
Linking Financial Leverage and Stock Price Volatility to the Jakarta Islamic Index: Insights from Indonesia's Capital Market

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Abstract

This study aims to explore, examine, and comprehend the effects of the Composite Index on the Jakarta Islamic Index (JII), as well as the influence of Financial Leverage on the JII, and whether fluctuations in the stock prices of JII-listed companies affect the index. The Financial Services Authority stipulates a maximum debt-to-total asset ratio of 45% as a requirement for a stock to be categorized as sharia-compliant. This regulation inevitably affects the stock prices of sharia-compliant companies, including those listed in the JII. Numerous studies have investigated the relationship between the Jakarta Islamic Index (JII) and the Composite Index (JCI), producing varying findings. This variation serves as the motivation for the current research, which incorporates distinct variables: the Composite Index, Financial Leverage, and changes in stock prices of JII issuers as independent variables, with the JII as the dependent variable. Using a quantitative causal method, the research demonstrates that the Composite Index significantly influences the Jakarta Islamic Index. However, Financial Leverage and changes in stock prices of JII-listed companies do not have a significant impact on the JII.

Keywords: Stock Price, JCI, JII, Leverage, Stock Issuer

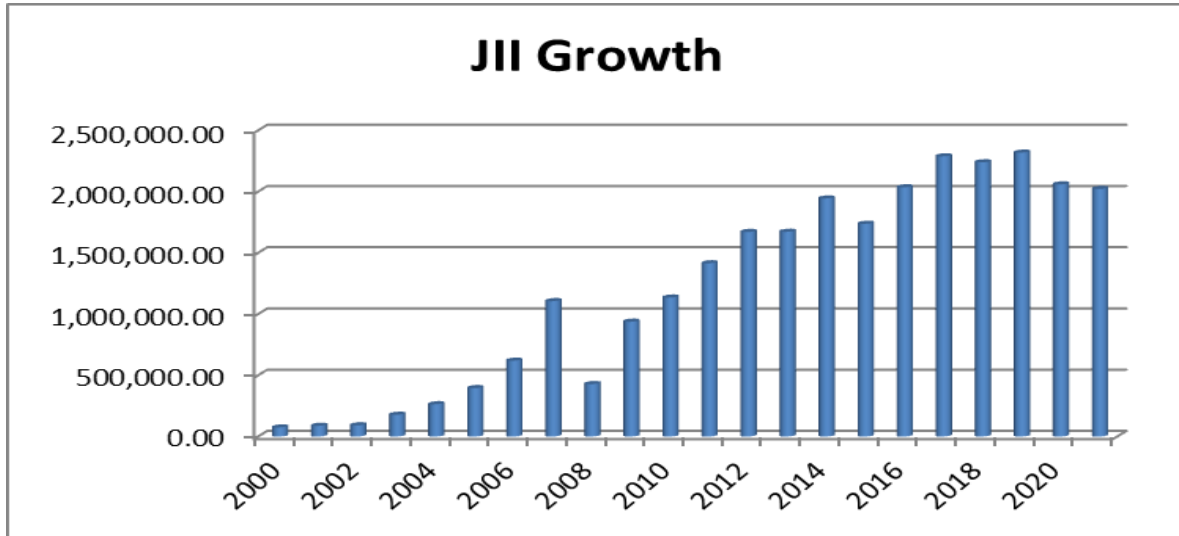
1. Introduction

1.1 Introduce the Problem

The Jakarta Islamic Index (JII) was launched on July 3, 2000, offering sharia-based investment options. Investors should understand what makes a stock sharia-compliant, the criteria, and factors influencing these stocks, including those listed on the JII.

The market capitalization of JII-listed stocks has exhibited notable growth since the index's inception in 2000. This increase is evident from the reports published by the Financial Services Authority, as detailed below:

Figure 1. Jakarta Islamic Index Capitalization Chart

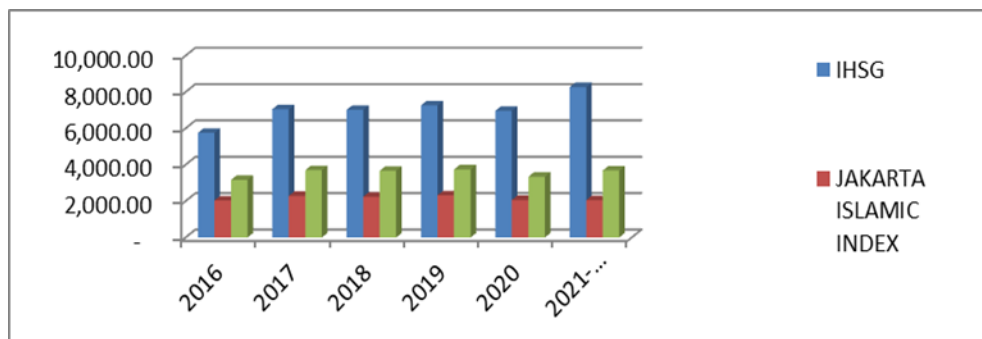


Source: OJK Report

Based on the graph above, the capitalization growth of the Jakarta Islamic Index (JII) is evident, starting at IDR 74.27 trillion in the early 2000s and reaching IDR 2,051.84 trillion by the end of 2021. This translates to an impressive average annual growth rate of 124.86% over a 21-year period, suggesting a significant increase in investor interest in JII-listed stocks. This trend supports the earlier research findings.

However, Comparing stock capitalization growth among JCI, JII, and ISSI from 2016-2021, as shown in graphs 1 and 2, the average capitalization for the JCI was IDR 7,056.29 trillion, representing a 43.81% increase. For JII, the average capitalization was IDR 2,165.32 trillion, reflecting a modest increase of 0.82%. Meanwhile, the ISSI recorded an average capitalization of IDR 3,552.29 trillion, marking a 16.1% increase.

Figure 2. Comparison Chart of JCI, JII and ISSI Capitalization



Source: :OJK Report

There have been numerous studies conducted by researchers on sharia stocks and Islamic indices, covering topics such as fiqh muamalah, technical analysis, and fundamental analysis related to sharia-compliant stocks. The research examines the dynamics between the Jakarta Islamic Index (JII) and the Jakarta Composite Index (JCI), with a focus on the effects of leverage and issuer stock price fluctuations.

A study by Galishia Putry, Iman Sugema, and Deni Lubis (2014) examined the investment performance of JII stocks relative to JCI stocks, covering of the period January 2005 to February 2014. Using the Sharpe Ratio, the research found that investors expect higher returns from JII stocks than from JCI stocks. However, through CAPM regression analysis, the study concluded that all investors, regardless of their choice between JII and JCI stocks, expect similar investment outcomes. The JII's performance remained stable, unaffected by the selection criteria set by the Indonesia Stock Exchange and OJK.

A study by Khofidlotur Rofi'ah (2020) analyzed the influence of macroeconomic variables on the JII. The findings indicated that GDP had a negative and significant long-term impact on the JII, whereas inflation and exchange rates did not have a positive effect. Research by Halim, S. (2021), the study found the Indonesian Islamic Index is significantly influenced by the JCI, suggesting a potential similar impact on the JII.

OJK Regulation No. 35/POJK.04/2017 sets criteria for Jakarta Islamic Index (JII) listing, including: non-halal income $\leq 10\%$ of total income and Debt-to-Asset Ratio (DAR) $\leq 45\%$.

Interest rates, particularly the BI Rate, also play a significant role in affecting the Jakarta Islamic Index (JII). For example, research conducted by Alistraja Dison Silalahi and Ardiansyah Putra H. (2021) demonstrated that interest rates, as an external factor, have a notable influence on JII stock prices on the Indonesia Stock Exchange. On the other hand, internal factors have also been studied. Mayasari and Sindy (2019) analyzed PT Semen Indonesia (Persero) Tbk from 2008 to 2017, finding that revenue had a significant positive impact on net profit, while the Debt-to-Asset Ratio showed a minimal negative effect on the Net Profit Margin. Similarly, Jenal Alamsah and Ahmad Eko Adi (2021) identified that sharia stock prices are significantly influenced by Financial Leverage, with the Debt-to-Equity Ratio (DER) serving as a key measurement indicator.

These studies consistently show that the JII's performance is impacted by both external factors (JCI, interest rates) and internal factors (Debt-to-Asset Ratio). The provisions set by the OJK, particularly the 45% maximum debt ratio, may have a visible effect on JII's overall performance. This study seeks to differentiate itself by focusing on the period from 2018 to 2021 and examining how changes in the stock prices of JII issuers impact the JII itself.

1.2. Explore Importance of the Problem

This study examines the impact of IDX Composite Index changes, Financial Leverage, and stock price changes on the Jakarta Islamic Index (JII). It aims to provide new insights, building on

previous research, and contribute to theoretical, practical, and academic knowledge, benefiting stakeholders.

1.3. Relevant Scholarship

a. Signalling Theory

Brigham and Houston (2019) state that the signals are actions taken by management that convey their expectations about the company's future performance to investors. The interplay between signaling theory and corporate valuation posits that favorable corporate values can serve as a positive signal, whereas unfavorable corporate values may constitute negative signals. This dynamic arises from the investors' primary objective of profit maximization, leading to a general tendency to eschew firms with detrimental values. In essence, investors are disinclined to allocate their financial resources to entities that exhibit poor valuation metrics.

Rini Indarti, Minanari (2019), and Brigham and Houston (2014) all state that define a signal as a corporate action directed at informing external stakeholders regarding management's outlook on the firm's future. Such signals manifest as information pertaining to the measures undertaken by management to fulfill the aspirations of the stakeholders.

Signaling theory is applied in this research to explain the Jakarta Islamic Index (JII), where fluctuations in the JII and its listed firms' stock prices serve as indicators and signals for potential investors making investment decisions in the capital market, including the Islamic segment. Investors must discern whether to proceed with investment activities or to await favorable signals that would yield adequate returns. Should adverse signals arise, such as a decline in stock indices, investors tend to adopt a wait-and-see approach to ensure optimal investment outcomes through careful deliberation.

b. Capital Market of Sharia

Law No. 8/1995 defines the Capital Market as including public offerings, securities trading, and related activities of Public Companies and institutions. The Sharia Capital Market operates in accordance with Islamic principles derived from the Quran and Hadith, providing a framework for muamalah fiqh, which governs commercial transactions and business relationships based on Islamic law.

OJK Regulation 15/2015 defines Sharia Principles in the Capital Market are guided by Islamic law and National Sharia Council fatwas, as long as they align with OJK regulations. Sharia-related Capital Market activities include trading Sharia-compliant securities, Sharia investment management, and related activities of issuers, public companies, and securities institutions.

c. Jakarta Islamic Index

The Jakarta Islamic Index is a Sharia-compliant stock index launched in 2000. comprising 30 liquid Sharia-compliant stocks listed on the IDX. It adheres to Sharia principles and was established by Danareksa Investment Management.:

- 1) To be Sharia-compliant, an issuer must not engage in activities that contradict Sharia principles, including: gambling, ribawi financial services, uncertain transactions, and producing/trading haram goods/services, or those deemed ethically detrimental or opposing Sharia principles by the Indonesian Ulema Council.
- 2) That it does not engage in transactions that contravene Sharia Principles within the Capital Market;
- 3) Two financial ratios must be met the Total Interest-based debt / Total assets $\leq 45\%$, and Total interest & non-halal income / Total business & other income $\leq 10\%$.

The IDX selects Sharia-compliant stocks for the Jakarta Islamic Index (JII) based on certain criteria, including liquidity, to determine the 30 constituent stocks. ISSI constituent stocks must be Sharia-compliant and listed for at least 6 months, as required by the Financial Services Authority, a selection of 60 stocks is conducted based on the highest average market capitalization over the preceding year, from this pool of 60 stocks, 30 stocks are chosen based on the highest average daily transaction value in the regular market, while the remaining 30 stocks are selected accordingly.

d. IDX Composite

The IDX Composite is a statistical measure of selected stocks' price movements, evaluated periodically by the IDX. Stock indices serve various purposes, including measuring market sentiment, benchmarking portfolios, and facilitating investment products. The IDX innovates and provides accessible stock indices to market participants, with details outlined in the "IDX Stock Index Handbook".

According to Widodo (2017), a stock index represents share prices in index numbers, helping analysts avoid currency fluctuations and providing a guide for investors by reflecting stock price movements. Widodo (2017) cited Mie & Agustina (2014) stating that the Jakarta Composite Stock Price Index (JCI) was launched on April 1, 1983, with a base date of August 10, 1982, and an initial value of 100, representing 13 listed issuers.

e. Financial Leverage

Financial leverage measures a company's debt burden, assessing its ability to settle short- and long-term obligations using its assets (Kasmir, 2017). The Debt to Assets Ratio (DAR) measures the proportion of debt to assets, showing the extent to which a company's assets are debt-financed (Hery, 2015). This study uses DAR to assess debt's impact on asset financing.

This study calculates the average Debt to Assets Ratio (DAR) for Jakarta Islamic Index (JII) issuers, which are limited to a maximum DAR of 45% to be considered Sharia-compliant. This study investigates the impact of financial leverage on the Jakarta Islamic Index (JII).

f. Changes in Stock Prices

Brigham and Houston (2006) state that a stock's price reflects expected future cash flows and is also influenced by supply and demand dynamics in the market.

Silalahi and Putra H. (2020), citing Soemitra (2015), describe stock price as an indicator of market movement, reflecting trends and conditions. Stock prices are categorized into three types: highest, lowest, and closing prices.

The highest/lowest price is the peak/lowest trading price in a day, while the closing price is the last price recorded. Stock prices fluctuate based on supply and demand. High prices reduce demand, causing prices to decrease until a new equilibrium is reached (Erwijaya, cited by Ardiyanto et al., 2020).

1.4. Hypotheses and Their Correspondence to Research Design

This study examines the impact of the IDX Composite, Financial Leverage, and stock price changes on the Jakarta Islamic Index (JII) from 2018-2021, focusing on Sharia-compliant stocks (illustrated in Figure 3).

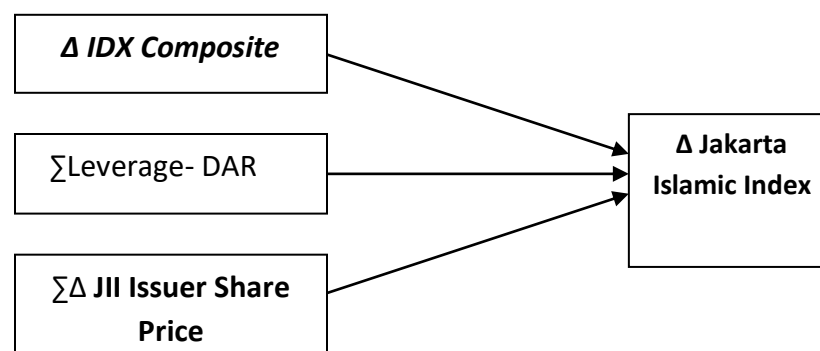


Figure 3. Thought Framework

1.5. Hypothesis and Thought Framework

a. Impact of IDX Composite Index Fluctuations on the Jakarta Islamic Index.

According to Sofyan Halim (2021), as cited in Widodo (2017), the IDX Composite Index serves as an indicator for analyzing stock issuer price movements over time. It helps investors avoid the negative impacts of nominal rupiah values and enables analysis for investment decisions. The Composite Index can influence other stock indices, including sharia-based indices like the Jakarta Islamic Index (JII).

Research indicates the Islamic Index (ISSI) is influenced by the Composite Index. This study explores the relationship between the IDX Composite Index (independent variable) and the Jakarta Islamic Index (dependent variable), given their shared Sharia-compliant stocks.

H₁: Changes in the IDX Composite Index affect changes in the Jakarta Islamic Index.

b. Financial Leverage Impacts Changes in the Jakarta Islamic Index.

The financial leverage concept within sharia stock indices aligns with OJK regulations, which state that a stock issuer categorized as sharia-compliant must have a Debt-to-Asset Ratio (DAR) of no more than 45%. This requirement directly impacts the stock prices of issuers classified as sharia stocks.

Mayasari and Sindy (2019) examined the effects of revenue and debt-to-asset ratio on net profit margin at PT Semen Indonesia, a JII-listed company. They found that the DAR had an insignificant negative effect on NPM. Another study by Jenal Alamsah and Ahmad Eko Adi (2021) analyzed sharia stock prices influenced by financial leverage, with inflation as a moderating variable. The study found that sharia stock prices were significantly influenced by financial leverage, as measured by the Debt-to-Equity Ratio (DER).

Debt-to-Asset Ratio is used in the study as a measure of financial leverage, examining its impact on the Jakarta Islamic Index. Thus, the hypothesis is formulated as:

H₂: Changes in the Jakarta Islamic Index are affected by financial leverage.

c. The Effect of Changes in the Stock Prices of JII Issuers on Changes in the Jakarta Islamic Index

According to Widioatmodjo (2005), as cited in research by Agil Ardiyanto, Nirsetyo Wahdi, and Aprih Santoso, Stock prices are determined by transactions between investors on the stock exchange. The study found that stock prices are influenced by Price-to-Book Value, Return on Equity, and Earnings per Share, but not by Return on Assets, reflecting their fair market value. Additionally, Jenal Alamsyah and Ahmad Eko Adi (2021) found that sharia stock prices, influenced by financial leverage and moderated by inflation, were significantly impacted by financial leverage and negatively moderated by inflation.

This study calculates changes in stock prices as the difference between the current and previous period's prices. Stock price changes are included as an independent variable. Therefore, the hypothesis is:

H₃: Changes in the stock prices of the Issuers of Jakarta Islamic Index affect changes in the Jakarta Islamic Index.

2. Method

This study uses a causal quantitative method to examine cause-and-effect relationships, analyzing how independent variables impact dependent variables (Sugiyono, 2017). This study examines the impact of IDX Composite changes, financial leverage, and share price changes on the Jakarta Islamic Index.

This study uses secondary data from JII stock issuers, obtained from the companies' official websites or the Indonesia Stock Exchange website. the <http://www.idx.id> link and the OJK website at the link: <https://www.ojk.go.id>.

2.1 Identify Subsections

A. Operational Variables

1. Research Variables

This study employs operational variables based on the established conceptual framework. The independent variables include changes in the Composite Stock Price Index (X1), Financial Leverage (X2), and Stock Price Changes (X3). The dependent variable is Changes in the Jakarta Islamic Index (Y). Details are as follows:

1) Dependent Variable

The Jakarta Islamic Index is the dependent variable. Launched on July 3, 2000, JII is a sharia-based index on the Indonesia Stock Exchange (IDX), with changes calculated using a specific formula:

$$\text{Change in JII} = \left[\frac{(\sum \text{Market Capitalization}_t - \sum \text{Market Capitalization}_{t-1})}{(\sum \text{Base Value}_t - \sum \text{Base Value}_{t-1})} \right] \times 100\%$$

The data used in this study represents monthly changes in JII during the observation period from 2018 to 2021, sourced from www.idx.co.id and/or www.ojk.go.id.

2) Independent Variables

According to Sugiyono (2017), independent variables influence the dependent variable. This study's independent variables are:

a. Indonesian Composite Stock Price Index (IHSG)

Widodo (2017) states that the Indonesia Composite Stock Price Index represents the accumulation of stock prices, expressed as an index figure, to track stock price movements and avoid currency-based fluctuations.

$$\text{Change in IHSG} = \left[\frac{(\sum \text{Market Capitalization}_t - \sum \text{Market Capitalization}_{t-1})}{(\sum \text{Base Value}_t - \sum \text{Base Value}_{t-1})} \right] \times 100\%$$

The IHSG data analyzed includes monthly and yearly figures during the 2018-2021 period, obtained from <https://www.idx.co.id>.

b. Financial Leverage

The Financial Leverage ratio measures a company's use of debt to optimize assets. According to Kasmir (2017), it reflects a company's ability to meet obligations. The Debt to Asset Ratio (DAR) is calculated using a specific formula.

$$\text{DAR} = (\text{Total Liabilities} / \text{Total Assets})$$

c. Stock Price Changes

According to Alistraja Dison Silalahi and Ardhansyah Putra H. (2020), quoting Soemitra (2015), Stock prices indicate stock price movements, with changes calculated using a specific formula.

$$\text{Stock Price Change} = [(P_t - P_{t-1}) / P_{t-1}] \times 100\%$$

Where:

P_t = Stock price at period t

P_{t-1} = Stock price in the previous period

The data used includes stock price changes for JII-listed issuers during the 2018-2021 period, sourced from www.idx.co.id.

2.2. Population and Sample

The study's population includes all JII-listed issuers on the IDX. The sample comprises 30 JII issuers from 2018-2021.

2.3. Data Analysis Methods

This study uses quantitative data analyzed with SPSS software, employing techniques such as descriptive statistics, classical assumption tests, multiple regression, and hypothesis testing.

2.3.1. Descriptive Statistics

Descriptive statistics offer a data overview using metrics such as mean, standard deviation, and variance (Ghozali, 2018).

2.3.2. Classical Assumption Tests

Classical assumption tests are conducted before hypothesis testing to ensure data quality, including tests for:

a. Normality Test

The test of normality checks if residuals are normally distributed using the Kolmogorov-Smirnov (K-S) test, with significance > 0.05 indicating normal distribution.

b. Multicollinearity Test

This test checks for multicollinearity between independent variables, indicated by tolerance \leq 0.10 or VIF \geq 10 (Ghozali, 2018).

c. Heteroscedasticity Test

The Glejser test evaluates constant variance in residuals, with significance > 0.05 indicating no heteroscedasticity.

d. Autocorrelation Test

The Durbin-Watson test detects autocorrelation between residuals across time periods.

2.3.3. Hypothesis Testing

a. Multiple Linear Regression Analysis

Multiple linear regression examines the effect of multiple independent variables (X1, X2, X3) on a dependent variable (Y):

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Where:

Y = JII

α = Constant

β_1-3 = The Coefficients of Regression

X1 = IHSG, X2 = Financial Leverage, X3 = Stock Price Changes

E = Standard error

b. Simultaneous Significance Test (F-Test)

The F-Test evaluates the simultaneous influence of independent variables on the dependent variable. Decision criteria:

If F significance < 0.05, there is a significant influence.

If F significance > 0.05, there is no significant influence.

c. Partial Significance Test (T-Test)

T-Test are if T significance < 0.05: Significant effect, and T significance > 0.05: No significant effect

d. Coefficient of Determination (R²)

The Coefficient of Determination (R²) measures how well independent variables explain dependent variable variations, with R² approaching 1 indicating a good fit.

3. Results

3.1. Objek Penelitian

This study focuses on 30 issuers listed under the Jakarta Islamic Index (JII) from 2018-2021, with the OJK announcing JII constituents semiannually. Consequently, some issuers may exit the JII category during a six-month period, while others may be included. However, the total number of issuers in the JII remains consistent at 30 issuers in each period.

3.2. Classical Assumption Test

The Classic Assumption Test includes the Normality Test, Heterokedasticity Test, Multicollinearity Test and Auto Correlation with the results of the analysis including:

A. Data Analysis Results

a. Normality Test

Table 1 presents the results of the initial normality test.

Table 1. The Normality Test Result at the Initial Test

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			60
Normal Parameters ^{a,b}		Mean	.0000000
		Std. Deviation	.04557146
Most Extreme Differences	Extreme	Absolute	.254
		Positive	.254
		Negative	-.221
Test Statistic			.254
Asymp. Sig. (2-tailed)			.000c
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			

AS of the Table 1, Asymp Sig = 0.000, indicating significance., indicating a normality issue (0.000 < 0.05). To address this, outlier data were removed to meet classical assumption requirements.

The data processing result in the Normality test after data correction are carried out, the following data analysis is produced :

Table 2. Test Result of the Advanced Normality

Test of One-Sample Kolmogorov-Smirnov			
			Unstandardized Residual
N			56
Normal Parameters ^{a,b}		Mean	.0000000
		Std. Deviation	.02007233
Most Extreme Differences	Extreme	Absolute	.106
		Positive	.106
		Negative	-.061
Test Statistic			.106
Asymp. Sig. (2-tailed)			.177c
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			

Table 2 shows Asymp Sig = 0.177, indicating no normality issue (0.177 > 0.05) after removing 4 outlier samples, resulting in a revised sample size of 56..

b. Heterokedasticity Test

The Test of Result Heteroscedasticity are as follows:

Table 3. Result of Heterokedasticity Test

Coefficientsa						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.024	.062		-.383	.704
	x1	-.236	.134	-.590	-1.752	.086
	x2	.084	.133	.092	.634	.529
	x3	.144	.081	.592	1.766	.083

a. Dependent Variable: Abs_Res

The heteroscedasticity test results show that all variables have probability values > 0.05, indicating no heteroscedasticity issue in this study.

c. Test of Multicollinearity

The tests of Multicollinearity are as follows:

Table 4. The Result of Test Multicollinearity

Coefficientsa								
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.096	.094		-1.022	.312		
	x1	.816	.204	.652	3.994	.000	.153	6.532
	x2	.194	.203	.068	.958	.343	.816	1.225
	x3	.194	.124	.255	1.569	.123	.154	6.477

a. Dependent Variable: y

Table 4 shows VIF values for all variables X1, X2 and X3 or independent variables do not have values above the number 10, indicating results of the multicollinearity test., so this research study does not cause multicollinearity in all of these independent variables, The linear regression model meets classical assumption requirements, is free from multicollinearity, and is considered good.

d. The Test of Autocorrelation

Table 5 displays the Autocorrelation Test results.

Table 5. The Test Result of Autocorrelation

Model Summary ^b					
Type	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
1	.887a	.788	.775	.02064	2.507
a. Predictors: (Constant), x3, x2, x1					
b. Dependent Variable: y					

Table 5 shows a Durbin-Watson (dw) value of 2.507. Comparing this to the Durbin-Watson table (5% significance, k=3, N=56) yields dL=1.495 and dU=1.642.

The Durbin-Watson value (2.507) exceeds the upper limit (1.642) and is below 4-dU (2.358), indicating no autocorrelation issues. The research is therefore valid to continue.

3.3. Multiple Regression Analysis

Table 9 displays the Multiple Regression Analysis test results.

Table 6. The Test Result of Multiple Regression

Coefficients ^a						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.096	.094		-1.022	.312
	x1	.816	.204	.652	3.994	.000
	x2	.194	.203	.068	.958	.343
	x3	.194	.124	.255	1.569	.123
a. Dependent Variable: y						

Table 6 provides the basis for formulating the regression equation:

$$\alpha + b_1X_1 + b_2X_2 + b_3X_3 + e = Y$$

$$0.096 + 0.816 X_1 + 0.194 X_2 + 0.194 X_3 + e = Y$$

The description of the regression analysis formula above is:

Y = Change of Jakarta Islamic Index as Dependent Variable

α = Constant

X1 = Change of Idx Composite - Independent Variable

X2 = DAR - Independent Variable

X3 = Change of the share price of JII issuer – Independent Variable

e = Error term

The regression equation can be articulated as follows:

- 1) A coefficient of -0.096 means that, assuming all else is constant, the Jakarta Islamic Index will be -0.096% when the variable is zero.
- 2) The IDX Composite coefficient of 0.816 indicates that a one-unit increase in IDX Composite will increase the Jakarta Islamic Index by 0.816%, assuming all else is constant.
- 3) The DAR coefficient of 0.194 indicates that a one-unit increase in DAR will increase the Jakarta Islamic Index by 0.194%, assuming all else is constant.
- 4) The coefficient of 0.194 also indicates that a one-unit increase in JII issuers' stock price will increase the Jakarta Islamic Index by 0.194%, assuming other variables remain constant.

F-Test/Simultaneous Test

Table 7 presents the findings from the test that investigates the collective impact of independent variables on the dependent variable, thereby substantiating model of the research.

Table 7. The Test Result of Simultaneous

ANOVAa						
Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.082	3	.027	64.291	.000b
	Residual	.022	52	.000		
	Total	.104	55			

a. Dependent Variable: y
 b. Predictors: (Constant), x3, x2, x1

The F-test results (Table 7) show a significant value ($0.000 < 0.05$), indicating the regression equation is valid and reliable. This confirms a joint influence of independent variables X1, X2, and X3 on dependent variable Y.

a. Determination Coefficient Test (R²)

Table 8 displays the Coefficient of Determination (R²) test results, indicating the influence of the variable model on the research.

Table 8. The Test Results of Determination s

Model Summary				
Type	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.887a	.788	.775	.02064

a. Predictors: (Constant), x3, x2, x1

Table 8 shows an R Square value of 0.788, indicating that 78.8% of the variation in the dependent variable is explained by independent variables X1, X2, and X3, while 21.2% is attributed to other factors outside the model.

b. Results of Hypothesis Testing with t-Test

The t-test analysis was conducted utilizing a significance level of 5% with a sample size of 56 observations. The t-table value was computed as $t(0.025, 52) = 2.0066$. This value is juxtaposed against the significance values presented in Table 6 to evaluate the hypothesis:

- 1) The Jakarta Islamic Index (Y) is positively impacted by variations in the IDX Composite variable (X1). The analysis demonstrates that the t-calculated value surpasses the t-table value ($2.0066 > 1.9804$), signifying a substantial effect of X1 (independent variable) on Y (dependent variable). Therefore, the hypothesis test deduces that H0 is rejected, while Ha is accepted.
- 2) The Jakarta Islamic Index (Y) is unaffected by the Debt Asset Ratio (DAR) variable (X2). The analysis indicates that the t-calculated value is inferior to the t-table value ($0.958 < 1.9804$), revealing no significant effect of X2 (independent variable) on Y (dependent variable). Consequently, the hypothesis test findings affirm that H0 is accepted, and Ha is rejected.
- 3) The Jakarta Islamic Index (Y) is not influenced by fluctuations in the share price of JII issuers (X3). The analysis reveals that the t-calculated value is below the t-table value ($1.569 < 1.9804$), indicating no significant effect of X3 (independent variable) on Y (dependent variable). Hence, the hypothesis test concludes that H0 is accepted, and Ha is rejected.

d. Results of Hypothesis Testing with Significant Test

Hypothesis testing criteria:

1. Sig < 0.05: Reject Ho, accept Ha (significant effect)
2. Sig > 0.05: Accept Ho, reject Ha (no significant effect)

The results test of significant from the table 6 above are:

- 1) Changes in the Jakarta Islamic Index (Y) are significantly influenced by changes in the IDX Composite Index (X1). This is evident from the significance value of variable X1, which is 0.000. Since $0.000 < 0.05$, it indicates a significant positive effect of X1 (independent variable) on Y (dependent variable). The hypothesis test result accepts Ha and rejects H0.
- 2) The Jakarta Islamic Index (Y) is not influenced by the Debt Asset Ratio (DAR) variable (X2). The significance value for X2 is 0.343, $0.343 > 0.05$, indicating no significance. This means there is no significant effect of X2 (independent variable) on Y (dependent variable). Thus, the hypothesis result states that Ha is rejected, and H0 is accepted.
- 3) There is no significant effect of changes in the share price of JII issuers (X3) on the Jakarta Islamic Index (Y). The significance value of X3 is 0.123, which exceeds 0.05 ($0.123 > 0.05$). This indicates that X3 (independent variable) does not influence Y (dependent variable). Consequently, the hypothesis result confirms that Ha is rejected, and H0 is accepted.

3.4. Discussion of the Result of Analysis Inter Variable

1. The Effect of Changes in the Idx Composite Index on Changes in the Jakarta Islamic Index

The t-test and significance test results show that the Jakarta Islamic Index (Y) is positively and significantly influenced by the Idx Composite Index (X1). In line with the research, Sofyan Halim (2021), the study found the JCI variable positively affects the Indonesian Islamic Index.

This study's findings align with previous research. Notably, Jakarta Islamic Index issuers are also listed on the JCI, making it logical that changes in the JCI would naturally influence the Jakarta Islamic Index.

2. The Effect of Financial Leverage on Changes in the Jakarta Islamic Index

The t-test and significance test reveal that Financial Leverage (X2) has no significant impact on the Jakarta Islamic Index (Y).

The OJK's 45% debt-to-asset ratio provision for Sharia securities doesn't impact the Jakarta Islamic Index (JII), suggesting issuers comply with this rule to remain listed. The JII's average annual changes (6.67-16.67%) show only 2-5 issuers enter or exit the index. Mayasari and Sindy (2019) found that Debt Asset Ratio (DAR) has an insignificant negative impact on Net Profit Margin (NPM) at PT Semen Indonesia (Persero) Tbk.

Jenal Jenal Alamsah and Ahmad Eko Adi's 2021 study found that Sharia stock prices are significantly influenced by Financial Leverage, specifically the Debt Equity Ratio.

This study's findings differ from the two previous studies due to differences in data analysis, specifically examining changes in the Jakarta Islamic Index and considering all JII issuers as the research object.

3. Effect of Changes in Stock Prices of JII Issuers on Changes in the Jakarta Islamic Index

The analysis results from the t-test and significance test indicate that the Y variable is not influenced by the X3 variable. This shows that changes in the share prices of Jakarta Islamic Index issuers do not affect changes in the Jakarta Islamic Index itself.

A previous study by Jenal Alamsyah and Ahmad Eko Adi (2021) found that sharia stock prices, as a dependent variable, were influenced by financial leverage, with inflation acting as a moderating variable. The study concluded that stock prices are significantly impacted by financial leverage but negatively influenced by inflation as a moderating factor. Mayasari and Sindy (2019) used Debt-to-Equity Ratio (DER) as the financial leverage measure. The stock price parameter for JII issuers analyzed in this research is the closing price of sharia stocks categorized under JII, which are actively traded. The analysis focused on the changes in issuer stock prices, Calculated as the difference between closing price at the end of one month and the closing price of the previous month during the research period.

The absence of an effect from the issuer's share price is attributed to the fact that most JII-category issuers are considered blue-chip stocks, similar to those in the LQ45 index. These are

prominent and well-established issuers, making their share price changes have minimal impact on fluctuations in the Jakarta Islamic Index.

5. Conclusion

The study concludes that changes in the Jakarta Islamic Index is positively and significantly affected by Idx Composite Index changes. However, changes in the Jakarta Islamic Index are not significantly affected by financial leverage or changes in the share prices of JII stock issuers. Despite this, the results of the F-test analysis reveal that changes in the Jakarta Islamic Index are significantly influenced collectively by the variables of changes in the Idx Composite Index, financial leverage, and changes in the share prices of JII stock issuers.

The variables examined in this study account for 78.80% of the influence on the Jakarta Islamic Index, leaving 21.2% attributable to other factors outside the research model. These may include other Islamic indices beyond JII or additional factors, representing a limitation of this study. Further research on JII and other sharia indices is recommended to address this gap.

Although various studies on Islamic indices and JII have produced differing results and conclusions, this research aims to contribute meaningfully to the body of knowledge. It is hoped that the findings will be beneficial to stakeholders with an interest in this area and add to the available literature through publications in reputable national and international journals.

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