stock Exchange (IDX) and included in the DES issued by the Financial Services Authority (OJK). The Indonesian Sharia Stock Index (ISSI)

The Indonesian Sharia Stock Index (ISSI) measures the price performance of all Sharia stocks listed on the IDX, both on the main board and the development board. The JII, on the other



hand, measures the price performance of 40 Sharia stocks with high liquidity and large capitalization. According to the Indonesian Ministry of Finance Study Team (2011), the ISSI performs better in adapting to external disturbances than the JII. The ISSI is more efficient in terms of information and can provide better signals to investors about market conditions (Indonesian Ministry of Finance Study Team, 2011). ISSI capitalization has increased significantly over the past three years, but this growth is still hampered by an excessive number of stocks and overly liquid second-tier stocks. Overall, the combination of the large number of outstanding shares and the high liquidity of second-tier stocks created market conditions that hampered the growth of the Indonesian Sharia Stock Index. Data on the Indonesian Sharia Stock Index is shown in Figure 1.1.



As seen in Figure 1.1, the Indonesian Sharia Stock Index (ISSI) fluctuated from 2021 to 2024, affecting the movement of the stock price index. This can be seen in January 2021, when the Indonesian Sharia Stock Index (ISSI) reached Rp 3,252,589.26 with a total of 443 companies. However, by the end of 2021, per capita growth was positive at Rp 3,983,652.80 with a total of 484 companies. The increase in capitalization and total companies was due to the increasing number of investors, capital market recovery, regulatory support, and macroeconomic stability (Hidayat, Ahmad 2023). In the following year, the Indonesian Sharia Stock Index (ISSI) in 2022 was recorded at Rp. 4,012,027.38 with a total of 504 companies joining, while in the following period the number of companies increased to 542 with the Indonesian Sharia Stock Index (ISSI) of Rp 4,786,015.74. In 2023, ISSI performance began to show a downward trend and fluctuations. The ISSI fell by -2.3% throughout the year, with the index at 212.64 points at the end of 2023. This decline indicates investor concerns about potential profit declines or increased risk in the Sharia stock market.

Market capitalization also decreased, but remained above IDR 6,000 trillion. In 2024, the Indonesian Sharia Stock Index (ISSI) recorded a slight increase of 0.57%, with the index reaching 213.86 points at year-end. This figure is slightly higher than in 2023, but still lower than its peak in 2022. Sharia stock market capitalization rose 9.98% to IDR 6,759.54 trillion. The ISSI's performance in 2024 demonstrated a fairly dynamic market, with relatively stable movements despite occasional fluctuations. Based on the above data, it can be concluded that the Indonesian Sharia Stock Index (ISSI) experienced positive growth from 2021 to 2024, despite experiencing declines and fluctuations.

The Indonesian Sharia Stock Index (ISSI) trended upwards from 2021 to 2024, but this growth was hampered by an excessive number of shares and overly liquid second-tier stocks.

Overall, the combination of the large number of shares outstanding and the high liquidity of second-tier stocks created market conditions that hampered the growth of the Indonesian Sharia Stock Index. Furthermore, market mechanisms influenced by global economic uncertainty, such as economic policies in the US, China, and Japan, significantly impacted the Indonesian Sharia stock market. Furthermore, external and internal factors such as inflation, the Rupiah exchange rate, the money supply, interest rates, world oil prices, and so on, influence the Indonesian Sharia Stock Index. Given the numerous factors influencing the Indonesian Sharia Stock Index, this study uses external factors, namely inflation, the BI 7-Day Repo Rate, and the Rupiah exchange rate.

Inflation is a condition where the value of money decreases due to an increase in the money supply that is not matched by an increase in the supply of goods (Nugraha et al., 2023). In conditions of high inflation, the prices of goods and raw materials will tend to increase. These increases in the prices of goods and raw materials will increase production costs, which will lead to a decrease in demand, which in turn will result in a decrease in company sales, thus reducing a company's revenue. This also impacts company performance, resulting in a decline in profitability. Declining profits will discourage investors from investing in the company, which will result in a decline in share prices.

The BI 7-Day Repo Rate is a new monetary policy interest rate set by Bank Indonesia, effective from August 19, 2016. The BI 7-Day Repo Rate is set monthly through a meeting of the Board of Governors, taking into account the economic conditions in Indonesia and the general global economic situation. If the monetary policy interest rate rises, then there will be an increase in lending rates. If lending rates rise, there will be an increase in the cost of capital incurred by companies, so that companies' interest in borrowing from banks will decrease due to the increased interest burden. This will reduce the loan funds obtained by companies, resulting in lower sales levels, which will cause company profits to decrease. If profits fall, then stock prices will fall and so will stock returns. Conversely, if interest rates fall, this will increase company profits and thus share prices.

The exchange rate is the price of one currency against another, such as the Rupiah against the US Dollar. Exchange rate stability is an important indicator of macroeconomic conditions and significantly influences investor confidence, particularly foreign investors (Mankiw, 2006; Sukirno, 2016). Drastic exchange rate fluctuations can drive capital outflows, lower stock prices, and impact the Islamic stock index in the capital market (Salehaman et al., 2024; Harahap et al., 2025).

The formulation of the problem in this study is 1) does inflation affect the Indonesian Sharia Stock Index for the 2021-2024 period? 2) does the BI 7-Day Repo Rate affect the Indonesian Sharia Stock Index for the 2021-2024 period?, 3) does the Rupiah Exchange Rate affect the Indonesian Sharia Stock Index for the 2021-2024 period? The purpose of this study is to determine the direct interest rate on inflation, the BI 7-Day Repo Rate and the Rupiah Exchange Rate on the Indonesian Sharia Stock Index for the 2021-2024 period.

METHODS

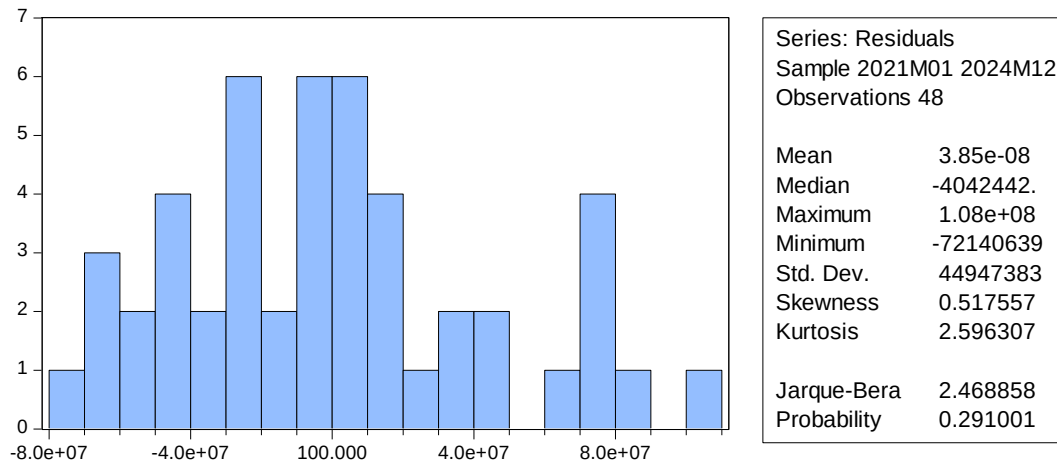
This study uses a quantitative approach with an associative method to determine the relationship between two or more variables. The data in this study are secondary data derived from institutional statistical data sites and literature studies relevant to the study. The variables in this study consist of the dependent variable, namely inflation, the rupiah exchange rate, the BI 7-Day

Repo Rate, and the dependent variable, namely the Indonesian Sharia Stock Index (ISSI). This study uses several data analysis techniques, namely the classical assumption test, multiple linear regression tests, and hypothesis testing.

RESULT AND DISCUSSION

Classical Assumption Test

a. Normality Test



Based on the results of the normality test, a probability value of 0.291 was obtained, which is greater than the significance level of 0.05, so it can be seen that the research data is normally distributed.

b. Multicollinearity Test

Variance Inflation Factors

Date: 11/18/25 Time: 16:09

Sample: 2021M01 2024M12

Included observations: 48

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	5.93E+16	1319.149	NA
INFLATION	2.47E+13	5.938803	1.075945
EXCHANGE RATE	3.58E+08	1815.072	3.550921
BI	1.19E+14	66.36941	3.677515

Based on the results of the multicorrelation test, the VIF values obtained were > 0.05 , namely 1.075, 3.550, and 3.677, which means the data passed the multicollinearity test.

c. Heteroscedasticity Test

Heteroskedasticity Test: Glejser

F-statistic	0.749550	Prob. F(3,44)	0.5285
Obs*R-squared	2.333802	Chi-Square Prob.(3)	0.5061

Scaled explained SS 2.183980 Chi-Square Prob.(3) 0.5351

Based on the results of the heteroscedasticity test using the Glejser test, the Chi-Square Prob value was $0.50 > 0.05$, meaning the data passed the heteroscedasticity test.

d. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	30.41318	Prob. F(2,42)	0.0000
Obs*R-squared	28.39413	Chi-Square Prob.(2)	0.5780

Based on the results of the Breusch-Godfrey autocorrelation test, the Chi-square probability value was $0.578 > 0.05$, meaning the data passed the autocorrelation test.

Hypothesis Testing

a. Partial Test (t-test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.54E+08	2.44E+08	-3.097363	0.0034
INFLATION	22479235	4971842.	-4.521309	0.0000
BI	65843372	10925257	6.026712	0.0000
EXCHANGE RATE	66119.39	18912.87	3.496000	0.0011

Inflation on ISSI, the Inflation variable at the 5% alpha level has a coefficient of -22479235 with a prob value of $0.000 < 0.05$. This means that the Inflation variable has an effect on the Indonesian Sharia Stock Index (ISSI).

BI 7-Day Repo Rate on ISSI, The BI 7-Day Repo Rate (BI) variable at the 5% alpha level has a coefficient of 65843372 with a prob value of $0.0000 < 0.05$. This means that the BI 7-Day Repo Rate variable has an effect on the Sharia Stock Index.

Rupiah Exchange Rate against ISSI, Rupiah Exchange Rate Variable at 5% alpha level has a coefficient of 66119.39 with a prob value of $0.0011 < 0.05$. This means that the Rupiah Exchange Rate variable has an effect on the Indonesian Sharia Stock Index.

b. Simultaneous Test (F test)

R-squared	0.867857	Mean dependent var	4.97E+08
Adjusted R-squared	0.858847	SD dependent var	1.24E+08
SE of regression	46454416	Akaike info criterion	38.22550
Sum squared residual	9.50E+16	Schwarz criterion	38.38143

Log likelihood	-913.4119	Hannan-Quinn criter.	38.28442
F-statistic	96.32396	Durbin-Watson stat	0.527583
Prob(F-statistic)	0.000000		

Simultaneously, the inflation variables, BI 7-Day Repo Rate, and Rupiah Exchange Rate jointly influence the Indonesian Sharia Stock Index (ISSI) because the probability value is less than 0.05, namely ($0.000000 < 0.05$).

c. Coefficient of Determination Test (R² Test)

R-squared	0.867857	Mean dependent var	4.97E+08
Adjusted R-squared	0.858847	SD dependent var	1.24E+08
SE of regression	46454416	Akaike info criterion	38.22550
Sum squared residual	9.50E+16	Schwarz criterion	38.38143
Log likelihood	-913.4119	Hannan-Quinn criter.	38.28442
F-statistic	96.32396	Durbin-Watson stat	0.527583
Prob(F-statistic)	0.000000		

The Adjusted R-Square value is 0.85, or 85%. This indicates that the variables Inflation, BI 7-Day Repo Rate, and Rupiah Exchange Rate are able to explain the Rupiah Exchange Rate by 85%. The remaining 15% is explained by other variables.

Second, Research results for the inflation variable on the Indonesian Sharia Stock Index. The Inflation variable at the 5% alpha level has a coefficient of -21468374 with a prob value of $0.000 < 0.05$. This means that the Inflation variable has an effect on the Indonesian Sharia Stock Index (ISSI). This means that the Inflation variable has an effect on the Indonesian Sharia Stock Index (ISSI) in the period January 2021 - December 2024. This can be interpreted that in the observation period of inflation data during the period January 2021 to December 2024, Indonesian inflation was relatively stable even though it had experienced an increase, where inflation from January 2021 to December 2023 experienced fluctuations with the lowest value in the year occurring in June 2021 with an inflation amount of 1.33% and the highest inflation occurring in September 2022 with an inflation amount of 5.95%. Inflation in 2021 tended to be low. This low inflation in 2021 was influenced by weak domestic demand due to the impact of the Covid-19 pandemic, adequate supply, and synergy between Bank Indonesia and the Government's policies at both the central and regional levels in maintaining price stability. Inflation began to increase in 2022 compared to the previous year, with the highest inflation occurring in September 2022 at 5.95%. The high inflation rate in that month was caused by a shortage of cooking oil and the impact of subsidized fuel price adjustments. Meanwhile, inflation tended to decline in 2023. Meanwhile, in February 2023, inflation reached 5.47%, the highest since 2022, driven by rising food and energy prices. In October 2023, inflation fell to 2.56% (year-on-year) in line with supply stabilization and BI's tight monetary policy. The average inflation rate in 2023 ranged from 3.0% to 3.5%, in line with BI's target ($3.0\% \pm 1\%$). In April 2024, inflation was 3.00%, still within BI's target range, but in



June 2024 it dropped to 2.51%. The average inflation rate in 2021 was 1.57%, the lowest in recent years, supported by stable food and energy prices. This research is also in line with research by Dinda Azzahro (2020), Susilo Adi Saputa (2021), who used ECM analysis to find that inflation affects the ISSI, and research by Moh Syaiful (2020) who used multiple linear regression analysis to also find that inflation affects the ISSI. However, this is in contrast to research by Nurokhmawati (2022) and Imam Nugraha (2023), who used multiple linear regression analysis to find that inflation has no effect on the ISSI.

Research results for the BI 7-Day Repo Rate variable on the Indonesian Sharia Stock Index. The BI 7-Day RR (BI) variable at the 5% alpha level has a coefficient of 65843372 with a probability value of $0.0000 < 0.05$. This means that the BI 7-Day RR variable influences the Islamic Stock Index. The BI 7-Day RR in 2021-2024 tends to increase, however, the increase in the BI 7-Day RR during that period did not reduce the performance of the ISSI, because the increase in the BI 7-Day RR is often accompanied by prudent monetary policy and inflation risk management. This condition creates a conducive investment climate so that the Indonesian Sharia Stock Index (ISSI) can continue to rise despite high interest rates. This research aligns with the research of Sandi Mulyadi (2023) and Annisa Nur Hidayah (2022) who used VECM analysis, which found that the BI 7-Day RR affected the ISSI. Indah Nawindra's (2020) research, which used ECM analysis, also found that the BI 7-Day RR affected the ISSI. However, this contrasts with the research of Nur Syaita (2022) and Achmad Hidayat (2023) who used multiple linear regression analysis, which found that the BI 7-Day RR had no effect on the ISSI.

The Rupiah exchange rate variable at the 5% alpha level has a coefficient of 66119.39 with a probability value of $0.0011 < 0.05$. This means that the Rupiah exchange rate variable influences the Indonesian Sharia Stock Index. The Rupiah exchange rate for the 2021-2024 period influences the Indonesian Sharia Stock Index (ISSI) because it reflects macroeconomic stability and influences company performance, particularly those related to imports, exports, and foreign investor confidence. Many Sharia issuers in the industrial and manufacturing sectors depend on imported raw materials. If the Rupiah exchange rate weakens, import costs increase, increasing operating expenses and decreasing net profit, which in turn lowers the price of Sharia stocks, including the Indonesian Sharia Stock Index (ISSI). During the 2021-2024 period, the Rupiah exchange rate tended to increase and stabilize, which also led to an increase in stock prices. This research aligns with the research findings of Ekarina Katmas (2022) and Moh Samsul Arifin (2023) using ECM analysis, and Nawaf Yusuf's (2024) research using multiple linear regression analysis, which found that the Rupiah exchange rate affected the ISSI. This contrasts with research by Akhlis Auliya Rahman (2023) using multiple linear regression analysis, and research by Annisa Elly Octaviani (2021) using ECM analysis, which found that the Rupiah exchange rate had no effect on the ISSI.

CONCLUSION

The results of the Inflation variable research at the 5% alpha level have a coefficient of -21468374 with a prob value of $0.000 < 0.05$. This means that the Inflation variable has an effect on the Indonesian Sharia Stock Index (ISSI). The BI 7-Day RR (BI) variable at the 5% alpha level has a coefficient of 65843372 with a prob value of $0.0000 < 0.05$. This means that the BI 7-Day RR variable has an effect on the Sharia Stock Index. The Rupiah Exchange Rate variable at the 5% alpha level has a coefficient of 66119.39 with a prob value of $0.0011 < 0.05$. This means that the Rupiah Exchange Rate



variable has an effect on the Indonesian Sharia Stock Index.

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