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What Drives the Jakarta Islamic Index? Evidence from Inflation, Exchange Rates, and Global Oil Prices

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ABSTRACT

This study aims to examine the effects of inflation, exchange rates, and global oil prices on the Jakarta Islamic Index (JII) in Indonesia. The approach used in this study is a quantitative approach utilizing secondary time-series data for the period 2016–2025, consisting of 120 monthly observations. The analytical technique used was multiple linear regression, with first-difference transformation to address the issue of data nonstationarity. The results indicate that inflation does not have a significant effect on the JII. Conversely, the exchange rate was found to have a significant negative effect, suggesting that a depreciation of the rupiah tends to dampen the performance of the Islamic stock index. Meanwhile, global oil prices have a significant positive effect on the JII. Collectively, these three variables account for 29,34% of the variation in the JII. These findings are expected to serve as a useful reference for investors and stakeholders in understanding the dynamics of macroeconomic factors in the Islamic capital market.

Keywords : Inflation, Exchane Rates, Global Oil Prices, Jakarta Islamic Index, Arbitrage Pricing Theory.

INTRODUCTION

The Islamic banking sector in Indonesia has experienced remarkable expansion in recent years. Islamic mutual funds, Islamic stocks, and sukuk are just a few examples of the many Sharia-compliant investment instruments that have recently emerged, reflecting this growth. As an integral part of the Islamic financial system, the Islamic capital market provides investment opportunities that adhere to Islamic principles, avoiding maysir (speculation), gharar (uncertainty), and riba (Novrianti & Yustati, 2024). The Islamic capital market in Indonesia has grown largely thanks to the Islamic investment products offered by the Indonesia Stock Exchange (IDX), which are in line with Sharia law. As part of its mission, the IDX facilitates the buying and selling of Islamic financial instruments such as sukuk, Islamic mutual funds, and Islamic stocks through an orderly, transparent, and efficient securities trading system (Bahri et al., 2022). *The Jakarta Islamic Index (JII) is a well-known Islamic stock index in Indonesia. The approximately 30 Sharia-compliant stocks that make up this index are all traded on the Indonesia Stock Exchange and have large market capitalizations and good liquidity* (Widajatun et al., 2024). One of the long-term objectives of Indonesia's Sharia stock market benchmark, the Jakarta Sharia Stock Index, is to measure the overall performance of the market. Its volatility serves as a proxy for investor sentiment toward sharia-

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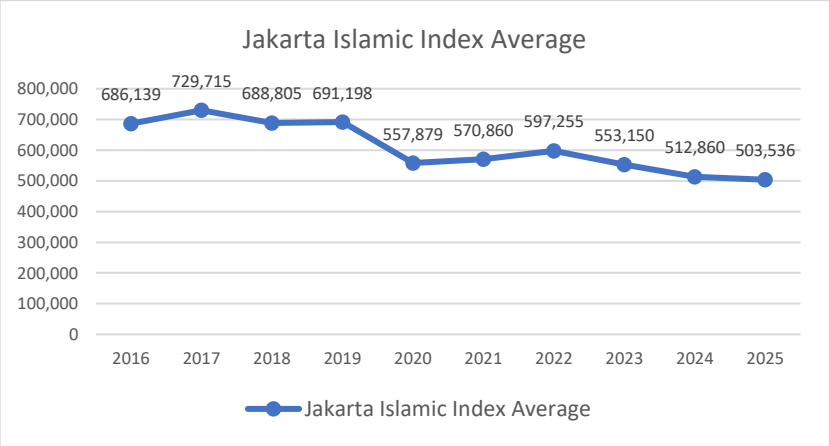
compliant stocks and a measure of the market's overall health. According to Setiawan (2024) the Jakarta Sharia Stock Index primarily functions as a benchmark for sharia-compliant investments, a barometer of market sentiment, and a tool for evaluating the performance of sharia-compliant stocks.



Picture 1. Jakarta Islamic Index Average

Many people look at the stock market and think it reflects a country's economic performance. A number of macroeconomic variables, such as interest rates, inflation, exchange rates, and the money supply, influence the volatility of stock prices and stock indices. Corporate performance improves and stock prices rise in a growing and stable economy (Humpe et al., 2025). According to the Arbitrage Pricing Theory (APT), a financial theory, stock prices are influenced by economic variables. According to this school of thought, macroeconomic variables are among the many systematic factors that affect returns or stock prices. Inflation, interest rates, exchange rates, and economic growth are among the many economic variables that contribute to investment risk, as demonstrated by the Arbitrage Pricing Theory, unlike models that isolate a single risk factor. Stock market fluctuations are caused by changes in investors' expectations regarding investment returns, which in turn are influenced by changes in these variables (Nyanga & Qutieshat, 2022). Additionally, shifts in local and international economic conditions can affect stock index volatility. Investor sentiment and stock market performance are influenced by macroeconomic factors such as inflation, exchange rates, commodity prices, and global economic developments (Widyadhana & Ryandono, 2025).

One important macroeconomic indicator is the inflation rate, which reflects the stability of a country's economy. A country's inflation rate measures the average annual percentage increase in the cost of living. Another consequence of declining purchasing power is rising prices caused by increasing inflation. Consumers may stop buying a company's products as a result. Inflation can also drive up the costs of raw materials, labor, and distribution, among other business expenses (Pratama et al., 2026). Producer (business) profit margins are sensitive to changes in inflation. If businesses are unable to raise prices in response to rising inflation, their operating

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costs will increase, thereby reducing their profit margins. According to Widajatun et al. (2024), sharia stock indices such as the Jakarta Islamic Index may experience a decline in value and a shift in investor sentiment if corporate profitability plummets.

An important macroeconomic indicator that significantly influences stock market dynamics is the exchange rate. When the value of the Rupiah changes against the USD, it can affect businesses, particularly those engaged in import and export activities. Businesses that rely on imported raw materials may face rising costs when the Rupiah weakens (Istania & Nurfadillah, 2025). Companies with foreign currency payment obligations or those using imported raw materials may also face increased operating costs as a result of the Rupiah's depreciation against the US dollar. If production does not increase to offset these rising costs, profit margins may decline. Consequently, the company's net profit may be impacted, which will affect stock prices (Saifudin et al., 2025). On the other hand, shifts in exchange rates have the potential to influence the actions and choices of stock market investors. Many investors may sell their stocks or move their money to safer instruments if they observe increased exchange rate volatility, which is seen as an indication of heightened economic risk. Stock market fluctuations may become more pronounced as a result of this situation (Baroleh et al., 2024).

The widespread use of crude oil across various sectors, including manufacturing, transportation, and power generation, makes it a key energy source in the global economy. Consequently, the financial industry and capital markets worldwide are often significantly affected by changes in oil prices. Fluctuations in crude oil prices have the potential to affect national economies and corporate performance across various industries (Waluyo, 2025). Energy and transportation costs for manufacturing may rise if oil prices increase globally. Many industrial sectors rely on oil-derived energy, so this situation can lead to increased operational costs for companies. As a result of these higher production costs, prices of goods and services may rise, leading to inflation (Abas & Putri, 2023). Additionally, changes in international oil prices can have a domino effect on the performance of the Indonesian stock market, particularly stocks in the Sharia stock index. Inflation, exchange rates, and corporate production costs are among the macroeconomic variables that can be influenced by changes in oil prices. According to Faizah and Mudjijah (2025) these changes have the potential to affect the performance of listed companies and alter investors' perceptions of the stock market's future.

Research findings on the impact of macroeconomic variables on stock index fluctuations remain inconsistent. Inflation, exchange rates, and global oil prices are among the variables that influence stock market movements, according to some studies. The impact of these factors is often small or even nonexistent, according to other studies. The inconsistency in empirical findings found in the existing literature is reflected in varying results. In Dewi's (2020) study it was found that inflation does not significantly affect stock index movements, but other variables, such as commodity prices or exchange rates, have varying effects depending on economic

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conditions and the time period studied. Furthermore, the traditional stock index, the Composite Stock Price Index (IHSG), has been the primary focus of previous research. However, there remains a scarcity of studies focusing on sharia stock indices in general and the Jakarta Islamic Index (JII) in particular. Unlike conventional stock indices, sharia indices exclusively include companies that adhere to sharia principles and standards, thereby possessing distinct characteristics. " According to Yusfiarto dan Pambekti (2020) a more focused strategy is needed to analyze sharia stock indices in order to accurately depict the dynamics of the sharia capital market. Differences in results may also stem from variations in study duration, analytical methods, and data types. When examining short-term and long-term relationships between stock indices and macroeconomic variables, some studies employ simple linear regression, while others utilize more advanced econometric tools such as Autoregressive Distributed Lag (ARDL) or Error Correction Models (ECM).

Therefore, the author seeks to fill a gap in the existing literature on Islamic capital markets. Enhancing our understanding of Islamic capital markets in Indonesia is the primary objective of this study. First, Islamic investors can use the findings of this study to better understand how macroeconomic variables influence Islamic stock indices, which should lead to better-informed investment decisions. Additionally, institutions and regulators responsible for the Islamic capital market in Indonesia can use this study as a guide to assess current market conditions and determine which policies are most effective in improving performance and maintaining stability. Furthermore, this study is expected to contribute to existing knowledge regarding the factors influencing the growth of the Islamic stock market in Indonesia by advancing empirical investigations into the relationship between macroeconomic variables and the dynamics of Islamic stock indices.

THEORITICAL FRAMEWORK

Arbitrage Pricing Theory (APT)

Stephen A. Ross proposed an alternative framework for asset pricing in 1976 by introducing the Arbitrage Pricing Theory (APT). This approach accounts for the simultaneous impact of market and non-market economic variables on asset prices, which can lead to changes in stock prices (Putra et al., 2023). The main principle of the Arbitrage Pricing Theory (APT) is the concept of arbitrage, namely the possibility of earning a profit without taking any risk by exploiting changes in asset prices in the market. Brokers will execute transactions to take advantage of price differences in assets with similar risk levels, with the aim of restoring prices to equilibrium. In this case, asset prices will represent the expected rate of return given the various risks associated with those assets. According to the Arbitrage Pricing Theory, asset returns are influenced by how sensitive the asset is to various economic risk factors, and these risk factors have different impacts on changes in asset returns. (Yunita et al., 2026). The Arbitrage Pricing Theory (APT) explains that

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stock price movements are influenced not by a single factor, but by various macroeconomic factors such as inflation, exchange rates, and global oil prices. Crucially, this theory suggests that changing economic conditions will affect investors' expectations regarding stock returns, thereby impacting the fluctuations of stock indices, including the Jakarta Islamic Index (JII). In this study, the conceptual framework is systematically structured by treating inflation, exchange rates, and global oil prices as independent variables that influence the JII as the dependent variable. When changes occur in these macroeconomic factors, investors will adjust their investment decisions, thereby affecting the demand for and prices of Islamic stocks in the capital market.

Jakarta Islamic Index

Stock price indices are extremely helpful in illustrating how stock prices move in the capital market. These indices reflect market performance over a specific period, highlighting every rise or fall in activity. One way to describe market conditions, investor sentiment, and the role of the capital market in the economy is through stock price indices. These indices can indicate general market trends and the performance of individual stocks. There are many interrelated factors, particularly economic factors, that influence market behavior, and stock price indices reflect this (Hasibuan et al., 2023). Investors can make capital market investments compliant with Sharia law by purchasing shares in Sharia-compliant stock indices. Additionally, the Indonesia Stock Exchange is currently working to create Sharia-compliant stock indices, which have attracted the attention of market participants (Widajatun et al., 2024). In conclusion, stock price indices play a crucial role in tracking market conditions and performance over a specific period. We can analyze market performance and the impact of economic and investor sentiment on stock prices by observing these indices. Furthermore, those who wish to invest in the stock market in a manner consistent with Sharia principles can find Sharia-compliant indices to be a highly valuable resource.

Inflation

Economists refer to a general and sustained rise in the prices of goods and services over a long period of time as inflation. It is not just a handful of commodities, but the vast majority of goods and services in circulation that are affected by these price increases. Currency loses purchasing power when the same amount of money can buy fewer goods and services than when it first entered circulation. Conversely, deflation is characterized by a general decline in the prices of goods and services (Saefulloh et al., 2023). A number of macroeconomic indicators can be negatively affected by high inflation, which in turn can lead to social and political unrest. To begin with, the accumulation of domestic funds and public savings—which are essential for financing investment activities—can be hindered by high inflation. Second, a country's exports may become less competitive

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as a result of these conditions, which can increase its reliance on foreign financing and lead to a current account deficit. Third, high inflation can exacerbate income inequality by shifting wealth from consumers to producers or influential interest groups. The fourth point is that investors may leave a country with high inflation to seek more stable economies. Fifth, investment activity, which is crucial for economic growth, can be hindered by rising inflation and nominal interest rates (Sarbaini & Nazaruddin, 2023). In conclusion, inflation is a general slowdown in economic growth caused by a widespread rise in the prices of goods and services. A decline in savings, reduced export competitiveness, and increased economic instability are all potential consequences of hyperinflation. To maintain economic stability and promote long-term growth, effective inflation management is essential.

Exchange Rate

An exchange rate indicates the value of a currency relative to another currency in the foreign exchange market. The value of a currency relative to other currencies, whether domestic or foreign, is indicated by the exchange rate. Short-term cross-border capital flows, travel, investment, and trade are just a few examples of the many international economic activities that depend on exchange rates. According to Hasibuan (2023) a country's currency value rises or falls relative to other currencies. Market forces, including supply and demand, as well as economic stability, are the primary determinants of exchange rates. Fluctuations in exchange rates can occur periodically as a result of these economic variables. The impact of exchange rate fluctuations on international trade and the overall economy has been well-documented. According to Makmur et al. (2023) a country's currency relative to another country's currency is known as the exchange rate, and it plays a crucial role in various international financial issues. When the supply and demand for a currency change, or when a country's economy becomes more or less stable, these factors can cause exchange rates to fluctuate. Consequently, investors, global trade, and the economy as a whole are vulnerable to fluctuations in the value of one currency relative to another.

Global Oil Prices

Crude oil is a vital component of many global economic activities and a strategic commodity in its own right. Because this energy source is essential for manufacturing and transportation, fluctuations in oil prices are often seen as a reflection of the state of the global economy. Improvements in global economic conditions following a slowdown or crisis are often indicated by a rise in global oil prices, which generally reflects increased energy demand. Demand for other mining commodities tends to rise alongside oil demand. A decline in energy prices, on the other hand, may signal a global economic slowdown (Hasibuan et al., 2023). In the global oil market, the fundamental economic mechanisms of the market are what truly drive prices, with supply and demand playing the primary roles. Several

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factors, including production capacity, energy sector investment, and the availability of oil processing infrastructure, are closely related to oil availability or supply in this context. According to Wulan et al. (2023) West Texas Intermediate (WTI) is often considered the primary metric for setting global oil prices and is therefore widely used as a benchmark in international trade. In short, because oil is so crucial to many economic activities, its price on a global scale serves as a good indicator of the state of the global economy. Supply and demand, along with factors such as investment in the energy sector, oil refining infrastructure, and production capacity, are the primary drivers of oil price movements. In addition, the international benchmark for oil prices is often set by West Texas Intermediate (WTI).

RESEARCH METHODS

This study employs a quantitative approach using secondary data in the form of monthly time series spanning the period 2016–2025, comprising 120 observations. The sampling technique used is purposive sampling, which involves selecting data based on availability and relevance to the research objectives. The data were obtained from official and reliable sources, thereby ensuring greater data validity. Before conducting the regression analysis, the data were tested using classical assumption tests, including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation, to ensure the research model met statistical requirements. Additionally, a stationarity test was performed because time series data often exhibit trends and changes in variance. The test results indicated that the data were not stationary; therefore, a first-difference transformation was performed to stabilize the data, reduce autocorrelation issues, and produce more accurate and unbiased regression estimates.

RESULS AND DISCUSSION

Results

Table 1. Descriptive Statistics

	Y Jakarta Islamic Index	X1 Inflasi	X2 Nilai Tukar	X3 Harga Minyak Dunia
Mean	609.1400	2.927000	14643.88	63.60033
Median	597.8950	2.990000	14397.50	63.74500
Maximum	787.1200	5.950000	16675.00	114.6700
Minimum	411.5400	-0.090000	13047.00	18.84000
Std. Dev.	85.70285	1.118571	1028.773	17.22001
Probability	0.125607	0.348016	0.024579	0.530533

Source: Data Analysis Results Eviews, 2026

Based on the descriptive statistics in the table, the mean value is 609.1400 and the median value is 597.8950 for the Jakarta Islamic Index (Y) variable. For variable Y, the highest value is 787.1200 in January 2018, and the lowest value is

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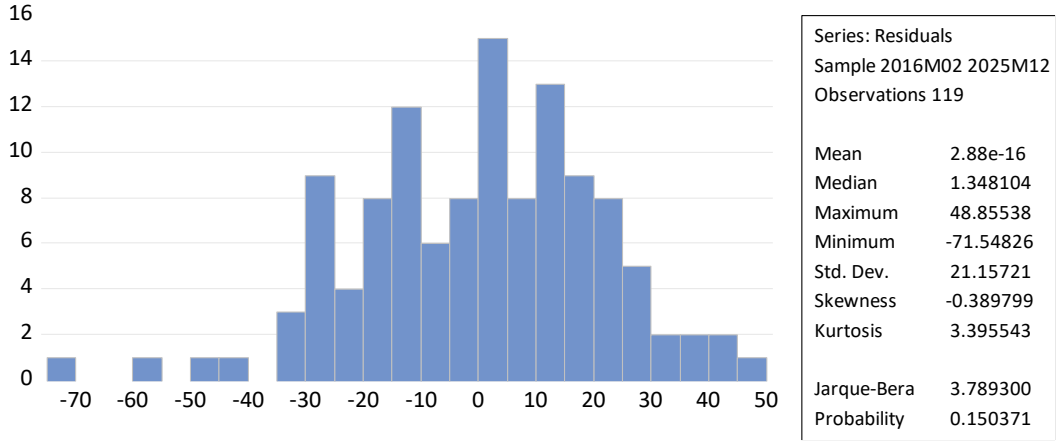
411.5400 in March 2025. With a standard deviation of 85.70285, the data distribution for this variable is slightly skewed toward the mean within the range of 85.70. A median value of 2.990000 was found for the Inflation variable (X1), with a mean of 2.927000. In September 2022, this variable could reach a maximum value of 5.950000, and in February 2025, it could reach a minimum value of -0.090000. The data distribution is narrow, with a standard deviation of 1.118571, meaning most values are close to the mean. The median value for the Exchange Rate (X2) variable is 14,397.50, and the mean is 14,643.88. December 2025 recorded the highest value of 16,675.00, and September 2016 recorded the lowest value of 13,047.00. There is more data variation in the X2 variable compared to other variables, as indicated by a standard deviation of 1,028.773. A median of 63.74500 and a mean of 63.60033 are associated with the World Oil Price (X3) variable. May 2022 recorded a maximum value of 114.6700, and April 2020 recorded a minimum value of 18.84000. The standard deviation, which is 17.22001, indicates a wide range of values around the mean.

Results of the Classical Assumptions Test



Picture 2. Normalitas

Source: Data Analysis Results Eviews, 2026

The normality test indicates that the model residuals are generally normally distributed. This is supported by the fact that the histogram is nearly perfectly symmetrical, resembling a bell curve with a slight left-hand skew (negative skewness). The left-skewed distribution is indicated by a quantitative skewness value of -0.389799, which remains within acceptable limits under the assumption of normality. On the other hand, the distribution is considered normal or mesokurtic with a kurtosis value of 3.395543, which is close to 3. Additionally, the Jarque-Bera test's statistic value of 3.789300 and probability of 0.150371 reinforce these findings. Thus, the residuals do not follow a normal distribution because the p-value is greater than the significance level of 0.05. Overall, these findings indicate that the model residuals are normally distributed. Since it meets one of the requirements for

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testing classical regression assumptions, the model is considered suitable for further analysis if this assumption holds.

Table 2. Multikolinieritas

Variance Inflation Factors
Date: 03/16/26 Time: 16:20
Sample: 2016M01 2025M12
Included observations: 119

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	3.890296	1.007926	NA
D(X1)	30.35324	1.066932	1.066106
D(X2)	3.49E-05	1.042354	1.036968
D(X3)	0.112168	1.097777	1.096615

Source: Data Analysis Results Eviews, 2026

All independent variables have very low Variance Inflation Factor (VIF) values, according to the results of the multicollinearity test. Specifically, D(X1) has a VIF value of 1.066106, D(X2) of 1.036968, and D(X3) of 1.096615. There is a significant difference between all these figures and the generally accepted threshold of 10. The lack of strong linear relationships among the model's independent variables is indicated by the low VIF values. Consequently, the estimated regression model is free from multicollinearity issues. Furthermore, the low non-centered VIF values further indicate a weak level of correlation among the independent variables. However, there is no centered VIF value for the constant term (C), as it is not included in the methodologically required multicollinearity test among the independent variables. Overall, the model meets the classical non-multicollinearity requirements. Consequently, the model's parameter estimates are credible and suitable for use in further research.

Table 3. Heteroskedastisitas

Heteroskedasticity Test: Glejser
Null hypothesis: Homoskedasticity

F-statistic	0.749808	Prob. F(3,115)	0.5246
Obs*R-squared	2.283008	Prob. Chi-Square(3)	0.5158
Scaled explained SS	2.216796	Prob. Chi-Square(3)	0.5286

Source: Data Analysis Results Eviews, 2026

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The probability value for F = 0.5246, the Chi-Square probability for (Obs*R-squared) = 0.5158, and the Chi-Square probability for (scaled explained SS) = 0.5286 are among the probability values obtained from the heteroscedasticity test using the Glejser approach. At a significance level of 0.05, all probability values are greater than zero. Under these circumstances, it is not possible to reject the null hypothesis that homoscedasticity exists. Simply put, there is no pattern of unbalanced variance in the model's residual variance, and the variance remains constant. These results indicate that there is no evidence of heteroscedasticity in the regression model. Consequently, the model has satisfied one of the classical assumptions, allowing for the use of credible and applicable estimation results in further analysis.

Table 4. Autokorelasi

Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.561496	Prob. F(2,113)	0.5719
Obs*R-squared	1.170983	Prob. Chi-Square(2)	0.5568

Source: Data Analysis Results Eviews, 2026

The Breusch-Godfrey LM correlation test yielded an F-statistic of 0.5719 and a Chi-Square statistic of 0.5568 when applied to the autocorrelation test results. At a significance level of 0.05, both values are greater than zero. These findings do not allow us to reject the null hypothesis, which states that there is no autocorrelation up to the second lag. This means that there is no serial correlation between the current and previous periods in the model's residuals. Thus, there is no evidence of autocorrelation in the regression model. The model satisfies the classical assumptions of regression analysis, indicating that the estimated parameters are valid and suitable for further examination.

Tabel 5. Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.536333	1.972383	0.271921	0.7862
D(X1)	7.189065	5.509377	1.304878	0.1945
D(X2)	-0.037241	0.005906	-6.305273	0.0000
D(X3)	0.792467	0.334916	2.366169	0.0196

R-squared	0.311450	Mean dependent var	-0.287983
Adjusted R-squared	0.293488	S.D. dependent var	25.49708
S.E. of regression	21.43139	Akaike info criterion	9.000626
Sum squared resid	52820.03	Schwarz criterion	9.094042
Log likelihood	-531.5373	Hannan-Quinn criter.	9.038559

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F-statistic	17.33919	Durbin-Watson stat	1.859664
Prob(F-statistic)	0.000000		

Source: Data Analysis Results Eviews, 2026

Regression Model

$$Y = 0.536333 + 7.189065X1 + -0.037241X2 + 0.792467X3 + \varepsilon$$

The independent variables D(X1), D(X2), and D(X3) in the table represent the first-difference approach, which is used to estimate the regression model. This transformation was performed because nonstationarity was detected in the data during preliminary testing. One way to stabilize the variance in time series data and reduce residual correlation is to apply the first difference (Gujarati & Porter, 2009). Minimizing trend patterns in the data and improving the reliability of the resulting parameter estimates while satisfying the basic assumptions of econometric regression analysis is achieved by transforming the model from a level form to an inter-period change form.

The results of the regression model estimates are presented in the table. Using the regression coefficients, t-statistics, and p-values for each tested variable, we can examine how the independent variables influence the dependent variable. The coefficient 0.536333 is indicated by the constant (C) value. A regression coefficient of 7.189065 and a probability value of 0.1945 were found for the inflation variable (X1). In this study, variable X1 does not significantly influence the dependent variable because its probability value is greater than the significance level of 0.05. The coefficient of -0.037241 and the probability value of 0.0000 for the Foreign Exchange Rate variable (X2) are both below the significance level of 0.05. This proves that X2 significantly and negatively influences the dependent variable. Consequently, the value of the dependent variable tends to decrease as the value of X2 increases. A coefficient of 0.792467 and a probability value of 0.0196 are associated with the World Oil Price (X3) variable. In this model, X3 significantly and positively influences the dependent variable if its probability value is less than 0.05. With an R-squared value of 0.311450, the model's independent variables X1, X2, and X3 explain approximately 31.14 percent of the variance in the dependent variable. Other variables not accounted for in the research model explain the remaining 68.86% of the variance." Economically speaking, inflation does not significantly affect the Jakarta Islamic Index (JII) because the sharia-compliant companies in the index tend to have stable financial conditions, so investors are not overly concerned about short-term inflation increases. Conversely, a weakening of the rupiah exchange rate can reduce the performance of sharia-compliant stocks as import costs rise and investor confidence declines. Meanwhile, rising global oil prices could actually boost market optimism and drive stock performance higher, particularly in the energy and commodities sectors.

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Tabel 6. Results of the Hypothesis Testing

Effect	Result	Previous Findings
X1 → Y	Inflation has no effect on the Jakarta Islamic Index	This is consistent with the research by Syiffa and Octovian (2024), which found that inflation has no significant effect on the sharia stock index.
X2 → Y	The exchange rate has a significant negative effect on the Jakarta Islamic Index	This finding supports Noviyanti et al. (2025), which found that exchange rate fluctuations have a negative impact on the Islamic stock market.
X3 → Y	Global oil prices have a significant positive effect on the Jakarta Islamic Index	These findings are consistent with Utami (2025), which indicates that global oil prices have a positive impact on the Jakarta Islamic Index.

Source: Data Analysis Results "Eviews, 2026

DISCUSSION

The Impact of Inflation on the Jakarta Islamic Index

The results of the data analysis show that variable D(X1) has a coefficient value of 7.189065 with a positive relationship. A t-statistic value of 1.304878 and a probability of 0.1945 (greater than 0.05) indicate that this effect is not statistically significant. Therefore, the hypothesis stating that X1 influences Y is rejected. Economically, the positive coefficient direction reflects a tendency that an increase in X1 is followed by an increase in Y; however, the strength of this relationship is insufficient to serve as a basis for generalization. Within the framework of the Arbitrage Pricing Theory (APT), macroeconomic factors are generally expected to influence the dependent variable; however, this finding indicates that X1 has not yet played a role as a primary determinant. These results align with previous empirical findings showing that not all macroeconomic variables have a significant influence, depending on data characteristics and the analysis period. Conceptually, this lack of significance may be due to weak transmission mechanisms or the dominance of other variables in the model. Additionally, relatively stable economic conditions during the study period may have reduced the variability of X1, thereby rendering its impact on Y insignificant. Consequently, variable X1 cannot yet be used as a primary reference in investment decision-making or policy formulation. The findings of this study are consistent with the research by Syiffa and Octovian (2024) which states that inflation does not affect the Jakarta Islamic Index; therefore, changes in the inflation rate do not directly impact the performance of the sharia stock index.

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The Impact of Exchange Rates on the Jakarta Islamic Index

The estimation results show that the variable D(X2) has a coefficient of -0.037241, indicating a negative direction of influence. A t-statistic value of -6.305273 and a probability of 0.0000 (less than 0.05) indicate that this effect is statistically significant. Thus, the hypothesis stating that X2 influences Y can be accepted. Economically, this finding implies that an increase in X2 will decrease the value of Y, assuming all other factors remain constant. From an APT perspective, the variable X2 can be categorized as a systematic risk factor that plays a significant role in explaining changes in Y. These results are consistent with various previous studies that found a negative and significant relationship between this variable and the dependent variable. The mechanism of this relationship can be explained through the direct influence of X2 on economic or market conditions, which ultimately impacts Y. In a broader context, an increase in X2 may reflect a less conducive economic situation, thereby suppressing the performance of Y. The practical implications of these findings are quite significant, particularly for investors in predicting movements in Y, as well as for policymakers in maintaining the stability of the relevant variable. The results of this study are consistent with the findings of Noviyanti et al. (2025) who found that exchange rates have a significant negative effect on the movement of the sharia stock index. This indicates that exchange rate fluctuations are one of the macroeconomic variables that influence the movement of the sharia stock market in Indonesia.

The Impact of Global Oil Prices on the Jakarta Islamic Index

Based on the analysis results, the variable D(X3) has a coefficient of 0.792467 with a positive relationship. A t-statistic value of 2.366169 and a probability of 0.0196 (less than 0.05) indicate that this effect is statistically significant. Therefore, the hypothesis stating that X3 influences Y can be accepted. Economically, these results indicate that an increase in X3 will be followed by an increase in Y. Within the APT framework, X3 can be considered a relevant factor in explaining return variation, thus playing a significant role in the model. This finding aligns with previous research results showing a positive and significant relationship between this variable and the dependent variable. Mechanistically, an increase in X3 may reflect improved economic conditions or rising market optimism, which ultimately drives an increase in Y. In an empirical context, this variable likely experienced significant fluctuations during the study period, thereby significantly explaining the variation in Y. The implication of these results is that X3 can serve as a key indicator in economic analysis, both for investment purposes and in policy formulation. These findings align with the research by Utami et al. (2025) which states that global oil prices have a positive and significant impact on the Jakarta Islamic Index, both in the short and long term.

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Implications and Limitations of the Study

Theoretically, the results of this study support the Arbitrage Pricing Theory (APT), which states that macroeconomic factors can influence stock price movements and investment returns. This study indicates that exchange rates and global oil prices are more dominant factors in influencing the Jakarta Islamic Index (JII) compared to inflation. Practically, these findings can serve as a basis for investors in making investment decisions in the Islamic capital market, particularly by monitoring movements in the rupiah exchange rate and global oil prices as indicators of market conditions. Additionally, the government and capital market authorities can utilize these findings to maintain economic stability and enhance investor confidence in the Islamic stock market. However, this study has limitations, such as the limited use of macroeconomic variables, a research period covering only 2016–2025, and the use of simple linear regression, which cannot fully explain long-term relationships in depth. Therefore, future research is advised to include additional variables such as interest rates, gold prices, or economic growth, and to employ more complex analytical methods such as VAR, VECM, or ARDL to ensure more comprehensive and accurate research results.

CONCLUSIONS AND RECOMMENDATIONS

The results of the study indicate that macroeconomic variables have varying effects on the Jakarta Islamic Index (JII). Inflation does not have a significant effect on the JII, whereas the exchange rate has a significant negative effect, and global oil prices have a significant positive effect on the movement of the sharia stock index. These findings indicate that the stability of the rupiah exchange rate and global energy market conditions are critical factors in maintaining the performance of Indonesia's sharia capital market. Therefore, the government and Bank Indonesia must maintain exchange rate stability and macroeconomic conditions to preserve investor confidence. Additionally, investors are advised to pay closer attention to movements in the rupiah exchange rate and global oil prices before making investment decisions regarding sharia stocks, as these two variables have been shown to influence the JII's movements. This study also indicates that there are other factors outside the research model that affect the JII; thus, future research is recommended to include additional variables such as interest rates, gold prices, economic growth, or global stock indices. Furthermore, the use of more complex analytical methods such as VAR, VECM, or ARDL is also recommended so that short-term and long-term relationships between variables can be analyzed in greater depth and yield more comprehensive findings.

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