THE EFFECT OF INTEREST RATES AND INFLATION ON ISLAMIC STOCK RETURNS IN COMPANIES LISTED ON THE JAKARTA ISLAMIC INDEX

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Abstract

This research investigates the impact of macroeconomic fluctuations, specifically interest rates and inflation, on Islamic stock returns. The study focuses on companies listed on the Jakarta Islamic Index from 2016 to 2022. The objectives are to analyze: 1) The effect of interest rates on Islamic stock returns, 2) The effect of inflation on Islamic stock returns, and 3) The combined effect of interest rates and inflation on Islamic stock returns. Using a quantitative approach with descriptive analysis and an empirical juridical method, the study samples eight companies selected through purposive sampling. Data collection involves secondary data, and data analysis is conducted using Panel Data and Regression methods. The findings reveal that: 1) Interest rates have a positive but insignificant effect on Islamic stock returns, 2) Inflation also has a positive but insignificant effect on Islamic stock returns, and 3) Combined, interest rates and inflation have an insignificant effect on Islamic stock returns.

Keywords: Interest Rates, Inflation, Islamic Stock Return

Introduction

Investment has become a necessity for today's society, both for Muslim and non-Muslim communities. Investment is the initial part of building the economy and managing and utilizing assets to be productive. According to Tandelilin, investment is a commitment to several funds or other resources carried out at this time to obtain future profits (Tandelilin., 2017). Investment is the activity of investing or placing assets, both in the form of assets and funds, in something that is expected to provide income results or increase in value in the future.

Looking at data based on the 2022 National Survey of Financial Literacy and Inclusion (SNLIK) shows that the financial literacy index of the Indonesian people has experienced good development because it has increased by 49.68%, an increase compared to 2019, which was only 38.03%. Not only financial literacy, this year's financial inclusion index also increased to 85.10 compared to the previous SNLIK period in 2019, which was 76.19% (Otoritas Jasa Keuangan., 2021). The survey shows that increasing the financial inclusion and literacy index means more Indonesians are aware of financial management.

Increasing public awareness of the importance of finance cannot be separated from the results of cooperation between the government and the Financial Services Authority. However, when viewed from the financial services sector, the capital market sector is the lowest contributor to literacy and inclusion, as is the Islamic financial sector. In 2022, the capital market literacy index is only 4.11%, and its inclusion is 5.19%. In the Islamic financial sector in that year, the literacy index was only 9.14%, and its inclusion was 12.1% (Otoritas Jasa Keuangan., 2022).

In addition, public awareness of the importance of investment increases, but on the other hand, only some people also invest because they want to get significant profits without considering the risks obtained. So many fall into illegal investments because they are tempted by the offer of these investments for immense profits and in a fast period. The Indonesian Alert Task Force (SWI) recorded losses caused by fraudulent investment cases over the past five years of Rp123.5 trillion, with details in 2018 the value of losses experienced by the public as much as Rp1.4 trillion, 2019 reached Rp4 trillion. Then, in 2020, it was IDR 5.9 trillion; in 2021, it was IDR 2.54 trillion; and in 2022, the most was IDR 109.67 trillion (Erlina., 2023).

Discussing investment is not only oriented to the benefits that will be obtained, but also we must look at how much risk will be obtained. Many choices of investment products are offered, which then make investment a tool that can be used to manage assets. However, there are still those who are not following Sharia principles when viewed as a Muslim society. Investment is not only a profit; we also need expertise in managing these investments. Especially in Indonesia, with a majority Muslim population, you must be able to be more careful in investing.

Other things also play a role in the discussion of sharia investment. Islamic investment does not only talk about worldly problems, as suggested by secular economists. Another element determines the success or failure of an investment in the future, namely the provisions and will of God. Islam blends the world and the Hereafter. After the mortal life of the world, there is an eternal afterlife (HR., 2009).

Capital markets are a type of investment in which there are activities where parties needing funds meet with those with excess funds. Transactions carried out in financial instruments such as stocks have an important role in state finances. Because of this, the capital market can provide funding for a company in need and receive funds from the public (investors) to invest in companies in need. When it goes well, it can help a country's economic development.

Stocks are one of the most popular financial instruments. Issuing shares is one option for companies when deciding to increase company funding. On the other hand, stocks are investment instruments that many investors choose because stocks can provide an attractive profit level. Shares

are also defined as a sign of capital participation of a person or party (business entity) in a company or limited liability company. By participating in including capital, they have claims on company income and claims on company assets and are entitled to attend the General Meeting of Shareholders (RUPS) (Sudarmanto et al. 2021).

As a Muslim, of course, in addition to investing halal, you can get the expected benefits through Islamic stocks. Many factors affect returns in Islamic stock investment; macro variables are one of them. So many macroeconomic variables affect stock price movements, both at national and international levels. Where the movement of stock prices is a determinant of return (profit level) in stock investment (Prasety et al., 2019).

An investor must conduct economic analysis to determine economic decisions because economic analysis tends to have a strong relationship between what occurs in the macroeconomic environment and capital market performance. The macroeconomic environment is the environment that affects the day-to-day operations of a company. The ability of investors to understand and forecast macroeconomic conditions in the future is essential in determining profitable investment decisions. So, investors must pay attention to several macroeconomic indicators that can help understand and forecast macroeconomic conditions. Investors need to pay attention to macroeconomic variables in their investment decisions, including interest rates and inflation.

Literature Review

Bi Rate

The BI Rate is an interest rate set and becomes Bank Indonesia's policy periodically reflecting monetary policy stance. The BI Rate was announced to be a reference used by the public in taking measures in the economic sector (Raharjo & Elida., 2015).

While Suhandi defines interest rate as a price that connects the present with the future, like any other price, the interest rate is determined by the interaction between the demand and supply of money (Situmeang., 2006).

According to Sunariyah., (2013), the designation of the flower tribe has the following functions:

1. As an attraction for savers who have more funds to invest.
2. Interest rates can be used as a monetary tool to control the supply and demand of money circulating in an economy. For example, the government supports the growth of a particular industrial sector if companies from that industry will borrow funds. So, the government has a lower interest rate than other sectors.
3. The government can use interest rates to control the money supply, which means that the government can regulate the circulation of money in an economy.

According to Brigham & Houston (2018), there are two types of Interest Rates, namely:

a. Real Interest Rate: Real interest is the interest rate on securities without risk. If the inflation rate is estimated to be zero percent, then this interest rate is often considered the interest rate on short-term government securities in an inflation-free state.
b. Nominal Interest Rate: Nominal interest is the interest rate of a security that is risk-free, generally almost the same as the interest rate on government securities. Risk-free interest rates must be interpreted as interest rates on completely risk-free securities, namely without the risk of credit arrears, without risk at maturity, without the risk of disbursement (liquidity), and without the risk of loss due to rising inflation.

Inflation

Samuelson's definition of inflation states, "Inflation occurs when the general level of prices is rising"; in other words, inflation occurs when the general level of prices increases. Inflation can be interpreted as a general and continuous increase in the price of goods and services over a certain period. Deflation is the opposite of inflation, a general and continuous decline in the price of goods (Bank Indonesia., 2023).

Inflation can be used to benchmark economic activity and describe national economic conditions. High inflation rates are usually associated with economic conditions that are too hot; in this case, economic conditions are experiencing demand for a product that exceeds the supply of the product. Thus causing the price of a product to increase. The increase in these products can impact the Company's revenue, but on the other hand, the Company's cost of capital also increases. If the increase in consumer selling prices does not offset the increase in the Company's cost of capital, it will decrease the Company's profitability (Tandelilin., 2008).

Judging from the upper level of severity, inflation can be grouped into several groups if is based on the severity or absence of inflation, as follows (Latumaerissa., 2017).

1. Mild inflation (below 10% a year)
2. Moderate inflation (between 10%-30% a year)
3. Severe inflation (between 30%-100% a year)
4. Hyperinflation (above 100%)

The Central Bureau of Statistics (BPS) calculates inflation and links it to the SEKI-CPI metadata. An increase in the price of one or two goods alone cannot be called inflation unless the increase extends (or results in an increase in prices) to other goods. The inflation rate calculation using the Consumer Price Index indicator is as follows (Samuelson & Nordhaus., 2004).

$$Inflation\ Rates = \frac{IHK\ Bulan\ t - IHK\ (Bulan\ 1)}{IHK\ (Bulan\ 1)}\ x\ 100$$

Stock Return

Investors are motivated to invest, one of which is to buy company shares in the hope of getting a return on investment following what they have invested. Return is the result obtained from investment, or the level of profit investors enjoy on an investment they make (Hartono., 2017).

Stock return is expressed as a percentage of the initial investment capital. Stock returns include profits earned from stock trading. Profit is called capital gain, and loss is called capital loss. According to Almira, stock returns result from investing in invested funds that investors can enjoy. Investors should be aware that this does not rule out the possibility of losses. The profit or loss experienced by an investor is greatly influenced by the investor's ability to analyze the state of the stock price (Almira and Wiagustini 2020).

From some of the definitions above, stock return is the rate of return on shares in the form of a percentage of the difference between the selling and purchase prices of shares. Stock return can be calculated using the following formula (Home and Wachowicz., 2013).

$$Nominal\ return = \frac{Pt - Pt - 1}{Pt - 1}$$

Description:

Pt = Investment price of a period

Pt-1 = Investment Price in the previous period

The concept of return or return is the level of profit investors enjoy on an investment. Stock return is the income shareholders earn from their investment in a particular company. Return is income expressed as a percentage of the initial capital of the investment. Investment income in this stock is the profit obtained from buying and selling shares, where profit is called capital gain and loss is called capital loss (Samsul., 2006)

Meanwhile, based on the factors that influence it, it is divided into 2, namely (Mayuni and Suarjaya., 2018)

a. Macro factors are external factors of the Company, such as the domestic general interest rate, inflation, exchange rate, and international economic conditions in the country.
b. Micro factors are internal factors of the Company, such as earnings per share, book value per share, profitability ratio, solvency ratio, market ratio, and other financial ratios.

Economic theory suggests that stock prices represent an investor's goals about a company's future profits. Thus, profits reflect the level of aggregate economic activity. A positive relationship between stock prices and economic factors is expected based on theory. The causal relationship of stock return economic activity can be reviewed as follows. Among them is a relationship between the consequences of major economic factors and stock return fluctuations (Khan et al. 2017).

Research Methods

This type of research is a type of quantitative research using the Panel Data Regression model, where this method is used to test the hypothesis of whether there is an influence between variables either partially or simultaneously, which aims to verify the truth of the theory about interest rates influence and inflation on Islamic stock returns in Jakarta Islamic Index (JII) companies). In connection with the research method, it is expected to find the relationship between the variables to be studied. This study consists of dependent and independent variables where X1 is the interest rate, X2 is inflation, and Y is the return of Islamic stocks. A population is defined as a generalized area of objects or subjects with specific quantities and characteristics determined by researchers to be studied, and conclusions are drawn. The population in this study is companies included in the category of sharia stocks listed in the Jakarta Islamic Index (JII) for the 2016-2022 period, as many as 30 companies. Selection of companies that are members of the JII because these companies have good liquidity.

The sample is part of the population number and the characteristics possessed by that population. The sample in this study used purposive sampling techniques, namely sampling techniques with specific considerations. The following data from purposive sampling results are based on the criteria:

Table 1. Islamic Stock Sample Criteria

Criterion	Total
Listed companies Jakarta Islamic Index (JII)	30
Consistently become a member of JII during the study period	8
Total Sample	8 x 84 (7 years) = (672)

The purposive sampling technique chosen is to determine specific considerations or criteria that must be met by the samples to be used in research, including:

1. Companies that fall into the category of Islamic shares.
2. Companies listed in the Jakarta Islamic Index.
3. Companies that consistently become members of the Jakarta Islamic Index (JII) during the 2016-2022 research period because not always a stock can be categorized as Sharia stocks.

Based on the sample selection criteria table above shows that the population of companies registered members of the Jakarta Islamic Index (JII), namely 30 companies, then obtained a sample

of 8 companies using purposive sampling. The following is a list of companies sampled:

Table 2. List of Research Samples

No.	Code	Company Name
1.	ADRO	Adaro Energy Indonesia
2.	ICBP	Indofood CBP Sukses Makmur
3.	INCO	Vale Indonesia
4.	INDF	Indofood Sukses Makmur
5.	KLBF	Kalbe Farma
6.	TLKM	Telkom Indonesia (Persero)
7.	UNTR	United Tractors
8.	UNVR	Unilever Indonesia

The equation of the data regression model of this research panel is as follows;

$$R_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Description:
R_i = Stock Returns
α = Constanta
$\beta_1 - \beta_4$ = Regression Coefficient
X_1 = Interest Rates
X_2 = Inflation

Research Hypothesis

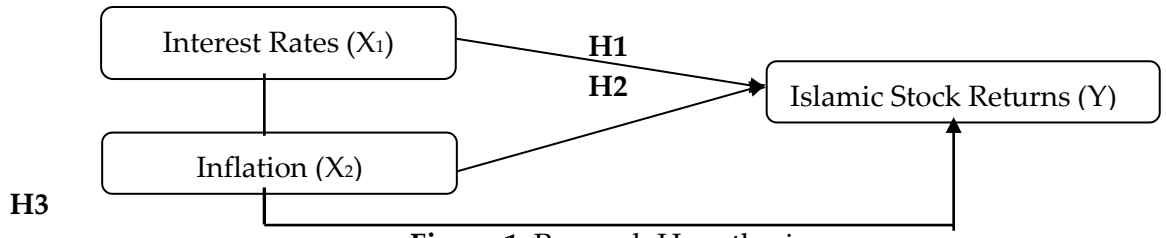

Figure 1. Research Hypothesis

H01 = Interest rates have no significant effect on stock returns in companies in the Jakarta Islamic Index.
H1 = Interest rates significantly influence Islamic stock returns in companies in the Jakarta Islamic Index.
H02 = Inflation has no significant effect on Islamic stock returns in companies in the Jakarta Islamic Index.
H2 = There is a significant influence of inflation on the return of Islamic stocks in the Company in the Jakarta Islamic Index.
H05 = Interest rates and inflation simulant have no significant effect on the return of Islamic stocks in the Company in the Jakarta Islamic Index.
H5 = Interest rates and inflation are significantly influenced in a simulated manner by Islamic stock returns in companies in the Jakarta Islamic Index.

Finding and Analysis

Descriptive Analysis Results

Judging from sample data processing on nine issuers listed in the Jakarta Islamic Index

between 2016-2022. The purpose of this descriptive statistical analysis is to find a clear picture of the data used in the study, including BI Interest Rate (X1), Inflation (X2), and Islamic Stock Return (Y). Based on the data processing results that have been carried out from as many as 672 data from 8 issuers.

The following results of descriptive statistical analysis are presented below:

Table 3. Results of Descriptive Statistical Analysis

	Y	X1	X2
Mean	0.009836	4.723214	3.052619
Median	0.000000	4.750000	3.180000
Maximum	0.410000	7.250000	5.950000
Minimum	-0.790000	3.500000	1.320000
Std. Dev.	0.094281	1.008177	1.075551
Skewness	-0.324075	0.547522	0.304824
Kurtosis	11.87237	2.424606	2.966913
Jarque-Bera	2215.893	42.84559	10.43747
Probability	0.000000	0.000000	0.005414
Sum	6.610000	3174.000	2051.360
Sum Sq. Dev.	5.964482	682.0179	776.2194
Observations	672	672	672

Source: Eviews Data Processing Version 21

Based on the table above, it is known that the Sharia Stock Return (Y) factor, based on the study's results, describes a minimum value of -0.79 and a maximum of 0.41. The average value is 0.00, while the standard deviation value is 0.09, which indicates that the standard deviation value is greater than the average value. This illustrates that eight issuers sampled for research on Islamic stock return factors showed that the data was heterogeneous. This means that the data used has a high level of data variability.

The BI interest rate factor (X1) describes a minimum value of 3.5 and a maximum of 7.2. The average value is 4.7, while the standard deviation value is one, which shows that the standard deviation value is smaller than the average value. This illustrates that eight issuers sampled by research on BI Interest Rate factors show that the data is homogeneous. This means that the data used has a low level of data variability.

The Inflation factor (X2) describes a minimum value of 1.3 and a maximum of 5.9. The average value is 3.05, while the standard deviation value is 1.07, which shows that the standard deviation value is smaller than the average value. This illustrates that eight issuers sampled in research on inflation factors show that the data is homogeneous. This means that the data used has a low level of data variability.

Panel Data Regression Model Estimation Selection

Chow Test

This test is used to select a model that is most appropriate in hypothesis testing to determine the appropriate use of the model. Whether a common or fixed effect model is used in this test. Here is testing with the proposed hypothesis:

H0 = common effect model
H1 = fixed effect model

If the probability value of Cross-Section F > 0.05, then H0 is accepted, and H1 is rejected. These results explain that the most appropriate model is the common effect model. Meanwhile, if the probability value of Cross-Section F < 0.05, H0 is rejected, and H1 is accepted. These results explain that the most appropriate model is the fixed effect model. The results of the Chow test are shown in the table below:

Table 4. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.114276	(7,662)	0.3521
Cross-section Chi-square	7.871476	7	0.3441

Source: Eviews Data Processing Version 21

Based on the table, the Chow test results show that the probability value of Cross-section F is 0.35. Because the value is > 0.05, H0 is accepted, and H1 is rejected. These results explain that the most appropriate model is the common effect model.

Langrange Multiple Test

This test is used to select a model that is most appropriate in hypothesis testing to determine the appropriate use of the model. In this test, whether a common effect model or random effect model is used. Here's testing with the proposed hypothesis:

H0 = *common effect model*
H1 = *random effect model*

If the probability value of Cross-Section > 0.05, then H0 is accepted and H1 is rejected, which explains that the most appropriate model is the common effect model. Meanwhile, if the probability value of Cross-Section < 0.05, H0 is rejected, and H1 is accepted. These results explain that the most appropriate model is the random effect model. The results of the Lagrange Multiple test in this study are shown in the table below:

Table 5. Lagrange Multiple Test Result

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.001925	31.42724	31.42916
	(0.9650)	(0.0000)	(0.0000)
Honda	-0.043873	5.606000	3.933018
	(0.5175)	(0.0000)	(0.0000)
King-Wu	-0.043873	5.606000	1.521306
	(0.5175)	(0.0000)	(0.0641)
Standardized Honda	0.212733	5.899470	-2.183215
	(0.4158)	(0.0000)	(0.9855)

Standardized King-Wu	0.212733	5.899470	-2.196447
	(0.4158)	(0.0000)	(0.9860)
Gourieroux, et al.	--	--	31.42724
			(0.0000)

Source: Eviews Data Processing Version 21

Classical Assumption Test

Multicollinearity Test

This test is carried out to determine the existence of linear relationships between independent variables in the regression model. Regression models occur when linear functions are perfect on some or all independent variables. The regression model is said to have no multicollinearity if the correlation value between independent variables does not exceed 0.90. The results of the multicollinearity test in this study are presented as follows:

Table 6. Multicollinearity Test Result

X1	1.000000	0.411475
X2	0.411475	1.000000

Source: Eviews Data Processing Version 21

The correlation coefficient of X1 and X2 is 0.411 < 0.9, X1. So, it can be concluded that the results of the multicollinearity test from the table above show that the correlation value is below 0.9. These results show that there is no multicollinearity between independent variables.

Heteroscedasticity Test

This test was conducted to determine the variance inequality of residuals for all observations in the regression model. The heteroscedasticity test in this study used the glacier test and looked at the residual graph. In the glacier test, it is said that heteroscedasticity does not occur in the regression model if the value of Prob chi-square (2) in Obs*R- Squared is more than 0.05. While in the residual graph, the regression model is free of heteroscedasticity if it does not cross the limits of -500 and 500. The following are presented the results of the heteroskedasticity test:

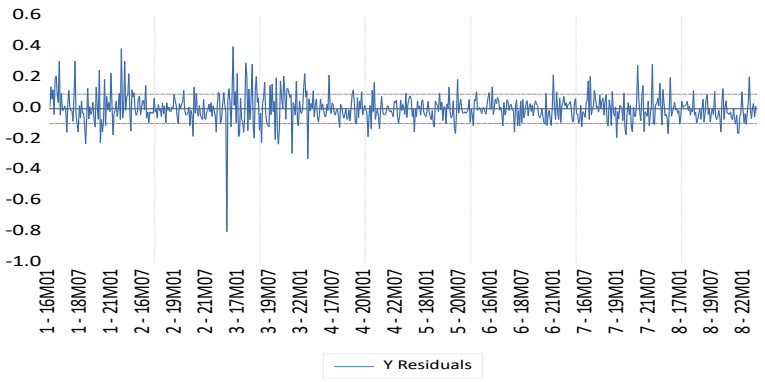

Figure 2. Heteroscedasticity Test Result

The residual graph above shows that the data does not exceed 500 and above -500. So, it can explain that regression models are free from heteroscedasticity. In addition to looking at the residual graph, it can also be seen from the glacier test, which can be seen from the following table:

Regression Equation

Multiple linear regression tests aim to determine the direction of influence of the independent variable on the dependent where the independent variable is more than one variable. Because this study uses panel data, the regression test is also linear regression panel data using a model that has previously been tested, namely the selected random effect model; here's the regression equation for panel random effect model data:

Table 6. Regression Equation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.014046	0.017833	0.787654	0.4312
X1	0.001931	0.003966	-0.486993	0.6264
X2	0.001609	0.003718	0.432909	0.6652
Root MSE	0.094190	R-squared		0.000452
Mean dependent var	0.009836	Adjusted R-squared		-0.002537
S.D. dependent var	0.094281	S.E. of regression		0.094401
Akaike info criterion	-1.878082	Sum squared resid		5.961789
Schwarz criterion	-1.857947	Log-likelihood		634.0356
Hannan-Quinn criteria.	-1.870284	F-statistic		0.151125
Durbin-Watson stat	1.911632	Prob(F-statistic)		0.859770

Source: Eviews Data Processing Version 21

$$Y = 0.0140460683388 + 0.00193143867517*X1 + 0.00160938520363*X2$$

Based on the table above, the panel data regression equation with the random effect model can be explained as follows:

1. The value of the constant coefficient of 0.01 means that if the interest rate (X1) and inflation (X2) are 0, then the return on Islamic stocks (Y) is 0.01.
2. The value of the regression coefficient of the interest rate factor (X1) is positive at 0.001. The value explains that every 1% increase in interest rates is predicted to increase the return of Islamic stocks (Y) by 0.001, assuming other variables remain. The results of the hypothesis test showed that the t-statistic value was 0.62. Using a significance level of 0.05 (5%), then the t- t-statistic value of 0.00 > 0.05 so that H1 is rejected and H01 is accepted. It can be concluded that partially, the interest rate (X1) does not have a significant effect on the return of Islamic stocks (Y).
3. The value of the regression coefficient of the inflation factor (X2) is positive at 0.001. The value explains that every 1% increase in inflation is predicted to increase the return of Islamic stocks (Y) by 0.001, assuming other variables remain. The hypothesis test results showed that the t-statistic value was 0.66. Using a significance level of 0.05 (5%), the t-statistic value of 0.00 > 0.05 so that H2 is rejected and H02 is accepted. It can be concluded that partially the inflation rate (X2) does not have a significant effect on the return of Islamic stocks (Y).
4. The test results are significant simultaneously with a significance level of 0.05 (5%), then the F- statistical prob value of 0.00 > 0.05 so that H3 is rejected and H03 is accepted. It can be concluded that simultaneously, interest rates (X1) and inflation (X2) do not have a

significant effect on Islamic stock returns (Y). This can be interpreted as the fact that interest rates and inflation do not directly affect investors' decisions to invest in stocks during the observation period. Investors do not use interest rates and inflation as benchmarks or considerations when making an investment decision. Investors observe other factors that can affect stocks, such as the exchange rate of the rupiah against the dollar and the price of gold.

This research supports several previous research results, including research Nur and Fatwa (2022), Kusumaningtyas, Widagdo, and Nurjannah (2021), Stefan and Robiyanto (2019), Ayuba, Balago, and Dagwom (2018), Hernowo (2020), Maharani and Haq (2020), Afendi (2017), Amtiran et al. (2017), Habib and Islam (2017), Thamrin and Sembel (2020), Hernowo (2020). Their research revealed that interest rates and inflation do not affect stock returns.

This study's results align with Bashir (1983), who states that Islamic finance is asset-based and asset-driven, while the conventional system is interest-based and debt-based. Dewi and Ferdian (2010) believe that Islamic Finance can solve the financial crisis because it prohibits the practice of Riba. Samsul (2006) explained that the inflation rate can have a positive or negative effect depending on the degree of inflation itself. High inflation can bring down stock prices in the market, while very low inflation will result in very slow economic growth, and in the end, stock prices also move slowly. Judging from its insignificant influence on Islamic stock returns, based on the research sample, it is a company with a good level of liquidity that can survive when there is an increase in inflation. Inflation in the study period was classified as low inflation because the average inflation was 3.05%. Inflation is part of the global crisis.

Kassim (2013) also states that the influence of the global financial crisis on Islamic stocks is less severe when compared to conventional stocks. Supporting Chapra that the principles of Islamic finance can help introduce better discipline into markets and prevent new crises. Mardani (2015) states That every *muamalah* actor (business/business person) will do *muamalah* honestly, trustfully, and according to Sharia guidelines. Sukmana and Kolid Investments in Islamic stock indices have less risk than conventional investments. Bassar et al. (2021). For companies that run their business with the Sharia system, the Company's profitability is relatively better maintained because it does not apply a fixed interest system in transactions but uses a profit-sharing system that adjusts to the Company's revenue conditions.

With the abolition of the Islamic interest system, people holding liquid funds must choose between keeping their funds in cash without receiving a yield or investing in profitable investments to receive a return. Then, in the absence of interest and good investment opportunities in the short and long term, the level of risk varies and may occur for all investors, both those who dare to take high risks and those who also take low risks. The extent to which the risk will likely be offset by using the expected profit level.

The results of this research can help potential investors or investors of Islamic stocks, including: 1) Measuring the performance of Islamic stocks. Economic conditions in the macroeconomic context can help potential investors or investors understand the performance of Islamic stocks. Interest rates and inflation are part of macroeconomic variables and do not affect Islamic stock returns. 2) Assist in investment decision-making. The research results on the effect of interest rates and inflation on Islamic stock returns can help investors make more rational investment decisions. So that investors can adjust their portfolios to changes in these macroeconomic variables. 3) Risk management. Research conducted on interest rates and inflation, including macroeconomic factors, has a role in risk management. This analysis helps investors identify potential risks related to economic fluctuations and take appropriate actions to mitigate those risks. 4) Portfolio management and diversification. Understanding the influence of macroeconomic factors allows investors to diversify their portfolios more effectively. Therefore,

when economic changes impact an industry or sector, investors may own assets with a low correlation to minimize risk. 5) Long-term financial planning. Islamic investors usually have long-term financial goals that are by sharia principles. Macroeconomic analysis helps them understand long-term economic trends that may affect their investments.

Conclusion

Based on the results of the previous chapters, researchers can formulate the conclusions of this study as follows: 1)Interest rates do not significantly affect the return of Islamic stocks listed on the Jakarta Islamic Index (JII). Proven based on statistical tests, the significance value of interest rates is obtained (X1) against sharia stock return (Y) with a p-value of 0.62 >0.05 (5%). This means that BI's high and low interest rates do not affect the return of Islamic stocks. So if there is information related to the increase in BI interest rates, as an investor in Islamic stocks, there is not too much response even though sometimes BI interest rates will impact JCI movements and stock returns. 2)Inflation does not significantly affect the return of Islamic stocks listed on the Jakarta Islamic Index (JII). Proven based on statistical tests, the significance value of inflation is obtained (X2) against the return of sharia stocks (Y) with a p-value of 0.66 > 0.05 (5%). This means that the inflation rate does not directly affect investors' decisions to invest in stocks. Investors do not use the inflation rate as a benchmark or consideration. 3)Interest rates and inflation do not have a significant effect simultaneously on the return of Islamic stocks listed on the Jakarta Islamic Index (JII). Proven based on statistical tests, the regression equation Y = 0.014 + 0.001X1 + 0.001X2 is obtained. While the significance results of the F test or simultaneous test were obtained, the value was 0.85 (Sig.>0.05) at the significance level. This study still has many limitations, including the need to take variables and samples. However, it is expected that future research can add other variables and add other Islamic stock indices. So, in the future, it is expected to add broader insight into the influence of macroeconomics on Islamic stock returns.

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