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# The Influence of Inflation, Sukuk, and Mutual Funds On The Indonesian Sharia Stock Index (ISSI)

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**Copyright:** © 2024 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (http://creativecommons.org/licenses/ by/4.0/). **Abstract:** From 2018 - 2023 there were fluctuations in the value of the Islamic Stock Index. This study uses associative tests to analyze and obtain empirical evidence, whether inflation, sukuk and mutual funds have a significant effect on the Indonesian Islamic stock index. The data used is secondary data taken from the official website, namely www.ojk.go.id, and www.bps.go.id. The results of this study, individually sukuk has a negative and insignificant effect on the Indonesian Islamic stock index, then individually sukuk and mutual funds have a positive and significant effect on the Indonesian Islamic stock index, then individually sukuk and mutual funds have a positive and significant effect on the Indonesian Islamic stock index. But simultaneously the three independent variables have a significant effect on the Indonesian Islamic stock index with an influence value of 69.7%, where the other 30.3% value is influenced by other variables not included by researchers.

Keywords: Infalation, Sukuk, Mutual Fund

## Introduction

There are several factors that affect the movement of the increase or decrease in the value of Islamic stocks, namely, inflation, sukuk, mutual funds and others. Where inflation can affect the purchasing power of the public and investors. If the value of inflation is high, then the value of money decreases, it can reduce interest in investing in the stock market, including Islamic stocks. Inflation that has a high value can increase the company's operating costs, which may affect stock performance.

Sukuk provide an alternative investment that complies with sharia principles and can attract investors who are looking for a more stable and low-risk investment. Good sukuk performance can increase investor interest in the Islamic capital market as a whole, including the Islamic stock index.

Mutual funds are collecting funds from the public to be invested in a portfolio that is in accordance with sharia principles. The good performance of Islamic mutual funds can increase investor confidence in the Islamic capital market and encourage the growth of the Islamic stock index. Regarding the development of inflation, sukuk, mutual funds, and Indonesia's Islamic stock index can be seen in the following table:

		1	· · ·	
YEAR	INFALTION	SUKUK	MUTUAL FUNDS	ISSI
	(%)	(MILLION)	(MILLION)	(MILLION)
2018	3,13%	IDR. 22.023,00	IDR. 34.491,17	IDR 3.666.688,31
2019	2,72%	IDR. 29.829,50	IDR. 53.735,58	IDR 3.744.816,32
2020	1,68%	IDR. 30.354,18	IDR. 74.367,44	IDR 3.344.926,49

Table 1. Development of Inflation, Sukuk, Mutual Funds and ISSI

In the table above, it can be seen that inflation experiences fluctuations or unstable changes every year, the lowest inflation is in 2020 with an inflation rate of 1.68%. The inflation value has a negative impact on the Islamic stock index where if the inflation value is according to the Islamic stock index value will increase but in 2020 when the inflation value is falling it should be able to increase the value of the stock index but in that year the value of the stock index also fell, then in 2022 inflation increased in value with a rate of 5.51% and but at that time the value of the stock index also increased, it should be in 2022 when the inflation value rises the value of the stock index will decrease.

The phenomenon reflects the gap between the phenomenon and the theory. Inflation can have both positive and negative impacts on the economy depending on how high and low it is. (Setyani, 2017). Research from Mustafa Kamal et al, shows that the value of inflation has a negative but insignificant effect on the Islamic stock index. (Kamal et al., 2021). Dini Yuniarti & Erdah Litriani's research tells us that the value is negative and significant on the Islamic stock index (Litriani, 2017).

Based on the table, the value of sukuk appears to have increased or increased every year, when the issuance of sukuk increases, the demand for stocks may decrease because investors switch to sukuk which can provide considerable returns. But if the funds obtained from sukuk issuance are used for business expansion, it can improve the performance of companies listed on the ISSI and may have a positive impact on the index.

The influence of sukuk on the ISSI can be positive or negative depending on how the sukuk funds are allocated or used. sukuk, as one of the sharia-based financial instruments, has a positive influence on the stability and growth of the ISSI, although fluctuations depend on capital market conditions and other external factors. (Susanti, 2021). However, in 2020, when the value of sukuk increased, the value of the Islamic stock index decreased, there was a gap between the phenomenon and the theory.

In the table above, the value of mutual funds fluctuates every year, where the highest value is in 2018 with a nominal value of Rp. 34,491.17 billion and the lowest value is in 2022 with a nominal value of Rp. 40,605.11 billion, when the level of interest in mutual funds increases, mutual fund managed funds also increase, where the flow of incoming funds will have a positive impact on the movement of ISSI. There is a strong positive relationship between Islamic mutual funds and the Islamic stock index. (Irawan & Siregar, 2019) But in 2020 the value of mutual funds increased but the value of the Islamic stock index decreased, this proves that there is a gap between the phenomenon and the theory about the effect of mutual funds on the Islamic stock index.

From the gap between the phenomena that occur and the existing theory, researchers

want to examine how and how much Inflation, Sukuk, and also Rekasadana affect the Indonesian Sharia Stock Index (ISS) during the period 2018 - 2023.

## Theoretical Foundation Inflation

Inflation is the increase in the general price of goods and services over time. An increase in the price of just one or two goods does not constitute inflation, unless the increase is widespread or results in price increases in other goods. The opposite of inflation is deflation. Inflation is one of the economic problems that concern businesses, central banks and governments. Inflation trends can have both positive and negative impacts on the economy. Increasing inflation will have a negative impact on economic activity, especially shareholders. (Syaiful & Dwi, 2020). When inflation increases, people's purchasing power tends to decline due to high prices of basic necessities. This can discourage people from investing and slow down overall economic growth. Conversely, controlled inflation can be a sign of a stable economy (Putra et al., 2023).

## Sukuk

Sukuk, also known as Islamic bonds, are prices that represent a claim on an asset, be it tangible, intangible, or even a project that is the result of an activity that requires the emitter to pay the proceeds to the Sukuk holder and to pay the Sukuk again according to the time of the maturity date that has been set. In addition, the transaction price as well as the activities to analyze the proceeds must be in accordance with sharia principles (Nasrifah, 2019).

Sukuk is an investment tool for real sector development funded by governments and corporations with the aim of obtaining funds from the general public to support business needs and infrastructure development in a way that will create new job opportunities for employees and reduce risks so as to increase the growth of Islamic markets. The increasing value of sukuk issuance indicates that investors are becoming more adept at assessing risk in any risky productive activity.

# **Mutual Funds**

An Islamic mutual fund is a type of mutual fund that is controlled based on Islamic sharia principles. In this structure, there is an agreement between the investor who acts as the owner of the property (sabh al-mal), and the investment manager who serves as the legal guardian of ab-al-mal. In addition, the fund manager also serves as a mediator between sabh al-mal and the party receiving the investment funds. Therefore, Islamic mutual funds carry out their investment strategies in accordance with sharia guidelines (Nurwahida et al., 2022). According to Regulation No.8 of 1995 concerning Capital Markets, mutual funds or commonly called mutual funds are places to raise funds from people who want to invest. The funds collected are then processed and put into portfolio assets by investment managers. This asset portfolio includes a variety of financial instruments, such as debt acknowledgment notes, commercial paper notes, stocks, bonds, proof of debt notes, and unit participation collective investment contracts.

## Indonesia Sharia Stock Index (ISSI)

The Indonesia Sharia Stock Index (ISSI) is an index that reflects all stocks that meet sharia criteria and are listed on the Indonesia Stock Exchange (IDX). ISSI was launched on May 12, 2011, with a record of 214 sharia stocks at the time of its initial launch (Suciningtias & Khoiroh, 2013). ISSI has a very crucial role in supporting sharia-based investment in Indonesia. The index not only provides transparent information on the performance of Islamic stocks, but also provides an alternative for investors who wish to invest in accordance with Islamic principles. With the ISSI, investors can more easily find investment opportunities that are in line with sharia values, thus encouraging the development of the Islamic capital market in the country. In addition, ISSI also contributes to raising public awareness about the importance of ethical and socially responsible investment, as well as strengthening the foundation of the Islamic economy in Indonesia.

## **Research Method**

This research is quantitative research, where quantitative research is a study that tests a data, theory or hypothesis with variable sizes in the form of numbers. In this study the data used is secondary data in the form of quarterly time series on inflation, sukuk, mutual funds and also the movement of the stock index. The independent variable data of this study are: inflation, sukuk and mutual funds, then the dependent variable data is the Indonesian sharia stock index. Where the data is obtained and taken through the official website of the Indonesian Central Bureau of Statistics (www.bps.go.id), and the Financial Services Authority (www.ojk.go.id). Data collection began in March 2019 - December 2023 with 20 data collected (Suciningtias & Khoiroh, 2013).

# **Classical Assumption Test**

The classic assumption test is a series of tests carried out before we do regression analysis. The aim is to ensure that the data and models we use meet some basic requirements so that the results of the analysis are reliable. There are several types of classical assumptions, but in this study, only three were used: normality, multicollinearity, and heteroscedasticity.

#### Test t

The t test is one type of qualitative significance analysis which is usually used to determine whether there is a significant or insignificant effect on the variables studied individually. The purpose of this study is to determine whether there is a significant relationship between Inflation (X1), Sukuk (X2), and Mutual Funds (X3) to ISSI (Y). If sig t > 0.05, then there is no significant relationship, and if sig t < 0.05, then there is a significant relationship.

#### F test

The F test is a simultaneous significance test used to determine whether all data from independent variables can be used to explain the results of the dependent variable. The purpose of the F test in this study is to determine whether there is a simultaneous influence

of Inflation (X1), Sukuk (X2), and Mutual Funds (X3) on ISSI (Y). If sig f > 0.05, then there is no significant effect, and if sig f < 0.05, then there is a significant effect. (Syaiful & Dwi, 2020).

# Test R

The purpose of the R test is to determine some significant capabilities of the independent variables in order to describe their influence on the dependent variable. The magnitude of the effect will be described from 1 to 0. This study aims to determine some of the significant effects that may be seen using adjusted R square.

# **Result and Discussion**

# **Classical Assumption Test**

## 1. Normality Test Normality

Test Normality can be determined using probability plots and Kolmogorov-Smirnov. On a P plot, if the data points are parallel to a straight line, the data can be classified as normal. When using Kolmogorov-Smirnov, data is normally distributed if the significance level is greater than 0.05.



Figure 1. Normality Test

It can be seen in the side image that the data plots move in the direction of a straight line, which indicates that the data will be analyzed using a normal distribution. However, since we cannot understand the inference show in the figure, we will use the Kolmogorovsmirnov sample to determine that the data to be analyzed has a normal distribution (Amanah, 2019).

One-Sample Kolmogorov-Smirnov Test				
		Unstandardized Residual		
Ν		24		
Normal Parameters <sup>a,b</sup>	Mean	0.0000000		
	Std. Deviation	0.12109134		
Most Extreme	Absolute	0.098		
Differences	Positive	0.077		
	Negative	-0.098		
Test Statistic		0.098		
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>		

Table 2.	Kolmogorov	Test
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The Kolmogorov test table above shows the Asymp. Sig. (2-tailed); if the value in the table is greater than 0.05, then the data is normally distributed. The data in this study is 0.200, which indicates that the data is significant (>0.05). Therefore, the data used in this study have a normal distribution.

				Coefficients <sup>a</sup>				
	NG - 1-1	Unstand Coeffi	lardized cients	Standardized Coefficients		<u>.</u>	Collinearity Statistics	
	Model	В	Std. Error	Beta	t	51g.	Tolerance	VIF
1	(Constant)	32.779	3.754		8.731	0.000		
	Inflation	0.065	0.084	0.107	0.777	0.447	0.923	1.083
	Sukuk	0.517	0.096	0.758	5.391	0.000	0.882	1.134
	Mutual	-0.412	0.112	-0.535	-3.694	0.001	0.833	1.201

#### 2. Multicollinearity Test

Fund

This test is conducted to see whether or not there is a correlation between the independent variables. The way to make a decision is that there are no symptoms of multicollinearity if the Tolerance value> 0.100 and VIF < 10. Source: Processed Data from SPSS.

Table 3 above shows that the Tolerance value on all independent variables is> 0.100 and the VIF value on all independent variables is < 10.00, so it can be concluded that the data testing in this study does not occur multicollinearity (Rusmita, 2020).

#### 3. Heteroscedaticity Test

This test is carried out to see if there is an inequality of variance from the residuals of one observation to another. How to make a decision if there is no Heteroscedasticity then on the scatterplot graph there are no points that form a certain pattern.



Figure 2. Heteroscedasticity Test Results

In the picture beside, the plot or points contained in the graph do not collect or widen to form a pattern. So it can be said that the data tested in this study does not occur Heteroscedasticity (Hersugondo, 2022).

# Test t

The t test is a test conducted to determine the significance of the relationship between the independent variable and the dependent variable individually. If the significance level is <0.05 or t count> t table, the hypothesis is accepted and there is a significant influence between variables. Likewise, if the significance > 0.05 or t count < t table, the hypothesis is rejected and there is no significant influence between the dependent and independent variables.

	Coefficients <sup>a</sup>						
	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		В	Std. Error	Beta		-	
1	(Constant)	32.779	3.754		8.731	0.000	
	Inflation	0.065	0.084	0.107	0.777	0.447	
	Sukuk	0.517	0.096	0.758	5.391	0.000	
	Mutual Fund	-0.412	0.112	-0.535	-3.694	0.001	

**Table 4.** Resulf of the t-test

- 1. The results of the table above show that the Sig. value for variable X1 (Inflation) is 0.447> 0.05 and the t value is 0.777 < 2.086 t table, so it can be concluded that H0 is accepted, which means that Inflation has an insignificant effect on the Indonesian Sharia Stock Index.
- 2. The results of the table above show that the Sig. value for variable X2 (Sukuk) is 0 < 0.05 and the t value is 5.391> 2.120 t table, so it can be concluded that H0 is rejected, which means that Sukuk has a significant effect on the Indonesian Sharia Stock Index.

3. The results of the table above show that the Sig. value for variable X3 (Mutual Funds) is 0.01 <0.05 and the t value is -0.535> -3.694 t table, so it can be concluded that H0 is rejected, which means that Mutual Funds have a significant effect on the Indonesian Sharia Stock Index (Zaenurrohman, 2023).

## F Test

The F test is a test conducted to see if there is an effect of the independent variables on the dependent variable simultaneously or simultaneously, the decision making method is if the significance value <0.05 or f count> f table.

		Table	<b>5.</b> F Test Re	esult		
			ANOVAª			
		Sum of				
M	odel	Squares	df	Mean Square	F	Sig.
1	Regression	0.629	3	0.210	12.441	.000 <sup>b</sup>
	Residual	0.337	20	0.017		
	Total	0.967	23			

It can be seen from the table above that the significance value for the effect of Inflation (X1), Sukuk (X2) and Mutual Funds (X3) on ISSI (Y) is 0 < 0.05 and the value of f count 12.441 > 3.24 so that it can be concluded that the independent variables have a simultaneous or simultaneous influence on the dependent variable.

## Test R

	Table 6. R Test Result							
		Mod	lel Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin- Watson			
1	.835ª	0.697	0.640	0.13259	1.032			

In table 10, it can be seen that the R Square value is 0.697 or 69.7%, which means that simultaneously Inflation, Sukuk and Mutual Funds have an effect of 69.7% on the Syarih Stock Index (Febriandika, 2023).

## Discussion

## The Effect of Inflation on Firm Value

Inflation has a negative effect on the Indonesian Sharia Stock Index (ISSI), we can see in the t test, where inflation has a persially insignificant effect on the ISSI. Which means that if the inflation value rises, it will have a negative effect on the stock index which allows a decrease in the value of the community to invest and infect Indonesian stocks. This is in line with some research (Putra et al., 2023), (Halisania et al., 2024), (Setyani, 2017) which states that inflation has an insignificant effect on the Indonesian sharia stock index.

### The Effect of Sukuk on Firm Value

Sukuk has a positive effect on the Indonesian Sharia Stock Index (ISSI), it can be seen from the test results in the t test, namely Sukuk has a significant effect on the ISSI. Increased sukuk issuance and investor participation in this instrument are key factors in supporting the growth of the Indonesian Sharia Stock Index. This research is in line with research (Susanti, 2021) and (Nurhidayah et al., 2022) which states that sukuk has a positive and significant effect on the Indonesian Islamic stock index.

# The Effect of Mutual Funds on Firm Value

Mutual funds also have a positive influence on the Indonesian Sharia Stock Index (ISSI), which can be seen in the results of the t test, which shows that mutual funds do not have a significant effect on the ISSI. This research is in line with research (Nurhidayah et al., 2022) and (Yanti, 2017) which states that mutual funds have a positive and significant effect on the Indonesian sharia stock index.

# The Effect of Inflation, Sukuk and Mutual Funds on Firm Value

Inflation, Sukuk, and Mutual Funds appear to have a significant effect simultaneously on the Indonesian Sharia Stock Index (ISSI), although in persial testing there are several variables that do not have a significant effect but when tested together the independent variables have a significant effect on the dependent variable, which means that simultaneously Inflation, Sukuk and Mutual Funds have an effect of 69.7% on the Sharia Stock Index for 30.3% influenced by other variables not tested by researchers in this study (Irmadariyani, 2019).

## Conclusion

Based on testing using spss, the results show that inflation has a negative but insignificant effect on the ISSI. Sukuk has a positive and significant effect on the ISSI, which indicates that an increase in sukuk issuance can encourage the growth of the Islamic stock index. Islamic mutual funds also have a positive and significant effect on the ISSI. Simultaneously, inflation, sukuk, and mutual funds have a significant influence on the ISSI with a contribution of 69.7%. This shows that most of the ISSI movement is influenced by these three variables. This finding confirms the importance of sukuk management and Islamic mutual funds as strategic instruments in supporting the stability and growth of the Islamic stock market in Indonesia (Insani, 2020).

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