

**THE EFFECT OF EXCHANGE RATE, WORLD OIL PRICE AND
ISLAMIC GLOBAL STOCK INDEX ON THE JAKARTA ISLAMIC
INDEX (JII) 2013-2023**



**UNDERGRADUATE THESIS
PREPARED AND SUBMITTED TO THE FACULTY OF ECONOMICS
AND BUSINESS SUNAN KALIJAGA STATE ISLAMIC UNIVERSITY,
YOGYAKARTA AS ONE OF THE REQUIREMENTS TO OBTAIN
AN UNDERGRADUATE DEGREE
IN SHARIA ECONOMICS
BY**

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YOGYAKARTA**

2025

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2025

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Assalamualaikum Wr. Wb.

Setelah membaca, meneliti memberikan petunjuk dan mengoreksi serta perbaikan seperlunya, maka kami berpendapat bahwa skripsi saudara:

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Dengan ini kami mengharapkan agar skripsi saudara tersebut dapat segera dimunaqasahkan. Atas perhatiannya kami ucapkan terima kasih.

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Demikian surat pernyataan ini saya buat agar dapat dimaklumi.

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MOTTO

**Don't give up yet, take a break, go home and see your
parents smile.**



DEDICATION PAGE

This thesis is dedicated to:

My parents and my two brothers, for those who have worked hard to provide endless love, prayers, and material support for the success of their children and siblings.



PREFACE

Praise for the presence of Allah SWT who has given His grace and grace, so that makes the author able to complete the final project entitled “The Effect of Exchange Rate, World Price Oil and Islamic Global Stock Index on The Jakarta Islamic Index (JII) 2013-2023”. Sholawat and salam may remain devoted to our beloved Prophet Muhammad SAW.

This thesis is prepared in order to fulfill one of the requirements to achieve the Bachelor of Sharia Economics Study Program at the Faculty of Economics and Islamic Business, UIN Sunan Kalijaga Yogyakarta. Of course, in preparing this thesis is inseparable from the help of various parties. Therefore, on this opportunity, the author would like to express his gratitude to these parties, including:

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ABSTRACT

The Jakarta Islamic Index (JII) is one of the sharia indexes listed on the Indonesia Stock Exchange (IDX). The Islamic capital market exists in response to Muslim investors' worries about interest, speculation, and the uncertainty associated with mutual fund investment. In order to ascertain the extent to which macroeconomic and international stock index factors impact the Jakarta Islamic Index, this study employed a quantitative approach, which measures information on a numerical scale, and was based on time series data from 2013 to 2023. The variables in this study consist of exchange rates (X1), world oil prices (X2), Dow Jones Islamic market Europe (DJIEU) (X3), and Dow Jones Islamic market Japan (DJIJP) (X4) against the Y variable Jakarta Islamic Index (JII). Partially using a significance of 0.5%, the results of the study show that in the short term only the exchange rate has a significant effect on the JII while world oil prices, DJIEU and DJIJP have no effect. In the long term the variables of exchange rates, world oil prices, DJIEU and DJIJP have a significant effect on the Jakarta Islamic Index (JII).

Keywords: Macroeconomics, Dow Jones Islamic Market Europe, Dow Jones Islamic Market Japan, Jakarta Islamic Index

“BSTRAK

Salah satu indeks syariah yang tersedia di Bursa Efek Indonesia (BEI) adalah Jakarta Islamic Index (JII). Kemunculan pasar syariah sebagai respon atas kekhawatiran investor muslim akan adanya bunga, spesialisasi, dan ketidakjelasan dalam berinvestasi. Penelitian ini bertujuan untuk mengetahui beberapa pengaruh signifikan dari variabel makroekonomi dan indeks saham luar negeri terhadap Jakarta Islamic Index. Penelitian ini menggunakan pendekatan kuantitatif, yaitu dengan menganalisis data dalam skala numerik berdasarkan data runtun waktu dari tahun 2013 sampai dengan tahun 2023. Penelitian ini menggunakan metode Error Correction Model (ECM) dengan menggunakan alat bantu E-views 12. Variabel dalam penelitian ini meliputi Dow Jones Islamic Market Europe (DJIEU) (X3), Dow Jones Islamic Market Japan (DJIJP) (X4), kurs (X1), dan harga global (X2) terhadap variabel Y yaitu Jakarta Islamic Index (JII). Dengan menggunakan tingkat signifikansi 0,5 persen, temuan studi ini menunjukkan bahwa, dalam jangka pendek, hanya nilai tukar yang memiliki dampak signifikan terhadap JII, sedangkan harga DJIEU dan DJIJP tidak. DJIEU dan DJIJP memiliki dampak yang signifikan terhadap Jakarta Islamic Index (JII) dalam jangka panjang, sedangkan dalam jangka panjang variabel nilai tukar dan harga minyak dunia tidak memiliki dampak yang signifikan terhadap JII.

Kata Kunci: Makroekonomi, Dow Jones Islamic Market Europe, Dow Jones Islamic Market Japan



CHAPTER I

BACKGROUND

A. Background Of The Study

In this era of globalization, the existence of capital markets is very important, capital markets are increasingly needed to realize policies in Indonesia. Not only to raise capital from investors, but also for other ways as a source of funds, bond issuance, investment, and macroeconomic indicators (Rahmawati et al., 2023). One of the economic tools that is now developing quite quickly is the capital market. This is due to the fact that the capital market serves as an indicator of a nation's economic development and may help sustain its economy. The capital market serves as a platform for businesses to raise money from investors and those with funds (Rahmania et al., 2018). Stock prices are considered a leading indicator of economic activity so determining the factors that drive the market is crucial, while stock prices are influenced by financial variables and macroeconomic variables (Junaidi & Wibowo, 2021).

Given that the majority of Indonesia's population is Muslim and that the nation is still in its prime, the Islamic capital market there has a lot of potential to grow according to sharia principles. Sharia-based investment has an effect on actual market growth (Anwar et al., 2018). With the increase in public knowledge about investing in accordance with sharia principles, investment activities in the Islamic capital market have progressed quite rapidly (Rahmawati et al., 2023).

Investment of capital according to the Quran is the purpose of all human activities that should be intended for *ibtigha'i-mardhatillah* (hoping for the pleasure of Allah). Islam also encourages its adherents to always invest their savings, this can be in the form of an investment business in Islam which is also a form of worship. Therefore, the main principle must be halal and *thayyib*, and avoid the elements of *ribawi* must be halal and *thayyib*, and avoid the element of *ribawi* and not excessive (*israf*) (Heradhyaksa B, 2022).

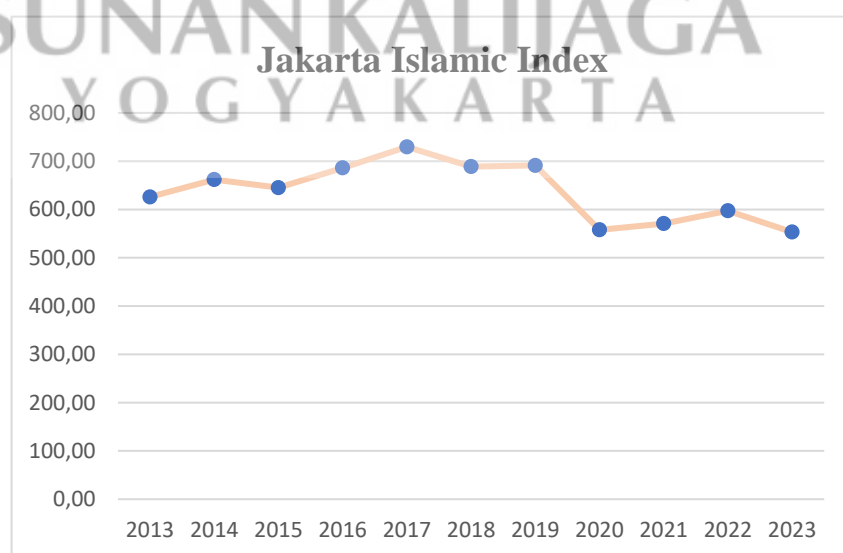
The Islamic stock market is present as a solution to meet the needs of Indonesian investors who want to invest without having to contradict Islamic principles. Islamic capital markets and conventional capital markets, both have no difference, but there are special provisions that require the mechanism of products in every transaction in the Islamic capital market to be in accordance with Islamic teachings (Rahmawati et al., 2023). The instruments to be exchanged in the Islamic capital market must be free from business activities that contain usury (bank interest), gambles, speculations, producers of drinking alcohol, producers of eating goods containing pork and others (Anas, 2019). In classifying these securities, the Board of Sharia Advisory Council (DPS) will conduct qualitative and quantitative screening of each company. qualitative and quantitative screening of each company (Qizam et al., 2020)

Data Indonesia.id reports that until 2024, the Indonesia Stock Exchange (IDX) would list a minimum of five sharia stock indices: the Jakarta Islamic Index (JII), Indonesian Sharia Stock Index (ISSI), Jakarta Islamic Index 70 (JII-70), IDX-MES BUMN 17, and IDX Syariah Growth. The Islamic stock index

also fluctuates, just like the domestic benchmark index and the composite stock price index (JCI). Throughout the middle of 2023, the JII movement was observed to experience the deepest correction of 7.99%, then there was IDX-MES BUMN 17 which was depressed by 7.42%. The ISSI recorded a weakening of 6.94% and the JII-70 recorded a correction of 6.54% throughout 2023. Meanwhile, IDX Sharia Growth became the Islamic stock index with the slightest decline during the year, which amounted to 5.87%.

According to the OJK's revision schedule for the List of Islamic Securities (DES), the equities that are part of the Jakarta Islamic Index (JII) are updated twice a year, in May and November (Fitrianto, 2020). The Jakarta Islamic Index (JII) was introduced on July 3, 2000, by the Indonesian Capital Market. It consists of 30 Islamic stocks, only the most liquid stocks listed on the Indonesia Stock Exchange (IDX). The JII was created with the intention of boosting investor confidence in sharia-based stocks and serving as a benchmark when selecting a halal stock portfolio (Rahmania et al., 2018).

Figure 1.1 JII Movement Throughout 2013-2023



Source: Investing.com (processed data)

From the data above, the movement of the Jakarta Islamic Index has fluctuated from 2013 to 2023. The JII experienced its highest peak in 2017 and was rated lowest in 2020, but the JII has experienced growth since its decline in 2020 towards 2022. The decline was due to the Covid-19 pandemic which peaked in 2020 causing an economic crisis that had an impact on the sluggish economy so that many sectors, one of which was investment in Indonesia, were affected.

The Jakarta Islamic index is insperable from influences and changes from both economic and non-economic factors. One of the influence in terms of economic factor is macroeconomic (Fitrianto, 2020). Macroeconomics is the interaction between the labor market and goods market, and the economic asset market as well as the interactions between countries in the trade activities of one particular country and another (Rahmiyanti, 2019). Investors need great attention in investment activities in the Islamic capital market, especially with the monetary situation and movements of macroeconomic variables such as exchange rate, SBIS, BI Rate, total money supply (JUB), inflation, economic growth and gross domestic product (GDP). This statement reinforces what was told by Anas (2019) which states that macroeconomic factors are at the forefront of investors' minds, including the exchange rate. This factor can potentially increase profits or even reduce risk. In addition to domestic macroeconomic factors, there is an influence from global factors that also affect Islamic stocks, namely world oil prices. Anas (2019) makes the case in a social journal that the capital market is impacted by changes in global oil prices. In

general, an increase in oil prices will encourage a raise in share prices in the mining sector because an increase in oil prices affects the increase in values of other mining materials.

The development of the Islamic capital market in Indonesia is also closely related to the influence of the global capital market, because currently the Islamic capital market is growing rapidly throughout the world (Anwar et al., 2018). The Dow Jones Islamic Market Index (DJIMI) is one of the world's sharia stock indices that investors use as a reference on the Indonesia Stock Exchange. DJIMI has submitted around 1,400 Islamic stocks to fulfill the global property rights index, which consists of 5,200 equities worldwide. According to the Dow Jones Global Classification Standard, DJIMI covers 636 exchanges, with 234 exchanges in the US Dow Jones Islamic Markets Index, covering 34 countries and 10 economic sectors, 8 market sectors, 51 industry groups, and 89 subgroups (Citra 2023). The DJIMI includes a number of high-priced Islamic stocks, including the Dow Jones Islamic Market Europe (DJIEU), one of the world's highest-rated Islamic stock indices, and the Dow Jones Islamic Market Japan (DJIJP), one of the Islamic stocks on the Asian continent, which has a strong correlation with Indonesian exports and can therefore influence the Jakarta Islamic Index (JII). The global stock market's volatility has a big influence on the Islamic stock market's performance; unrest in one nation can have a big effect on other nations' circumstances. This is a result of the growing interconnectedness of global financial markets (Citra et al., 2023).

Syauqi et al. (2014) state that the JII study showed fluctuations in shocks that occurred in all macroeconomic variables and international Islamic stock markets before they stabilized. The Dow Jones Islamic index is negatively impacted compared to the Indonesian stock exchange because the Indonesian economy will not be able to outperform the global economy. This is related to Nugraha (2020) who stated that the Dow Jones index has a positive impact and the JII will experience a decline if the index decreases. According to Rahmawati et al. (2023), exchange rates are not the most important factor for investors to consider in making investment decisions. Conversely, according to Ghassani & Sukmana (2019), unobserved exchange rate fluctuations have an impact on the decline in the JII stock index. The VECM estimation results in research by Masrizal et al. (2020), oil prices, particularly long-term ones, have a significant positive impact on the Jakarta Islamic Index (JII).

The description above proves that there is a Research Gap in the research that has been done before. Researchers have 3 reasons why it is necessary to conduct this research. First, researchers take advantage of comparative analysis of Islamic indices in other countries to determine whether the observed relationships are consistent in different markets or unique to Indonesia. This larger perspective can enhance the understanding of global Islamic finance trends. Secondly, the study was limited to a time range of only 5 years, this limited time period may have overlooked significant market changes or trends that occurred before or after the period, therefore expanding the analysis to include a longer time frame may reveal different dynamics and trends in the

relationship between the variables and the JII. Thirdly Researchers highlighted that there are conflicting results regarding the impact of global Islamic stock indices on the Jakarta Islamic Index (JII), this inconsistency presents a gap for further investigation on why different studies produce varying results. In addition, the lack of articles that discuss the influence of the global index makes researchers want to discuss it further.

Based on these arguments, the researcher is interested in further examining the factors that affect the JII by constructing a research model that combines macroeconomic factors with the global sharia stock index. Macroeconomic indicators represent internal and external factors while sharia global stock indicators represent external factors, therefore this research will raise the issue of macroeconomic factors **“The Effect of Exchange Rate, world Oil Price and The Islamic Global Stock Index On The Jakarta Islamic Index 2013-2023”**.

B. Research Question

Considering the background mentioned above, several of issues may be identified:

1. How does the influence of macroeconomics represented by Exchange Rate affect the Jakarta Islamic Index (JII)?
2. How does the influence of macroeconomics represented by World Oil Price affect the Jakarta Islamic Index (JII)?
3. How does the Dow Jones Islamic Market Europe affect the Jakarta Islamic Index (JII)?

4. How does the Dow Jones Islamic Market Japan affect the Jakarta Islamic Index (JII)?

C. Research Objective and Significance Of The Study

The research objectives may be derived from some of the issue formulations above, which are:

1. Analyzing whether there is an influence of the Exchange Rate on the Jakarta Islamic Index (JII).
2. Analyzing whether there is an influence of the World Oil Price on the Jakarta Islamic Index (JII).
3. Analyzing whether there is an influence of the Dow Jones Islamic Market Europe on the Jakarta Islamic Index (JII).
4. Analyzing whether there is an influence of the Dow Jones Islamic Market Japan on the Jakarta Islamic Index (JII).

The benefits of this research are:

1. The findings of this study should give researchers new insights on how the Jakarta Islamic Index (JII) is impacted by the exchange rate, global oil price, Dow Jones Islamic Market Europe, and Dow Jones Islamic Market Japan..
2. For the government, the results of this study will provide information and as input when making policies in growing the Indonesian economy in terms of increasing investment.
3. For academics, the results of this study are expected to be a guide in conducting research on the influence of the Dollar Exchange Rate,

World Oil Price, Dow Jones Islamic Market Europe, Dow Jones Islamic Market Japan, on the Jakarta Islamic Index (JII).

D. Research Outline

The research report is organized systematically through the presentation of five discussion chapters. The systematic discussion in this research is as follows:

Chapter One, there is an introduction. This section is the first step that contains the foundation that is an important factor in conducting this research. This section explains the background of the research, explaining the context and conditions behind this research and why this is important to research, explaining the problem formulation, namely identifying the main problems that will be discussed in this study, knowing the research objectives, namely explaining the main objectives of this research and what it wants to achieve. Research benefits, discussing in detail the benefits that can be obtained from the results of this research.

Chapter Two, the theoretical foundation. It is a section that presents the theoretical framework that supports this research and explains the key concepts that will be used. The theoretical foundation is structured with previous research, summarizing previous research relevant to this topic and highlighting important findings, then the research hypothesis, building hypotheses based on the theoretical framework and previous research findings, as well as hypothesis development and framework.

Chapter Three, the research methodology. It contains the type and source of data, describes the research design used and the reasons behind the choice. Explains how the researcher obtained the data and why the researcher chose the vulnerable time period in this study. Research variables, explaining the variables studied. Analysis method, describes the method that will be used in this research and the stages of the method.

Chapter Four, is the results and discussion. It is a section that contains interpretation of the results, describes the results of data analysis and provides an interpretation of the findings. Relationship with theory, explains how the findings of this study relate to the theoretical framework that has been put forward.

Chapter Five is the closing. It is a section that contains conclusions summarizing the main findings of this research and answering the problem formulation. Research Limitations, discusses the limitations faced in this study.

CHAPTER V

CONCLUSIONS AND SUGGESTIONS

A. Conclusion

Based on the results of the Error Correction Model (ECM) testing that has been discussed in chapter IV of the discussion section, then the purpose of this study has been achieved. The following conclusions which the researcher took can be drawn:

One macroeconomic factor that has an immediate effect and considerably reduces the Jakarta Islamic Index between 2013 and 2023 is the exchange rate. In this case, the exchange rate has a significant negative effect; that is, the stock index falls if the value of the rupiah in relation to the US dollar rises, and vice versa.

The Jakarta Islamic Index is significantly impacted negatively from 2013 to 2023 by the macroeconomic variable of world oil prices, however it has little effect in the short term. The fact that there is a negative correlation indicates that global oil prices have an impact on a nation's investment growth. There will be less investment in the nation as a result of rising global oil costs.

From 2013 to 2023, the global Islamic stock exchange variable Dow Jones Islamic Market Index Europe (DJIEU) has a negative long-term influence on the Jakarta Islamic Index, and has no influence in the near term. Strong markets have negative effects on weaker markets, making investments in established nations more desirable than those in developing nations with more volatile economies.

In the long run, the Jakarta Islamic Index benefits from the sharia global stock exchange variable Dow Jones Islamic Market Index Japan (DJIJP) from 2013 to 2023, but it has no influence in the nearly term. The existence of this influence is because strong markets affect weaker markets, where the economy in developed countries will affect the economy in developing countries as indicated by the stock exchange index.

Exchange rate, world price oil, DJIEU and DJIJP together or simultaneously have a significant effect on the Jakarta Islamic Index (JII). An increase in the number and quality of external factors can lead to a rise in a nation's income. This is predicated on the long-term R-Squared value of 0.527065 that was acquired from the coefficient of determination test. This indicates that the independent variable may concurrently account for 52.70% of the dependent variable.

B. Suggestion

Based on the results of the research that has been done, there are several suggestions that need to be considered and can be taken into consideration for future researchers and policy makers. Some of these suggestions are as follows:

1. For the government as a policy maker to continue to increase the activity of capital formation investment on an ongoing basis in order to encourage economic growth in the future observation of economic growth in Indonesia. Because, the size of investment in the present will affect economic growth in the future.

2. Investors should pay attention to related and current information according to the situation of the Indonesian economy and foreign economic activity if they want to invest in the Jakarta Islamic Index (JII). Then in the future, Muslim investors are expected to invest more in Islamic instruments to get the benefits.
3. For further research, it should innovate and develop several research models, as well as add other country sharia stock index variables so as to reveal various economic issues in various countries.

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