International Journal of Economic Literature (INJOLE) e-ISSN: 3026-0221
Vol. 3 No. 3 March 2025, page., 990-1008

MACROECONOMIC DETERMINANTS OF ISLAMIC STOCK PRICES: EVIDENCE FROM ISSI-LISTED ISLAMIC BANKS

Muhammad Rifqi[1], Barianto Nurasri Sudarmawan[2]
Universitas Islam Negeri Maulana Malik Ibrahim Malang[1,2]
email: muhammadrifqi3000@gmail.com

Abstract

The capital market in Indonesia continues to develop with increasing investor interest in stocks, according to data released by KSEI. However, amid the high public interest in both conventional and sharia stocks, stock prices are influenced by various factors such as demand and supply, as well as the economic conditions of a country. Therefore, this research aims to analyze the factors that can affect the stock prices of sharia commercial banks through macroeconomic indicators, namely interest rates, inflation, and exchange rates. The research method employed is quantitative. The data used are secondary data obtained from the official reports of Bank Indonesia, the Financial Services Authority (OJK), and Yahoo Finance for 2019–2023. The analytical technique used is the Vector Error Correction Model (VECM) to examine the long-term and short-term relationships between interest rates, inflation, and exchange rates with the stock prices of sharia commercial banks in the ISSI, utilizing the statistical analysis software E-views 12. The results indicate that in the long term, interest rates do not have a significant influence on the stock prices of sharia commercial banks in either the long or short term. In contrast, inflation has a significantly positive effect on the stock prices of sharia commercial banks in both the short and long term, and exchange rates positively impact the stock prices of sharia commercial banks in both the short and long term. These findings confirm that interest rates are not a primary concern for the stock prices of sharia commercial banks.

Keywords: Interest Rates, Inflation, Exchange Rates, Stock Prices

INTRODUCTION

In the current era of globalization, the development and growth of capital markets are important factors in a country's economy (Khasanah & Wicaksono, 2023; Sudarmawan, 2022). The popularity of capital markets continues to increase, attracting many individuals to invest, although often without adequate understanding. This condition shows the importance of financial education to anticipate risks in the capital market (N. N. Sari & Sudarmawan, 2023). The capital market is a place where various entities, including governments and companies, raise funds by offering investment instruments to investors (Stoian & Iorgulescu, 2019). According to the Capital Market Law No. 8 of 1995, the capital market includes activities related to public offerings, securities trading, public companies that issue securities, and institutions and professions related to securities. Securities trading in the capital market contributes to the economic growth of a country (Hamda & Sudarmawan, 2023). The existence of the capital market supports economic development, especially in terms of financing

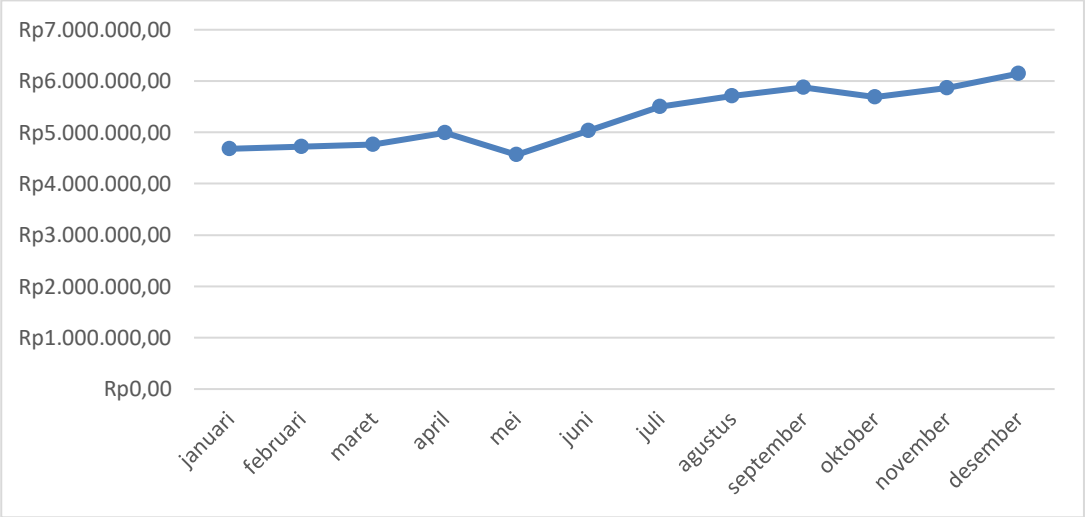
companies for expansion and providing investment options for individuals who want to increase their capital value (Putri & Sudarmawan, 2024). Therefore, the development of the capital market is an important part of a country's financial system because it functions as a place to obtain capital from investors (Novak et al., 2022).

The capital market consists of two forms, namely the primary market and the secondary market (Lusiana et al., 2022). Both types of markets have an important role in facilitating investment transactions, because the capital market is a place where parties who need funds meet parties who have excess funds. Investment in the capital market is a commitment to a certain amount of funds or resources invested at this time with the aim of obtaining profits in the future (Tandelilin, 2010). However, each investment product has different potential returns and risk levels. Therefore, before making a decision, investors need to consider their risk tolerance. The higher the potential profit of an investment, the greater the level of risk (N. N. Sari & Sudarmawan, 2023). Investment products available in the capital market include stocks, bonds, and mutual funds. In recent years, stocks have become a favorite choice for Indonesian people to invest. Based on data from the Indonesian Central Securities Depository (KSEI), the number of stock investors was recorded at 5.17 million in December 2023. Stocks are assets that can be owned and traded in the capital market. By purchasing shares, investors indirectly become partial owners of the company's assets and have the potential to make profits either through increases in share prices or dividend distributions (Stoian & Iorgulescu, 2019).

Stocks play a major role in financial intermediation in various countries, both developed and developing, because they function as a means of channeling funds from parties with surplus funds to parties in need of funding (Ejem, 2020). In Indonesia, stock prices also reflect investors' views and beliefs about economic conditions. The rise and fall of stock prices can be an indicator of economic stability, government policies, and future economic prospects (Siddi & Chomsatu Samrotun, 2023). Stocks traded on the capital market are divided into two types, namely conventional stocks and sharia stocks. Sharia stocks differ from conventional stocks in terms of the basic principles used (Marliastutik & Wardana, 2024). Sharia stocks are based on Islamic law, are supervised by the Sharia Supervisory Board (DPS), and have limitations in their debt structure (Khoirin & Sudarmawan, 2024). In addition, sharia stocks are not allowed to practice short selling because they are aimed at long-term investment in order to avoid excessive speculation (Kurniawati, 2020). Indonesia has great potential in developing sharia investment, considering that the majority of its population is Muslim (Widyaningtias et al., 2024). Therefore, this study will focus on sharia stocks, especially sharia general banking stocks, which play an important role in the capital market. The stock price of sharia general banks not only reflects the bank's performance but also provides information to investors regarding the bank's financial health, operational stability, and public trust in the sharia principles applied (Zulbetti et al., 2023).

To observe the movement of Islamic general bank stocks, investors can refer to the Indonesian Islamic Stock Index (ISSI). ISSI covers all stocks that comply with sharia principles and are listed on the Indonesian capital market (Hartanto, 2022). The following is a graph of the capitalization of the Indonesian Islamic stock index:

Grafik 1. ISSI Capitalization



Source: (OJK, 2023)

Based on data from the Financial Services Authority (OJK, 2023), ISSI capitalization experienced an increasing trend throughout 2023, although there were fluctuations in certain months. Based on the distribution of the index above, the stock market in Indonesia has an interesting development, especially after recovering from the impact of the pandemic as explained by Gobel (2020) this happened because the economic sector that produces goods and services directly (real sector) in Indonesia grew rapidly. This growth is supported by stable economic conditions, such as controlled inflation and good interest rates (Putri & Sudarmawan, 2024). These good economic conditions make companies in Indonesia more profitable, so that their stock prices on the capital market also increase. Therefore, understanding the relationship between stocks and macroeconomics is very important, which has been discussed by several experts such as (Amijaya et al., 2020; Ejem, 2020; Zakariah et al., 2020).

The stock market is closely related to macroeconomic indicators, such as interest rates, inflation, and exchange rates (Himma & Jaya, 2024). Changes in interest rates, set by Bank Indonesia through the BI 7-Day Reverse Repo Rate, have an impact on stock prices. Rising interest rates generally depress stock prices because they increase borrowing costs for companies and encourage investors to shift their funds to safer instruments such as deposits (Hamda & Sudarmawan, 2023; Sugeng Raharjo, 2010). In

addition, higher interest rates cause higher production costs, resulting in higher product prices, so consumers may delay purchases and choose to save their money in the bank. The resulting decline in sales and company profits can depress stock prices. This is also supported by previous research conducted by (ahmad junaidi, Muhammad Ghafur Wibowo, 2020; Aulia & Latief, 2020; Fahlevi, 2019; Ifionu & Ibe, 2015). However, in 2023, even though interest rates rose from 5.75% to 6%, ISSI capitalization continued to increase, indicating that there were other factors influencing the movement of the sharia stock market (Khoirin & Sudarmawan, 2024).

Inflation also affects stock prices because increased inflation can increase production costs and reduce people's purchasing power (Eldomiaty et al., 2020). Inflation is a process of continuous increase in prices of goods or an economic condition that shows a tendency for a general increase in price levels (Indriyani, 2016). According to (Eldomiaty et al., 2020) high inflation in a country can increase production costs caused by increasingly expensive raw material prices. This encourages investors to tend to sell their shares which ultimately reduces demand for shares and can cause share prices to fall. Previous studies have shown that inflation has a negative impact on stock prices (Sarif & Wicaksono, 2024; Windytiafitli, 2023). However, in 2023, even though inflation in Indonesia exceeded Bank Indonesia's target of 3%, ISSI capitalization continued to experience a fluctuating upward trend, which is an interesting phenomenon to study further (N. N. Sari & Sudarmawan, 2023).

In addition, the exchange rate is also an important factor in stock movements. A weakening exchange rate can have a negative impact on companies that rely on imported raw materials or have debts in foreign currencies, which can depress stock prices (El-Diftar, 2023). In general, a weak exchange rate tends to depress stock prices. The exchange rate can have a negative impact on companies that rely on imported raw materials or that currently have debts in foreign currencies, which can result in lower profit margins (Christian et al., 2024). In this condition, investors tend to sell shares in these companies because companies often use loans from foreign institutions, resulting in lower profit prospects due to increasing debt (Ukur et al., 2023). However, in 2023, even though the exchange rate weakened, the price of sharia stocks continued to strengthen, which is an indication of other factors that play a role in maintaining the stability of the sharia stock market (Khoirin & Sudarmawan, 2024). This finding is also supported by research (Indra Sari & Nurul Azizah Az Zakiyyah, 2024; Rahmawati & Dwi Warsitasari, 2023; Windytiafitli, 2023) which states that the exchange rate hurts stock prices. However, the situation in 2023 is slightly different where the increasingly weak exchange rate does not immediately depress stock prices as expected. This phenomenon attracts attention because generally a weak exchange rate can depress stock market performance. However, ISSI was able to survive and even tended to strengthen.

In general, previous studies have found that interest rates, inflation, and exchange rates have a significant effect on stock prices, both directly and indirectly. The similarity of this study with previous studies is the focus on the relationship between macroeconomic variables and stock prices, especially sharia stocks that are increasingly developing in Indonesia. However, there are several key differences, such as a more specific research object, namely shares of sharia commercial banks listed on the ISSI, and a more recent research period considering post-pandemic market dynamics. In addition, research gaps arise from phenomena that do not conform to general theory. For example, even though interest rates increase in 2023, ISSI capitalization continues to experience an upward trend. This contradicts the classical theory which states that rising interest rates tend to depress stock prices because investors switch to low-risk instruments such as deposits (Raharjo, 2010). Likewise, high inflation in early 2023, which should have a negative impact on stock prices, in the case of ISSI, there is actually an upward trend. Based on the above explanation, there is an inconsistency between the theory and empirical phenomena that occur in the Indonesian Islamic capital market. Therefore, further research is needed to deeply understand the relationship between interest rates, inflation, and exchange rates on Islamic stock prices. This research is expected to provide insight for investors, policy makers, and the general public in understanding the dynamics of the Islamic capital market. Thus, this study carries the title: "Macroeconomic Determinants of Islamic Stock Prices: Evidence from ISSI-Listed Islamic Banks".

RESEARCH METHODS

This study uses a quantitative approach with secondary data sourced from stock price reports and macroeconomic data such as interest rates, inflation, and exchange rates. The quantitative approach was chosen because it emphasizes objective measurement and statistical analysis of numerical data in order to understand certain phenomena (Mohajan, 2020). In this study, the quantitative method is applied using the Vector Error Correction Model (VECM) model to analyze the long-term and short-term relationships between the variables studied. The data in this study were obtained through documentation techniques by collecting sharia stock price reports officially published through the Yahoo Finance website and macroeconomic data from Bank Indonesia and the Central Statistics Agency. The data used are monthly and annual data for the period 2019–2023. The sample in this study was selected using the purposive sampling method with the criteria of sharia commercial bank stocks that consistently meet the criteria of the Indonesian Sharia Stock Index (ISSI) and have complete and published stock price data during the study period. Based on these criteria, the samples used include three Islamic commercial bank stocks, namely PT Bank Panin Dubai Syariah Tbk (PNBS), PT Bank BTPN Syariah Tbk (BTPS), and PT Bank Syariah Indonesia Tbk (BRIS).

Data analysis in this study was carried out using EViews 12 software with stages that include data stationarity tests using Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) to ensure that the data is stationary. If the data is not stationary at the level, differentiation is carried out until the data becomes stationary before further analysis. Furthermore, an optimal lag test is carried out using various criteria such as Likelihood Ratio (LR), Final Prediction Error (FPE), Akaike Information Criterion (AIC), Schwarz Information Criterion (SIC), and Hannan-Quinn Criterion (HQC) to determine the appropriate lag length in the model. The Johansen cointegration test is carried out to identify long-term relationships between variables, while the Granger causality test is applied to evaluate the causal relationship between the independent and dependent variables.

If the cointegration test results indicate a long-term relationship, then the VECM model is used to analyze the effect of macroeconomic variables on sharia stock prices in the long and short term. In addition, the Impulse Response Function (IRF) analysis is applied to measure the extent to which changes in one variable will impact other variables in the system, either directly or indirectly, over a certain period of time. With this approach, the study is expected to provide a deeper understanding of the relationship between interest rates, inflation, and exchange rates on the movement of sharia stock prices in Indonesia.

RESULT AND DISCUSSION

Stationary Test

The first step in processing data is to conduct a stationary test. A stationary test is a condition where the average, variance and autocovariance do not vary (constant) between times. Meanwhile, according to Mahyus, stationary indicates a data variant that remains constant throughout the observation period.

Table 1. Augment Dickey Fuller (ADF) and Philip Perron (PP) Level Stage

Variable	ADF (Level)		PP (Level)	
	t-Statistic	Prob.*	t-Statistik	Prob.*
Share price of Islamic Banks	8.88490	0.1802	10.3585	0.1103
Interest Rate	1.69662	0.9454	0.90755	0.9889
Inflation	1.95270	0.9240	1.95445	0.9238
Exchange Rate	5.14925	0.5248	240.889	0.0000

Sumber: Data diolah peneliti, 2025

From table 1, the results of the ADF and PP tests at the level stage of Islamic bank stock prices obtained a probability above 5%, which means that the data from the economic growth variable is non-stationary. Likewise, the interest rate and inflation

variables obtained a probability value above 5% in the DF and PP tests at the level stage. However, the exchange rate variable obtained a probability value below 5% in the ADF and PP tests at the level stage, meaning that the variable is stationary in the ADF and PP tests at the level stage. Therefore, further testing is needed at the 1st Difference stage so that all research variables are stationary. The following are the results of the 1st Difference data processing of this study:

Table 2. Augment Dickey Fuller (ADF) and Phillip Perron (PP) stage 1stDifference

Variable	ADF (1d)		PP (1d)	
	t-Statistic	Prob.*	t-Statistik	Prob.*
Sharia Bank Stock Price	395.306	0.0000	269.222	0.0000
Interest Rate	61.7805	0.0000	332.472	0.0000
Inflation	469.780	0.0000	332.466	0.0000
Exchange Rate	317.612	0.0000	55.2620	0.0000

Source: Data processed by researchers, 2025

Based on the results of the Augment Dickey Fuller (ADF) and Phillip Perron (PP) tests at the 1st Difference stage in table 2, each variable in this study obtained a probability value below 5% or (0.05), meaning that all the variables used were stationary.

Lag Test

The next test in this study is the Lag Length Criterion test, which aims to determine the estimation of the model used in VECM and to determine the duration of the influence of each variable on the previous period. The results of data processing for the Lag Length Criterion test are presented as follows:

Table 3. Lag Test

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-87623.99	NA	5.59e+15	47.61097	47.61772	47.61337
1	-52352.41	70447.35	26803013	28.45553	28.48928*	28.46755
2	-52328.24	48.22269	26684292	28.45109	28.51184	28.47272
3	-52263.56	128.9057	25987746	28.42464	28.51238	28.45588*
4	-52246.24	34.46922*	25969195*	28.42393*	28.53867	28.46477
5	-52236.01	20.35704	26050644	28.42706	28.56879	28.47751

Source: Data processed by researchers, 2025

The results of the lag length criteria test in table 3 have a lag length of 0 to lag 5, with the optimal lag determined by the test being at lag 4, an indication that shows the optimal lag is marked by the number of asterisks in a lag (*).

Cointegration Test

The purpose of the test is to show the existence of a long-term relationship between dependent and independent variables. Meanwhile, according to Mahyus, a concept in econometrics that shows the phenomenon of harmony or concomitant fluctuations of several data over a certain period of time. Here are the results of the cointegration test:

Table 4. Cointegration Test

Hypothesized	Trace Statistic	0.05 Critical Value	Prob.**	Hypothesized	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	3225.2	47.856	0.000	None *	1177.417	27.584	0.0000
At most 1 *	2047.85	29.797	0.000	At most 1 *	721.375	21.131	0.0000
At most 2 *	1326.4	15.494	0.000	At most 2 *	670.622	14.264	0.0000
At most 3 *	655.8	3.841	0.000	At most 3 *	655.857	3.841	0.0000

Trace test indicates 4 cointegrating eqn(s) at the 0.05 level

The results of the cointegration test in table 4.4 indicate the existence of long-term cointegration relationships. This is shown in the Trace Statistic table of 3225.272, 2047.855, 1326.480, 655.8575 greater than the Critical Value value of 47.85613, 29.79707, 15.49471, 3.841465. Likewise, in line with the obtained values in the Max-Eigen Statistic table 1177.417, 721.3752, 670.6224, 655.8575 greater than the Critical Value obtained values of 27.58434, 21.13162, 14.26460, 3.841465.

VECM Test

VECM is used to analyze the presence of data fluctuations that move around long-term trends, with stationary data in 1 different and the presence of a long-term relationship in the cointegration test, then VECM is the choice for managing data. Here are the results of the long-term and short-term VECM tests:

Table 6. Long-Term VECM Test

Variable	Koefisien	T-Statistik	T-Tabel	KET
D(SUKUBUNGA(-1))	5691.076	[0.24549]	1,96060	Tidak Signifikan
D(INFLASI(-1))	-32759.02	[-3.15460]	-1,96060	Signifikan
KURS(-1)	141.4057	[36.8996]	1,96060	Signifikan

Source: Data processed by researchers, 2025

The results of the long-term VECM test show that interest rates do not have a significant effect on the stock prices of Islamic commercial banks, as indicated by the T-statistic value of 0.24549 which is smaller than the T-table of 1.96060. On the other hand, inflation has a negative and significant effect with a T-statistic of -43.15460 and a coefficient of -32759.02, which means that a 1% decrease in inflation will decrease stock prices by 32759.02 in the next period. Meanwhile, the exchange rate has a positive and significant effect on stock prices, with a T-statistic of 36.8996 and a coefficient of 141.4057, indicating that a 1% increase in the exchange rate will increase stock prices by 141.4057. Overall, these results indicate that inflation and exchange rates have a significant effect on the stock prices of Islamic commercial banks, while interest rates have no statistical effect.

Table 7. Short-Term VECM Test

Variable	Koefisien	T-Statistik	T-Tabel	KET
D(SUKUBUNGA(-1),2)	1510.837	[0.60108]	1,96060	Not Significant
D(SUKUBUNGA(-2),2)	-778.1184	[-0.25285]	1,96060	Not Significant
D(SUKUBUNGA(-3),2)	3029.887	[0.98471]	1,96060	Not Significant
D(SUKUBUNGA(-4),2)	207.6860	[0.08262]	1,96060	Not Significant
D(INFLASI(-1),2)	-2128.346	[-1.85773]	1,96060	Not Significant
D(INFLASI(-2),2)	-1765.604	[-1.27220]	1,96060	Not Significant
D(INFLASI(-3),2)	-2696.802	[-1.95192]	1,96060	Not Significant

D(INFLASI(-4),2)	-2234.706	[-1.98327]	1,96060	Not Significant
D(KURS(-1)2)	4.555675	[5.10038]	1,96060	Signifikan
D(KURS(-2)2)	3.459486	[4.76622]	1,96060	Signifikan
D(KURS(-3)2)	1.941463	[3.69190]	1,96060	Signifikan
D(KURS(-4)2)	0.908175	[2.77913]	1,96060	Signifikan

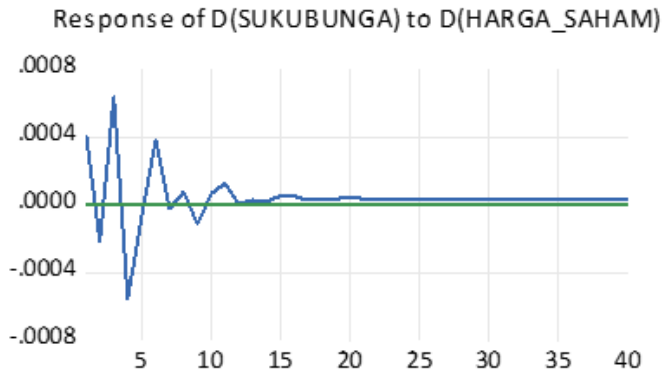
Source: Data processed by researchers, 2025

The results of the short-term VECM estimation test show that inflation at lag 4 has a significant effect on the dependent variable with a t-statistic value of [-1.98327] greater in absolute terms than the t-table of 1.96060 and a coefficient of -2234.706, which means that a 1% decrease in inflation in the fourth period will decrease the dependent variable by 2234.706 units. Meanwhile, the exchange rate has a significant effect at all lags. At lags 1 to 4, the t-statistic values are respectively [5.10038], [4.76622], [3.69190], and [2.77913] greater than the t-table of 1.96060, with coefficients of 4.555675, 3.459486, 1.941463, and 0.908175, respectively. This means that a 1% increase in the exchange rate in the first to fourth periods will increase the dependent variable gradually by 4.55%, 3.45%, 1.94%, and 0.90% units in the same period. Thus, in the short term, inflation and exchange rates have a significant effect on the dependent variable, with the impact of the exchange rate decreasing as the lag increases.

Impulse Response Function (IRF) Test

The IRF test is used to predict the shock that occurs between each independent variable and the dependent variable, as well as to estimate the shock period produced by each independent variable on the dependent variable.

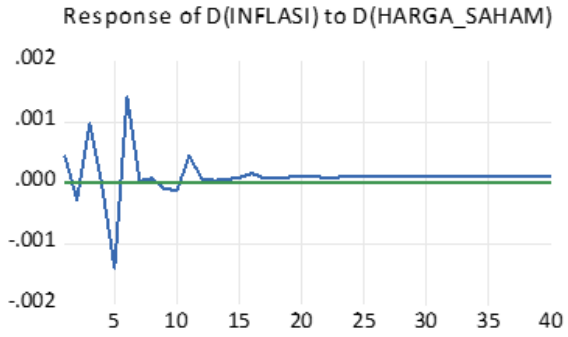
Chart 2. IRF Test of Interest Rates to Share Prices of Islamic Commercial Banks



Source: Data processed by researchers, 2025

From the results of the IRF test in graph 2, it shows the prediction of stock price changes caused by shocks to interest rate variables. In the initial period, stock prices responded positively to interest rate shocks with a fairly large value. However, this response was immediately followed by a decline in the negative direction in the following period. Furthermore, the stock price response gradually decreased approaching zero and was stable in the following periods. This stability indicates that the effect of interest rate shocks on stock prices is temporary and does not have a significant impact in the long term. It can be concluded that stock prices responded positively to interest rate shocks in the initial period, but this effect did not last long. Therefore, changes in interest rates only have a temporary impact on stock price performance.

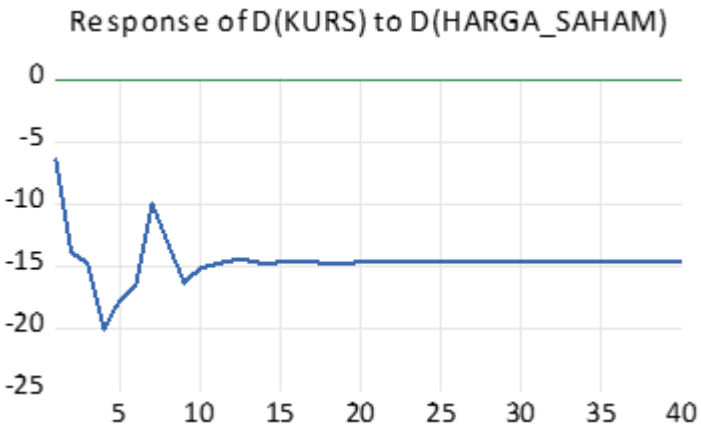
Chart 3. IRF Test of Inflation to Share Prices of Islamic Commercial Banks



Source: Data processed by researchers, 2025

From the results of the IRF test in graph 3, it shows the prediction of stock price changes caused by shocks to the inflation variable. In the initial period, stock prices responded positively to inflation shocks with a fairly large value. However, this response was immediately followed by a decline in the negative direction in the following period. Furthermore, the stock price response gradually decreased approaching zero and was stable in the following periods. This stability shows that the effect of inflation shocks on interest rates is temporary and does not have a significant impact in the long term. It can be concluded that inflation responded positively to stock price shocks in the initial period, but this effect did not last long. Therefore, changes in stock prices only have a temporary impact on inflation.

Chart 4. IRF Test of Exchange Rates to Share Prices of Islamic Commercial Banks



Source: Data processed by researchers, 2025

From the results of the IRF test in graph 4 shows the prediction of stock price changes caused by exchange rate variable shocks. In the initial period, stock prices responded negatively to exchange rate shocks with a fairly large value, as indicated by a sharp decline. After that, the response improved slightly, but remained in negative territory, before finally stabilizing at a certain level below zero. This stability shows that the effect of exchange rate shocks on stock prices is permanent and has a significant negative impact in the long term. It can be concluded that stock prices respond negatively to exchange rate shocks in the initial period, and the negative impact persists in the long term. Therefore, exchange rate changes have a significant negative effect on stock price performance.

The Effect of Interest Rates on Stock Prices

Based on the VECM test results, this research reveals that in the long term, the T-Statistics value of 0.24549 is smaller than the T-Table value of 1.96060, which indicates that interest rates have no effect on share prices of Islamic commercial banks. The same thing also happens in the short term, where in the first to fourth periods, the T-Statistics value is always smaller than the T-Table, respectively 0.60108, -0.25285, 0.98471, and 0.08262. This result contradicts the Interest Rate Investment Link Theory which states that an increase in interest rates can reduce investment interest because investors tend to compare returns between the stock market and other financial instruments such as deposits. In the context of sharia banking, the lack of influence of interest rates on stock prices in the short term occurs because sharia banks are more dependent on the real sector and real asset-based transactions which take longer to respond to economic changes, so that interest rate fluctuations do not directly impact sharia banking performance. The main factors that influence Islamic banks are the demand for asset-based financing and market conditions. Meanwhile, in the long term, interest rates do

not have a significant impact because, according to Ulinnuha, (2020), investor perceptions of interest in buying sharia stocks in Indonesia are influenced by three main factors: neutral information, accounting information, and social relevance. Based on accounting information, Y. D. A. Sari, (2020) explains that these factors can be analyzed through leverage and growth ratios. The higher the leverage ratio, the smaller the proportion of dividends paid by sharia banks, and vice versa. On the other hand, the higher the growth ratio, the greater the portion of dividends paid by sharia banks.

The Effect of Inflation on Sharia Commercial Bank Share Prices

Based on the VECM test results, in the long term the inflation variable shows a negative and significant influence on the share prices of Islamic commercial banks, as shown by the T-Statistic value of -3.15460 which is greater than the T-Table value of -1.96060 with a coefficient of -32759.02, which means that if inflation decreases by 1%, the share price of Islamic commercial banks will fall by -32759.02 in the next period. However, in the short term, the effect of inflation on sharia commercial bank share prices is not significant until the fourth period, where the T-Statistic value of -1.98327 is greater than the T-Table value of -1.96060 with a coefficient of -2234,706, so that if inflation falls by 1%, sharia commercial bank share prices will experience a decrease of -2234,706 in that period. These results indicate that the effect of inflation on sharia commercial bank share prices took four periods to become significant, whereas in the previous period (periods one to three), the effect was not yet clearly visible. This finding is in line with the theory put forward by Tandelilin (2010), which states that high inflation puts pressure on the economy, especially in the business and investment sectors. In the fourth period, inflation began to have a negative impact on sharia bank share prices because sharia shares were not allowed to be carried out using a short selling mechanism, considering that the main principle of investment in sharia shares is long term to avoid speculation which could give rise to gharar Kurniawati (2020). Meanwhile, in the long term, inflation has a negative effect on the shares of Islamic commercial banks because inflation affects the way Islamic banks adjust financing margins and profit sharing ratios. When inflation increases, bank operating costs such as employee salaries, administrative costs, and office rents also increase, while the price of goods financed through contracts such as murabahah also increases. To maintain profitability, Islamic banks need to adjust profit margins in order to continue to obtain adequate returns (Ningsih et al., 2024)(Thoyyibah et al., 2024). In addition, in conditions of high inflation, increasing prices for people's needs can reduce their ability to pay loan obligations, which ultimately increases the risk of non-performing loans (NPL) in the banking sector. To anticipate this risk, banks need to increase reserves for credit losses, which has an impact on reducing net profit (Sari, 2024). This decrease in net profit has the potential to reduce investor confidence in the performance prospects of Islamic banks, which then impacts their share prices on the capital market. Thus, inflation not

only has an impact on the financing structure of Islamic banks, but can also reduce the bank's overall performance, which ultimately affects the movement of its share prices in the capital market.

The Effect of the Exchange Rate on Sharia Commercial Bank Share Prices

The VECM test results show that in the long term, the exchange rate has a positive and significant effect on the share prices of Islamic commercial banks with a T-Statistic value of 36.8996 which is greater than the T-Table 1.96060 and a coefficient of 141.4057, which means that an increase in the exchange rate of 1% will increase the share price by 141.4057 in the future. In the short term, this positive influence is consistent from the first to the fourth period, with the T-Statistics value always being greater than the T-Table and the coefficient indicating that the increase in the exchange rate in the previous period contributed to an increase in stock prices in the following period. In the first period, the T-Statistics value was 5.10038 with a coefficient of 4.555675, in the second period it was 4.76622 with a coefficient of 3.459486, in the third period it was 3.69190 with a coefficient of 1.941463, and in the fourth period it was 3.69190 with a coefficient of 0.908175. This result is in line with the theory of Tandelilin (2010), which states that stability or strengthening of the exchange rate has a positive impact on stock prices. To ensure exchange rate stability for the 2019–2023 period, this research uses the Coefficient of Variation (CV), with the calculation results showing a CV value of 3.25, which indicates the stability of the rupiah exchange rate in that period. This exchange rate stability has a positive impact on sharia bank share prices because it reduces economic volatility which can affect the banking industry (Basyariah & Khairunnisa, 2016; Veronica & Pebriani, 2020). Exchange rate stability has a significant impact on the economy, including in maintaining certainty of trade, investment, and inflation. With a stable exchange rate, business actors can plan transactions better without having to face the risk of drastic changes in the prices of imported and exported goods. In addition, controlled inflation due to exchange rate stability helps maintain people's purchasing power, so that consumption remains stable and economic growth continues. Exchange rate stability also increases the confidence of foreign investors in investing their capital, both in the form of direct investment and portfolio investment, which ultimately contributes to overall economic growth (Athallah & Rahmawati, 2024; Solihin & Mukarromah, 2022). In the Islamic banking sector, exchange rate stability provides advantages in financing management and financial risk management. Islamic banks that have foreign currency-based financing, such as import murabahah contracts or foreign exchange investments, do not face the risk of exchange rate fluctuations that can affect customer profits or expenses. In addition, exchange rate stability also maintains bank liquidity and increases depositor confidence in saving their funds in Islamic banks. With controlled inflation, the price of goods in the murabahah contract

does not experience a sharp spike, so that customer installments remain stable. In addition, exchange rate stability can encourage an increase in the growth ratio of Islamic banks because operations and business expansion become more measurable. Along with the increasing growth ratio, Islamic banks can also reduce the level of leverage, which reflects low dependence on debt and an increasingly strong bank capital structure (Y. D. A. Sari, 2020). This can attract investors, because banks with good growth ratios and lower leverage are considered more stable and have more controlled risks, so their shares become more attractive for investment (Andiansyah et al., 2023).

CONCLUSION

Based on the results of the discussion above, it can be concluded that interest rates do not affect the stock prices of Islamic commercial banks in both the short and long term. This shows that the movement of Islamic bank stocks is more influenced by other factors such as demand for asset-based financing and market conditions than interest rate fluctuations. Meanwhile, inflation has a negative effect on the stock prices of Islamic commercial banks in the long term, which shows that increasing inflation can reduce the financial performance of Islamic banks through increasing operational costs and credit risk. However, in the short term, the impact of inflation is only felt after the fourth period, which shows a delay in market reaction to inflationary pressures. On the other hand, the exchange rate has a positive and significant effect on the stock prices of Islamic commercial banks in both the short and long term. Exchange rate stability supports economic growth and increases investor confidence, thus having a positive impact on the performance of Islamic bank stocks. In addition, exchange rate stability also provides benefits in the management of financing and financial risks of Islamic banking, which ultimately increases the attractiveness of Islamic bank stocks in the capital market. Thus, this study shows that inflation and exchange rates have a significant influence on the stock prices of Islamic commercial banks, while interest rates do not play a role in determining stock price movements in this sector.

The implication of the findings of this study is that investors and capital market players who invest in Islamic commercial bank stocks need to pay more attention to macroeconomic factors such as inflation and exchange rates compared to interest rates, because stock price movements in this sector are more influenced by economic stability and demand for asset-based financing. For regulators and policy makers, these results emphasize the importance of maintaining inflation and exchange rate stability in order to support the growth of the Islamic banking sector and increase the attractiveness of investment in Islamic stocks. In addition, Islamic banks also need to strengthen their inflation and exchange rate risk management strategies, for example by adjusting margin financing and increasing operational efficiency to maintain profitability amidst the dynamics of the economy. For further research, it is

recommended that a more in-depth analysis be carried out by considering additional variables such as the level of profitability of Islamic banks, the level of liquidity, and other external factors such as geopolitical conditions that can affect the stock market.

DAFTAR PUSTAKA

ahmad junaidi, Muhammad Ghafur Wibowo, H. (2020). Pengaruh Variabel Ekonomi Makro Terhadap Indeks Saham Syariah Indonesia (ISSI) Periode Tahun 2014-2019. *Jurnal Ekonomi Dan Bisnis*, *4*(2), 273–284.

Amijaya, R. N. F., Sholikhin, M. Y., & Pratiwi, A. E. (2020). The Determinant Factors on The Movement of Sharia stock in Indonesia. *International Journal of Islamic Business Ethics*, *5*(1), 60. https://doi.org/10.30659/ijibe.5.1.60-72

Andiansyah, F., Lusiana, L., & Bruh, M. K. A. (2023). Dampak Variabel Makro Ekonomi dan Imbal Hasil Deposito Bank Syariah Terhadap Harga Saham Bank Syariah di Bursa Efek Indonesia. *IJMA (Indonesian Journal of Management and Accounting)*, *4*(2), 84–95.

Athallah, N. A., & Rahmawati, F. (2024). Analisis Pengaruh Financial Risk Terhadap Perkembangan Pasar Sukuk Di Indonesia Tahun 2012-2023. *Jurnal Ilmiah Ekonomi Islam*, *10*(3), 2563–2579.

Aulia, R., & Latief, A. (2020). Pengaruh Inflasi dan BI Rate terhadap Indeks Saham Syariah Indonesia (ISSI). *Borneo Student Research*, *1*(3), 2140–2150.

Basyariah, N., & Khairunnisa, H. (2016). Analisis Stabilitas Nilai Tukar Mata Uang Asean-10 Terhadap Dolar As Dan Dinar Emas. *EQUILIBRIUM: Jurnal Ekonomi Syariah*, *4*(2), 227–253.

Christian, K., Anggriani, R., Alpiansah, R., Manajemen, P., & Mataram, U. B. (2024). *PENGARUH LEVERAGE DAN KURS TERHADAP HARGA SAHAM PERUSAHAAN GARUDA INDONESIA DENGAN PROFITABILITAS*. 356–364.

Ejem, C. A. (2020). Dynamic Interactions of Nigerian Stock Market and Macroeconomic Variables. *Research Journal of Finance and Accounting*. https://doi.org/10.7176/rjfa/11-8-04

El-Diftar, D. (2023). The impact of exchange rates on stock market performance of the Emerging 7. *Journal of Capital Markets Studies*, *7*(2), 125–139. https://doi.org/10.1108/JCMS-03-2023-0005

Eldomiaty, T., Saeed, Y., Hammam, R., & AboulSoud, S. (2020). The associations between stock prices, inflation rates, interest rates are still persistent: Empirical evidence from stock duration model. *Journal of Economics, Finance and Administrative Science*, *25*(49), 149–161. https://doi.org/10.1108/JEFAS-10-2018-0105

Fahlevi, M. (2019). *The Influence of Exchange Rate, Interest Rate and Inflation on Stock Price of LQ45 Index in Indonesia*. *343*(Icas), 157–163. https://doi.org/10.2991/icas-

19.2019.34
Hamda, I., & Sudarmawan, B. N. (2023). The Effect of Macroeconomics Variables on Islamic Bank Stability During COVID-19 Pandemic: Evidence From Indonesia. *Islamic Review: Jurnal Riset Dan Kajian Keislaman*, *12*(1), 59–76. https://doi.org/10.35878/islamicreview.v12i1.682
Hartanto, B. (2022). Analisis Prediksi Indeks Saham Syariah Indonesia (ISSI) Menggunakan Metode Garch. *EKONOMIKA45 : Jurnal Ilmiah Manajemen, Ekonomi Bisnis, Kewirausahaan*, *10*(1), 281–288.
Himma, N. L., & Jaya, T. J. (2024). The Effect of Macroeconomic and Microeconomic Variables on the Profitability of Sharia Commercial Banks in Indonesia. *Maliki Islamic Economics Journal*, *4*(1), 16–26.
Ifionu, E. P., & Ibe, R. C. (2015). Inflation, Interest Rate, Real Gross Domestic Product and Stock Prices on the Nigerian Stock Exchange: A Post SAP Impact Analysis. *Research Journal of Finance and Accounting Www.Iiste.Org ISSN*, *6*(14), 215–223.
Indra Sari, & Nurul Azizah Az Zakiyyah. (2024). Analisis Pengaruh Inflasi, Suku Bunga, Nilai Tukar, dan Jumlah Uang Beredar, Terhadap Indeks Harga Saham Gabungan (IHSG) Periode 2013- 2022. *Socius: Jurnal Penelitian Ilmu-Ilmu Sosial*, *1*(12), 343–355.
Indriyani, S. (2016). Analisis Pengaruh Inflasi Dan Suku Bunga Terhadap Pertumbuhan Ekonomi Di Indonesia Tahun 2005 – 2015. *Jurnal Manajemen Bisnis Krisnadwipayana*, *4*(2). https://doi.org/10.35137/jmbk.v4i2.37
Khasanah, U., & Wicaksono, A. T. S. (2023). Finding Financing Risk Factors in Indonesian Islamic Banks: A Geographically Weighted Regression Approach. *Iranian Economic Review*.
Khoirin, L. T. P., & Sudarmawan, B. N. (2024). Shariah Banking dynamics: Financial performance and stability amid middle east conflict. *Al-Infaq: Jurnal Ekonomi Islam*, *1*(1), 49–68.
Kurniawati, I. (2020). Capital Gain dalam Perspektif Ekonomi Syariah. *Al-Kharaj: Journal of Islamic Economic and Business*, *2*(2), 23–40. https://doi.org/10.24256/kharaj.v2i2.1530
Lusiana, E. D., Pramoedyo, H., & Sudarmawan, B. N. (2022). Spatial quantile autoregressive model: case study of income inequality in Indonesia. *Sains Malaysiana*, *51*(11), 3795–3806.
Marliastutik, I. S., & Wardana, G. K. (2024). BUKTI RETURN SAHAM PERBANKAN SYARIAH DI ASIA: EPS, PER, NPM, DAN ROE DENGAN NILAI TUKAR SEBAGAI VARIABEL MODERASI. *NISBAH: Jurnal Perbankan Syariah*, *10*(2), 165–176.
Mohajan, H. K. (2020). Quantitative research: A successful investigation in natural and social sciences. *Journal of Economic Development, Environment and People*, *9*(4), 50–79.
Ningsih, N. R., Azis, M., & Hasyim, S. H. (2024). Pengaruh Tingkat Inflasi Terhadap Harga Saham Bank BUMN yang Terdaftar di Bursa Efek Indonesia. *Future Academia : The*

Journal of Multidisciplinary Research on Scientific and Advanced, *2*(4), 550–561. https://doi.org/10.61579/future.v2i4.192

Novak, A., Pravdyvets, O., Chornyi, O., Sumbaieva, L., Akimova, L., & Akimov, O. (2022). Financial and economic security in the field of financial markets at the stage of European integration. *International Journal of Professional Business Review: Int. J. Prof. Bus. Rev.*, *7*(5), 24.

OJK. (2023). Statistik Saham Syariah - Desember 2023. *Https://Ojk.Go.Id/Id/Kanal/Syariah/Data-Dan-Statistik/Saham-Syariah/Pages/Statistik-Saham-Syariah---Desember-2023.Aspx*, 1–2.

Putri, L. T., & Sudarmawan, B. N. (2024). MACROECONOMIC OUTLOOK AND BANK STABILITY: THE CASE OF SHARIAH BANK ON MIDDLE EAST COUNTRY. *IBAF E-Proceedings*, *11*(1), 549–562.

Raharjo, S. (2010). Pengaruh inflasi, nilai kurs rupiah, dan tingkat suku bunga terhadap harga saham di bursa efek indonesia. *ProBank*, *1*(3), 161972.

Rahmawati, C., & Dwi Warsitasari, W. (2023). *Faktor-Faktor Yang Mempengaruhi Index Harga Saham Di Jakarta Islamic Index (JII)*. https://doi.org/10.47467/alkharaj.v5i6.2039

Sari, N. N., & Sudarmawan, B. N. (2023). The determinants of bank stability: An empirical investigation in Southeast Asia. *Jurnal Ekonomi Syariah Teori Dan Terapan*, *10*(2), 109–122.

Sari, Y. D. A. (2020). *Kebijakan Pembayaran Dividen Bank Konvensional Dan Bank Syariah Di Indonesia*.

Sarif, R., & Wicaksono, A. T. S. (2024). THE ISLAMIC BANKING DILEMMA: ARE CEO TURNOVER AND IPO THE RIGHT STEPS FOR ISLAMIC BANKS IN GCC? *Al-Infaq: Jurnal Ekonomi Islam*, *1*(2), 255–277.

Siddi, P., & Chomsatu Samrotun, Y. (2023). ANALISIS DAMPAK SENTIMEN INVESTOR TERHADAP RETURN SAHAM MENGGUNAKAN EGARCH: STUDI KASUS PADA BANK RAKYAT INDONESIA, TBK. *Jurnal Pendidikan Ekonomi Dan Akuntansi*, *16*(2), 2829–6117. https://doi.org/10.24071/jpea.v16i2.7072

Solihin, A., & Mukarromah, O. (2022). Pengaruh Inflasi dan Kurs Nilai Tukar Terhadap Profitabilitas Bank Umum Syariah. *Jurnal Manajemen Dan Bisnis*, *5*(1), 22–29.

Stoian, A., & Iorgulescu, F. (2019). Sustainable capital market. *Financing Sustainable Development: Key Challenges and Prospects*, 193–226.

Sudarmawan, B. N. (2022). The correlation of international trade and growth in Indonesia. *Jurnal Ekonomi Dan Pembangunan*, *30*(1), 31–46.

Sugeng Raharjo. (2010). *Pengruh Inflasi, Nilai Kurs Rupiah, Dan Tingkat Suku Bunga Terhadap Harga Saham DI Bursa Efek INDONESIA*.

Tandelilin, E. (2010). *Dasar-dasar Manajemen Investasi*. https://doi.org/10.33086/amj.v2i1.67

Thoyyibah, T. H., Amir, F., Syariah, E., Keislaman, F., Madura, U. T., & Korespondensi, E.

(2024). *THE EFFECT OF INFLATION AND UNEMPLOYMENT ON NPF IN ISLAMIC*. *10*(02), 289–303.

Ukur, R., Ginting, B., Pujadi, A., Hawari, Y., Lubis, A., Jayabaya, U., & Kurs, N. (2023). *PENGARUH INFLASI DAN NILAI KURS TERHADAP NILAI SAHAM PT BANK RAKYAT INDONESIA*. *14*(September 2018), 988–999.

Ulinnuha, M., Susilowati, D. E., & Hana, K. F. (2020). Persepsi Investor Pemula Terhadap Pembelian Saham Syariah di Indonesia. *Jurnal Ilmu Ekonomi Dan Bisnis Islam*, *2*(1), 1–14. https://doi.org/10.24239/jiebi.v2i1.20.1-14

Veronica, M., & Pebriani, R. A. (2020). Pengaruh Faktor Fundamental Dan Makro Ekonomi Terhadap Harga Saham Pada Perusahaan Industri Properti Di Bursa Efek Indonesia. *Islamic Banking: Jurnal Pemikiran Dan Pengembangan Perbankan Syariah*, *6*(1), 119–138.

Widyaningtias, A., Mawaddah, R. Z., & Amaroh, S. (2024). Pengaruh Inflasi, Nilai Tukar, dan Produk Domestik Bruto terhadap Indeks Harga Saham di Jakarta Islamic Index. *JIOSE: Journal of Indonesian Sharia Economics*, *3*(1), 1–16. https://doi.org/10.35878/jiose.v3i1.805

Windytiafitli, R. (2023). Pengaruh Faktor Fundamental Ekonomi Makro Terhadap Harga Saham Di Jakarta Islamic Index (JII) Tahun 2019-2022. *EKSISBANK: Ekonomi Syariah Dan Bisnis Perbankan*, *7*(2), 337–350. https://doi.org/10.37726/ee.v7i2.934

Zakariah, M. A., Afriani, V., & Zakariah, K. H. M. (2020). *METODOLOGI PENELITIAN KUALITATIF, KUANTITATIF, ACTION RESEARCH, RESEARCH AND DEVELOPMENT (R n D)*. Yayasan Pondok Pesantren Al Mawaddah Warrahmah Kolaka.

Zulbetti, R., Muzaffirah, A., & Alfiana,). (2023). Jurnal Ilmiah Magister Ilmu Administrasi (JIMIA) Analisis Komperatif Harga Saham Bank-Bank Syariah di Indonesia Sebelum dan Sesudah Covid-19 Comparative Analysis of Stock Prices of Islamic Banks in Indonesia Before and After Covid-19. *Jurnal Ilmiah Magister Ilmu Administrasi (JIMIA)*, *17*(1).