Inflation, the Rupiah Exchange Rate and Their Impact on the Islamic Social Reporting of Consumer Goods Industry Companies Listed in the Indonesian Sharia Stock Index (ISSI) from 2014-2018

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Abstract

Apart from serving as a forum for parties in need of funds (issuers) and those with excess funds, investment in the capital market is one of the investments currently being developed in society (investors). The Islamic capital market is a capital market that is governed by sharia principles; all securities transactions on the capital market are governed by sharia provisions. This is a quantitative study that makes use of time series data, which consists of a single object but spans multiple periods: Inflation, Rupiah Exchange Rates, and Stock Prices from 2014 to 2018. The method used is a causal and distributive historical method. The population for this study is the entirety of the Indonesian Sharia Stock Index in the Consumer Goods Industry Sector, which consists of 29 companies listed on the ISSI. The Multicollinearity Test, the Autorelation Test, the Linearity Test, and the Fixed Effect Model were used to analyze the data. This study shows that: 1) The inflation variable has a significant and significant impact on stock prices in the Indonesian Sharia Stock Index (ISSI), on the basis of results from the partial test of the first hypothesis: 2) The results of the second hypothesis partial test indicate a substantial effect on the Indonesian Sharia stock index share price of the variable Rupiah Exchange rate (ISSI).

Keywords: Inflation, Exchange Rate, ISSI

INTRODUCTION

The capital market is a forum for accumulation and capital formation to increase public participation in the management of the fund (Akbar & Herianingrum, 2015). The capital market plays an essential role for the state, namely to finance corporations or to get investment money from investors (Ardana, 2016). In order to grow companies, increase work capital, expand business and other activities, capital market funds are used. In addition, the capital markets play a significant role in investing in financial instruments such as stocks, bonds, reciprocal funds and so on. The capital market also offers investors opportunities and benefits according to the characteristics of the selected investment. (Friedrich, 2014).

The Islamic capital markets and conventional capital markets do not differ greatly. Because the idea of Islamic capital markets to be traded must be based on companies in sectors that meet the Sharia criteria and principle, various practices of speculation, free from ribawi elements and stock transactions with investment companies can be avoided (Khmsatun & Martani, 2015). (Colombia, 2017).

Indonesia, one of the largest Muslim countries in the world, is an important market for developing Islamic financial industries. The growth of the Muslim financial sector market share in Indonesia plays a role in Islamic capital market investment. One of the instruments to measure the performance of Islamic capital markets in Indonesia is the Jakarta Islamic Index (JII), which comprises 30 Sharia liquid stocks, based upon the sharia principles (Melati & Nurwulandari, 2019). Building on 12 May 2011, Indonesia has been boosting Islamic Capital Market development with the Bapepam-LK Sharia Stock Index (ISSI) and

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Indone's Ulema National Sharia Council (DSN-MUI). ISSI consists of all shares on the Indonesian Stock Exchange that are included in the Sharia Stock Exchange List (DES) (Mawaddah & Nurwulandari, 2019).

The Indonesian Shari'a Stock Index (ISSI), which has seen significant developments, is obviously influenced by different aspects (Wahyudi, Hasanudin & Pangestutia, 2020). Key factors, including the sharia certificate bank, inflation, money supplies (JUB), monetary exchange rates and more, can influence the development of the Islamic Index (Prabowo, 2013). In the meantime, the internal factors that can influence national economic conditions, security, politics, government policies, etc. The study included inflation, IDR / USD, SBIP and the global oil price as the macroeconomic variables (Nurwulandari, Hasanudin & Melati, 2021). The variation in the Islamic Inventory Index has been estimated to affect some of these variables (Nurwulandari & Adnyana, 2019).

Inflation is a condition in which commodity prices in general increase and continue to grow. Depending on inflation, inflation can have a positive or negative effect on the economy. The constantly fluctuating inflation rate in Indonesia has not rendered it impossible for investment levels in Indonesia's capital market to be affected, including the Indonesian Sharia Stock Index (ISSI) (Sudarsono, 2018).

Inflation affects JII in a negative and statistically significant way; inflation has an enormous negative effect on the risk of investment (Hasanudn, 2021). The exchange rate is another interesting macro variable (Yanti, 2013). The exchange rate is the price of the money for other currencies which can be defined as the local currency required to purchase foreign currency or vice versa. The exchange rate is going to affect the export-import trade sector (Hasanudin & Awaloedin, 2020). The Indonesian capital market is also inseparable from the companies that exchange the IDR/USD. The movement of the stock index will be affected by changes in the IDR / USD exchange rate (Widyasa & Worokinasih, 2018).

The existence of the capital market offers a source of funding, a vehicle for investment, the distribution to the community of ownership by a company and job creation (Wahyudi & Pangestuti, 2017). Capital market plays an essential role in the country's economy because the capital market has two purposes: finance an enterprise or the collection of funds from the investor group. It plays an important role in the capital market. Secondly, both markets represent a way to invest in financial instruments such as stocks, bonds, mutual funds, and so on.

RESEARCH METHOD

This research is a quantitative study that uses time-series data, which consists of one object but includes several periods: Inflation, Rupiah Exchange Rates, and Stock Prices each year from 2014-2018. The method used is a historical method that is causal and distributive. An initial stage of this research is to study theories related to Stock Prices, Inflation and the Rupiah Exchange Rate. Then analyze the relationship between the variables of these theories with the actual problems that exist at this time. The next stage is to collect data in the form of secondary data obtained from BI and the IDX; then, after the data is received, the next step is to conduct tests using statistical and econometric tests. In the study, the population is the entire index of 29 companies listing in the ISSI, contained in the Indonesian Sharia Stock Index. Multicollinearity testing, autorrelation testing, linearity testing and fixed effect model are used for data analysis.

RESULTS AND DISCUSSION

Object of Research

In the consumer goods industry, the total population fulfilling the sampled criteria is 5 companies listed in the 2014-2018 Sharia Stock Price Index (ISSI), i.e.:

Table 1. Issuers Researched

No	Code	Company's Name
1	ADES	Akasha Wira International
2	AISA	Tiga Pilar Sejahtera Food
3	CEKA	Wilmar Cahaya Indonesia
4	ICBP	Indofood CBP Sukses Makmur
5	INDF	Indofood Sukses Makmur

Source: Processed data

Asset Structure

The following table summarizes the estimation results and asset structure growth in the research sample companies:

Table 2.Calculation Results and Development of Company Asset Structure

Code	2014	2015	2016	2017	2018	% (Fluctuating) 2014-2015	% (Fluctuating) 2015-2016	% (Fluctuating) 2016-2017	% (Fluctuating) 2017-2018
ADES	4,308	9,224	8,070	4,300	8,908	4,304	1,8780	(6,87)	(4,483)
AISA	8,289	7,390	5,678	1,578	1,991	(3,899)	(2,693)	6,87	(1,464)
CEKA	4,797	7,649	6,488	2,784	3,474	(8,287)	(2,181)	(4,205)	1,08
ICBP	9,698	4,471	6,382	2,094	1,821	(6,346)	1,931	(5,185)	(1,394)
INDF	9,832	7,676	2,669	5,953	3,288	(3,276)	(5,937)	4,285	(3,747)

Source: Processed data

As shown in Table 2, the estimation results and the construction of the asset structure of the five companies in ISSI have fluctuated every year. From 2014 to 2018 it experienced a decline as a result of a decrease in company profits and assets, thereby reducing the percentage of the asset structure of each company.

Classic assumption test

Multicollinearity Test

The multicollinearity test is a test that determines whether an independent model of a regression model has intercorrelation or colinearity. The results of the multi-linearity test in this study are as follows:

Table 3. Multicollinearity Test Results

	HS	INFLATION	KURS
HS	1.100000	0.066813	0.107085
INFLATION	0.066813	1.100000	0.702475
KURS	0.107084	0.801575	1.100000

Source: Processed Reviews 7, 2019

Multicollinearity test results in Table 3 test results of the estimated equation of the independent variables (capital, interest and labour) and the dependent variable, namely production. One way to analyze the presence or absence of the effect of multicollinearity in this study is by looking at the Correlation Matrix value using the eviews7 program. Data can be free from multicollinearity symptoms if the correlation value between the independent variables is smaller than 0.8 (correlation <0.8). The table shows that the data does not have a multicollinearity problem because the correlation between variables is smaller than 0.8.

Autocorrelation Test

The autocorrelation test is used to check or not the classic assumptions for autocorrelation differ. The requirement to be met is that the regression model does not contain an autocorrelation. Waston-Durbin (DW Test). The Durbin-Waston autocorrelation tests have been conducted and the results are as follows in Table 4:

Table 4 Autocorrelation Test Results Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,097(a)	,008	.882	.07558	,289

a Predictors: (Constant), X2, X1b Dependent Variable: Y
Source: Data Processed SPSS 16, 2019

The DW value from the results shows in Table 4 is 0.289 Table 4. Dw values are -2 to +2 or – das DW, meaning that autocorrelation is not based on the criteria of decision-making. It may be concluded that there is no autocorrelation in this regression model.

Test Of Linearity

To assess whether the analyzed data is or is not linearly related, a linearity test is used. From Sig. Linearity and Sig. Deviation from Linearity, the linearity test showed. If the value is <0.05, it is linear and preferable for the regression model. The results of the linearity test in this research are as follows:

Table 5. Linearity Test Results of Stock Prices and Inflation (X1)

		Sig.
Stock price * Inflation	*Linearity*	0,000
Deviation From Linearity		0,008

Source: Data processed by SPSS 16, 2019

The value Sig is obtained from Table 5. The 0.000 linearity is less than 0.05, so that the effect of stock prices and inflation can be explained by a linear regression.

Table 6. Results of Linearity Test of Stock Prices and Rupiah Exchange Rate (X1)

	Sig.
Stock price * Rupiah exchange rate *linearity*	0,000
Deviation From Linearity	0,060

Source: Data processed by SPSS 16, 2019

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The Sig value is obtained based on Table 6. The linearity of 0.000 is less than 0.05, so the effect between stock prices and rupia exchange rate can be explained with a linear regression.

Fixed Effect Model

Based on previous tests, the method used to estimate the model in this simultaneous equation is the fixed effect in the fixed effects model; differences in individual characteristics and time are accommodated in each region's intercept and different constants. Table 6 of the regression analysis of the effect of a single variable on the dependent variable shows the result of the model selection, that is, the Fixed Effect.

Table 7 below shows the results of regression analysis of the independent variable effect on the dependent variable:

Tabel 7. Estimasi Fixed Effect Model

Dependent variable: stock price
Method: Panel Least Squares
Date: 01/30/19 Time:
14:20Sample: 2016 2018
Periods included: 25
Cross-sections included: 6
Total panel observations: 127

R-squared	0.966584	Mean dependent var	4288.120
Adjusted R-squared	0.926332	SD dependent var	4331.770
SE of regression	1157.575	Akaike info criterion	17.17019
Sum squared resid	24704656	Schwarz criterion	17.50247
Log-likelihood	-208.5033	Hannan-Quinn criteria.	17.25584
F-statistic	52.13577	Durbin-Watson stat	0.946658
Prob(F-statistic)	0.000000		

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	997.2497	2151.264	0.467198	0.0068
INF	141.1145	97.09305	1.870414	0.0046
KURS	0.209038	0.160777	1.924853	0.0028

Source: Processed data

Based on table 6, it can be seen that the results of the estimation model equation are as follows:
Share Price = 998.2487 + 131.1144INF + 0.208037KURS
The regression equation above can be explained as follows:

1. The value of 998.2487 means that the share price of Rp. 998.2487 if it is 0. for INF(X1) and KURS(X2).
2. The regression coefficient of the INF variable (x1) is 131,1144, which means that, if the INF is increased by 1%, the inventory price (y), if the remaining independent variables remain, will increase by Rp. 141.1244. The positive coefficient means that INF and the stock price are unidirectionally linked, which is to say, the larger the inflation, the higher the stock price. If Rp.

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141.1144 increased in the INF, the equity price rose by Rp. 998.2487 + Rp. 141.1144 = Rp. 1.128.3641.

3. The KURS (X2) regression coefficient is 0,208037. This means that the stock price (Y) increases by Rp. 0,2009037 when there is a 1% increase, assuming that the other independent variables are constant. The positive sign coefficient is the single direction of KURS to the stock price, which means that, the higher the KURS (Rupiah Exchange rate), the higher the stock price. The stock price increased by Rp 997,2487+Rp 0.209037 = Rp. 998,456837, if the Rupiah Exchange Rate (KURS) increased by Rp. 141,1144.

Discussion

The Influence of Inflation on Stock Prices

Inflation is a general increase in prices in an economy from one period to another. The rate of inflation is very influential on economic conditions, especially capital market activities. Therefore, the government must keep inflation under control. This is because an increase in inflation causes an increase in risk on stock investment. In addition, the ability of capital to generate profit in the current and future is also accompanied by investor pessimism.

Research results using the above panel data method have shown that inflation (INF), measured using Indonesian Sharia Stock Index (ISSItotal)'s consumer goods price share price, is having a positive and significant impact on the Indonesian Sharia Stock Index inventory prices (ISSI). With a 1,860424 ratio. The considerable probability figure in the table of 0.0036 is smaller than the significant level used, which is 0.05, which means a meaningful relationship. So it can be concluded that partially the inflation factor influences the increase in stock prices so that the rise in inflation includes the share price of a company also increases.

The impact on stock prices of Rupiah Exchange Rate

The dollar currency affects stock returns substantially. The variable rupia exchange rate has a significant impact on the Indonesia bourse on equity prices at the same time. Since if the exchange rate of rupiah is out of control, it will have a number of economic effects. A reduction in the level of domestic savings, which are a source of investment funds for the people from developing countries, and a decline in entrepreneurs' enthusiasm for investment in capital markets is some of the implications for the uncontrolled exchange rate of the Rupiah.

Panel data show that the Indonesian Shario Stock Index (ISSI) with a coefficient of 1.925753 has a positive and important impact on the inventory price. The Rupiah Exchange Rate (KURS) is based on Indonesia Sharia Stock Index's overall stock price for consumer goods (ISSI). The significant probability figure in the table 0.0018 is less than the significant amount of 0.05, which is important. It can therefore be concluded that a partial effect of Rupiah's currency factor is the increase in share prices, so the increase in the exchange rate of Rupiah includes an increasing share price.

CONCLUSION

The conclusion can be drawn as follows: Based on the background, theoretical basis, analytical data and test results: 1) the inflation variable has a substantial and significant impact of the test results for the first hypothesis on the stock prices of the Indonesian Sharia index; (ISSI). This shows the increase in stock

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investment in the Indonesian Sharia Stock Index when inflation rises (ISSI). At the same time, prices are jointly and significantly affected by all independent variables such as inflation and the variable Rupiah Exchange Rate (RSI) for the Indonesian Sharia Index (SSR) from 2016 to 2018; 2) the exchange rate variable Rupiah is of major and significant influence on the Indonesian Sharia inventory, based partly on the test results of the second hypothesis (ISSI). This shows that, when the Rupiah exchange rate increases, the Indonesian Sharia Stock Index (ISSI) will increase the investments of stocks in the consumer goods sector.

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