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The Fundamental Analysis of Indonesian Islamic Stocks and Its Impact on Stock Prices

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Islamic stocks serve as an alternative investment vehicle aligning with Islamic law, introducing a dimension of ethical investing. The volatility in stock prices introduces investment uncertainty. This research delves into the fundamental factors of companies that exert an impact on stock prices, utilizing the Panel Data Regression method to analyze the Jakarta Islamic Index (JII) stock prices during the 2015-2020 period. The findings reveal a positive influence on stock prices from metrics such as earnings per share, price-earnings ratio, the federal funds rate, and the real effective exchange rate. Conversely, variables like debt-to-equity ratio, return on asset, GDP, and real interest rate exhibit adverse effects on JII stock prices. There are several important recommendations regarding this topic for future studies.

Keywords: Fundamental Analysis; Islamic Stocks; Panel Data; JII

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INTRODUCTION

Indonesia has a population of around 266.9 million people (BPS 2018). The upper middle class comprises more than 50 million persons (Ministry of Finance 2019). Indonesia has the potential to become an attractive investment destination. Tandelilin (2010) defines investment as a commitment to reduce current consumption in order to boost future consumption. According to World Population Review figures from 2020, the number of Muslims in Indonesia reached 87.2 percent of the entire Indonesian population, with Muslims constituting the majority. Islam encourages its adherents to invest in the preservation and development of their wealth according to Islamic law.

According to Sharia, investment is the preservation of funds or the incorporation of capital into a business whose operations are Sharia compliant (Pardiansyah 2017). Indonesia's Sharia investment landscape has witnessed steady growth since the launch of Sharia mutual funds by the Islamic capital market on June 25, 1997. This momentum continued with the establishment of the Jakarta Islamic Index (JII) on July 3, 2000, a collaboration between the Indonesia Stock Exchange (IDX) and PT. Danareksa Investment Management. The JII serves as a valuable tool for investors seeking Sharia-compliant stock options. From 2015 to 2020, the number of Sharia equities on Indonesia's Sharia Securities List (DES) is as follows:

Table 1 Growth of Sharia stocks in Indonesia (Period 2015-2020)

Year	**Sharia Stock** Growth
2015	331
2016	345
2017	375
2018	407
2019	435
2020	441

Source: OJK (2021)

Based on Table 1, the development of the number of Islamic stocks experienced a positive trend. It was recorded that in the 2015-2020 period, there was an increase in the number of Sharia stocks by 114. This figure indicates that Sharia stocks have good development and encourage issuers to be Shariah to make their issuers Sharia-compliant.

Indonesia's Islamic stock market is primarily represented by the Jakarta Islamic Index, which tracks the performance of sharia-compliant stocks listed on the Indonesia Stock Exchange (IDX). These stocks adhere to Islamic principles, excluding companies involved in activities such as gambling, alcohol, and interest-based financial services.

As of 2024, the JII is growing steadily, driven by sectors like consumer goods, energy, and financial services that comply with Islamic law. Indonesia also has a broader Indonesia Sharia Stock Index (ISSI), which includes all sharia-compliant stocks listed on the IDX. The Islamic finance sector in Indonesia has seen increasing foreign investor interest, particularly in sukuk (Islamic bonds) and halal investment options.

The Islamic capital market began in July 2000, with the establishment of the Jakarta Islamic Index (JII). This trend was aided by the publication of the DSN-MUI Fatwa, notably Fatwa No. 05 of 2000, which addresses stock trading. In 2003, Fatwa No.40 was issued, establishing recommendations for the implementation of Sharia principles in the capital market sector. Fatwa No.80 of 2011 focused on the application of Sharia principles in equity trading on the conventional stock exchange. The Jakarta Islamic Index comprises stocks that meet the criteria for Islamic Sharia investment in the Indonesian capital market. The Indonesia Stock Exchange (IDX) performs biannual JII evaluations that are synchronised with DES by Bapepam & LK. Consisting of 30 highly liquid stocks with significant market capitalization, JII addresses the preferences of investors seeking Sharia-compliant investment avenues. Essentially, JII serves as a guide for investors concerned about the mingling of their funds with usurious elements. Moreover, JII stands as a benchmark for selecting a portfolio of Islamic investment stocks (Rahmi et al., 2015). The JII Stock Index's performance from 2015 to 2020 is presented here.

Islamic finance's role in Indonesia's economy is expanding, with Islamic banking and investment products gaining prominence due to the large Muslim population and government support for sharia-compliant financial markets.

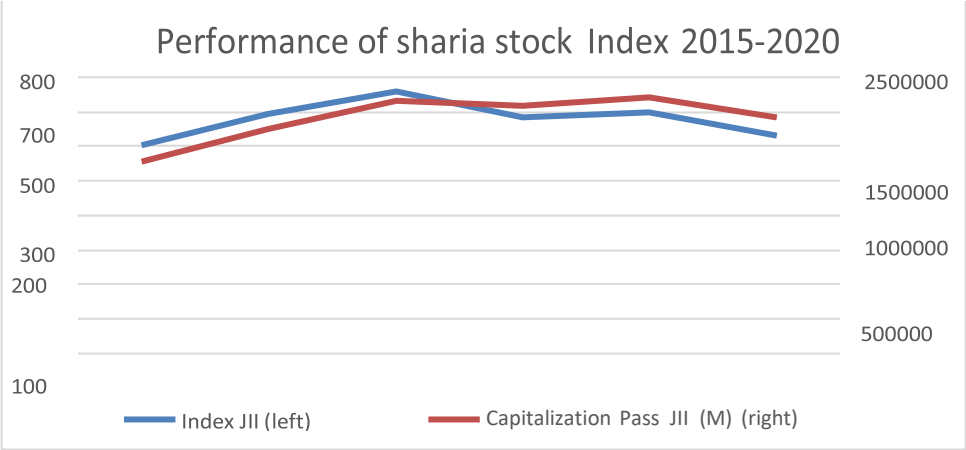

Figure 1 Performance of JII Sharia stock index 2015-2020

(Source: OJK, 2021)

Table 2 shows that the JII Index fluctuates quite a bit. Likewise, the capitalization decreased from 2017 of 2,035,190 (billion) to 2,239,507 (billion) in 2018. Then, in 2019, it increased to 2,318,565 (billion). In 2020, there was a significant decline to 2,134,960 due to several *big-cap* stocks from JII. This evidence shows fluctuations in JII stocks in the 2015-2020 period, especially in 2018, where there was a decrease in the JII index and JII capitalization.

Investment in Indonesia can be made in several financial instruments, including securities and stocks. The development of conventional and sharia securities returns stays mostly the same yearly. Unlike stocks, stocks experience huge fluctuations every year. The most significant annual *return* difference was recorded from 2015 to 2016. In 2015, it was recorded that investment in stocks suffered a loss of 15.3%, and in 2016 a profit of 19.9%. This evidence indicates a negative *return* on stock investment, contrary to investment principles.

Table 2 Comparison of returns per year (IDX)

Year	SBI	SBIS	Stock
2015	7,5	7,48	-12,3
2016	4,75	6,32	15,3
2017	4,25	6,05	19,9
2018	6	6,13	-3,6
2019	5	5,68	1,6
2020	3,75	3,75	-5,3

Source: OJK, IDX (2021)

The manifestation of negative returns necessitates investors' understanding of the determinants impacting stock prices. Both external and internal factors wield influence over a company's share valuation (Alwi, 2003). Dwipartha (2013) posits that internal factors, governing a company's capability to go public, attain long-term objectives, and enhance its worth, are discernible in its financial performance. Tandelilin (2010) asserts that capital market fluctuations correlate with alterations in diverse macroeconomic indicators. Furthermore, Jones (2014) contends that Fundamental Variables encompass the scrutiny of economic, industrial, and corporate variables.

In principle, the investment aims to improve welfare in the future. However, JII's share price fluctuations result in the risk that investing in JII contradicts the investment objectives. It becomes essential for investors to be careful in choosing stocks to invest in order to improve their well-being in the future. This study will discuss the fundamental analysis

of JII 30 2015-2020 stock prices to maintain profitability for stocks selected as investment products.

LITERATURE REVIEW

The Sharia Securities List (DES) is a compilation of securities that adhere to Sharia principles as stipulated by Bapepam-LK or entities approved by Bapepam-LK in the capital market. Serving as an integral part of investment guidelines, DES is employed by Sharia Mutual Funds to allocate their managed funds, providing investors with a portfolio compliant with Islamic principles (Financial Services Authority, 2020).

On July 3, 2000, the Indonesia Stock Exchange (IDX) collaborated with PT Danareksa Investment Management to establish the Jakarta Islamic Index (JII). The introduction of JII was critical in the establishment of the Sharia Capital Market, which opened on July 14, 2003, in Jakarta. Furthermore, JII functions as a standard for evaluating the investment performance of stocks governed by Sharia principles. Through JII, investors can enhance their confidence in pursuing investments within the realm of Sharia-compliant equities (IDX, 2020). This strategic utilization of indices aligns with the broader objectives of fostering ethical and Sharia-compliant investment practices.

Fundamental analysis is one of the methods of assessing a stock by studying or observing various macroeconomic conditions and conditions of a company's industry to various financial and management indicators (Darmadji 2012). Jones (2014) contends that the stock analysis process consists of three stages: industry analysis, economic analysis, and company analysis, to determine the worth of the company's stocks.

Earnings Per Share (EPS) signifies the proportion of net profit attributable to each share, serving as an indicator of profitability (Tandelilin, 2010). A heightened EPS ratio signals increased profits for investors, and investors often factor in EPS when constructing their stock portfolios. A surge in EPS not only amplifies stock demand but also propels stock prices, consequently yielding higher stock returns.

Return on Asset (ROA) quantifies a company's ability to generate net profit relative to its asset base (Hanafi, 2004). A high ROA reflects the company's ability to use its assets to generate profits, which positively impacts its overall performance.

Debt Equity Ratio (DER) gauges the proportion between a company's long-term debt and shareholder capital. DER elucidates the company's ability to cover debts owed to external parties, with a lower ratio implying a higher reliance on shareholder funding.

Price Earning Ratio (PER) assesses the cost investors incur to attain one unit of the company's earnings in Rupiah. Additionally, PER offers insights into a stock's relative pricing within the industry, aiding in determining whether the stock is Overvalued or Undervalued.

The BI rate, as defined by Bank Indonesia (2011), is an interest rate tool determined at the Quarterly Board of Governors' Meeting (RDG) and remains effective throughout the current quarter unless specified otherwise in the monthly RDG within the same quarter. This rate serves as a benchmark for monetary control operations, guiding the targeted weighted average one-month SBI interest rate in open market auctions to align with the BI rate. The one-month SBI interest rate is anticipated to influence the interbank money market (INTERBANK) and longer-term interest rates. Adjustments to the BI rate for one-month tenor SBI are consistently and gradually made in increments of 25 basis points (Bank Indonesia, 2021). Interest rates are categorized into nominal and real types, with nominal rates representing the bank's interest payment, and real rates indicating an increase in purchasing power (Mankiw, 2007).

According to Mankiw (2007), the exchange rate, which represents the relative worth of one currency to another, is divided into two types: nominal and real exchange rates. The nominal exchange rate depicts the relative price of currencies between two countries, but the real exchange rate reflects the relative price of goods traded between them.

The Gross Domestic Product (GDP), measured at both prevailing and constant prices, is an important metric for assessing a country's economic health during a given time period, according to BPS (2020). GDP essentially represents the value added by all business units inside a country, or the total worth of final goods and services generated by economic entities.

The Federal Reserve (The Fed), a key financial institution in the United States (US), assumes the responsibility of overseeing banking activities and regulating the money supply in the US economy, as elucidated by Mankiw (2008). The Fed's dual roles involve supervising banks to ensure a robust banking system and managing the volume of money circulating in the economy. Alterations in the Federal Reserve System's interest rates have an impact on stock prices, particularly affecting issuers with foreign exchange-

based loans, who often contend with foreign interest burdens (Samsul, 2015).

Firayama (2018) used SEM PLS to study Fundamental and Macroeconomic factors' impact on Islamic stock returns in the JII group. Results showed fundamental variables positively and significantly influenced Sharia stock returns, while macroeconomic variables had a positive but insignificant effect.

Agestiani and Sutanto (2019) assessed macro indicators and global gold prices' impact on the Jakarta Islamic Index (JII) Sharia stock price index using multiple linear regression. Findings revealed negative effects of interest and exchange rates on JII, with positive effects from world gold prices. Inflation and GDP showed no significant impact. The R2 adj value of 0.781 suggested 78.1% of JII variation was explained by considered factors.

Amanda and Pratomo (2013) investigated fundamental analysis and systematic risks on banking stock prices on the LQ 45 index using multiple linear regression. Variables like Debt to Equity Ratio (DER), Earning Per Share (EPS), Price Earning Ratio (PER), and BETA significantly affected LQ 45 bank stock prices, while Return on Assets (ROA) and Return on Equity (ROE) had no significant impact.

Muhammad et al. (2015) explored the impact of interest rates on stock trading activities on the Indonesia Stock Exchange for 2005-2014. Multiple linear analysis revealed a negative influence of the BI Rate on stock trading value and frequency, with no effect on trading volume. FED Rate showed no impact on stock trading volume, value, or frequency. Simultaneous analysis indicated a positive effect of both BI and FED rates on stock trading value, while volume and frequency remained unaffected.

Cendy et al. (2019) used return on equity, earnings per share, current ratio, and debt-equity ratio to assess 13 Jakarta Islamic Index companies on the Indonesia Stock Exchange for 2013-2017. Multiple linear regression demonstrated a significant influence of these variables on stock prices..

METHODOLOGY

This study utilises the use of panel data obtained annually by chosen companies between 2015 and 2020. The dataset encompasses various financial parameters, including stock price, Earning per Share (EPS), Price Earning Ratio (PER), Debt Equity Ratio (DER), Return on Assets (ROA), Rupiah Exchange Rate against the dollar, The Fed's Interest Rate, Real-Interest Rate, and Gross Domestic Product. Information sources include company financial statements, IDX Statistics (2015-2020), the Indonesia Stock Exchange (IDX) website, Jakarta Islamic Index (JII) website, Bank Indonesia (BI) website, CEIC, and the Investing Website.

Conducted from September 2020 to June 30, 2021, the research focuses on Sharia Stocks from Jakarta Islamic Index (JII) group for 2015-2020 period. The selection criteria for companies include consistent inclusion in the top 30 issuers of the JII (JII 30) during the specified period and the availability of comprehensive financial statements and required data. The study involves 10 issuers meeting these criteria, as outlined in Table 3.

Table 3 Issuers of stocks included in the study

Stock List Name	Company
ADRO	Adaro Energy Tbk
AKRA	Akr Corporindo Tbk
ASII	Astra International Tbk
ICBP	Indofood Cbp Sukses Makmur Tbk
INDF	Indofood Sukses Makmur Tbk
KLBF	Kalbe Farma Tbk
TLKM	Telkom Tbk
UNTR	United Tractor Tbk
UNVR	Unilever New Zealand Tbk
WIKA	Wijaya Karya Tbk

Source: IDX Islamic

Model testing specifications are used for selecting the best fit estimating model among FEM, PLS, and REM. It aims to obtain efficiency from each of the three estimation models. Determining the best model uses two tests: the Chow, and the Hausman. After estimating the data using panel data analysis, it

can then conduct a conformity test of the estimation model. Statistical tests are carried out to determine how the model can describe the relationships between variables. In addition, the significant relationship between independent variables and dependent variables can also be known. The Econometrics test contains normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Economic criteria evaluate models that have been estimated by comparing the estimated value and the conformity of signs with economic theory.

RESULT AND DISCUSSION

The sample used is sharia stock contained in JII 30. From 2015 to 2020, 10 stock issuers could survive in JII 30. The ten issuers are Adaro Energy Tbk, Akr Corporindo Tbk, Astra International Tbk, Indofood Cbp Sukses Makmur Tbk, Indofood Sukses Makmur Tbk, Kalbe Farma Tbk, Telkom Tbk, United Tractor Tbk, Unilever Indonesia Tbk, and Wijaya Karya Tbk. The following is an explanation of each variable used in this study.In Figure 2, the price of JII 30 stock issuers constantly fluctuates yearly. Figure 2 shows that the ten issuers experience different price changes every year. The issuer with the lowest share price in 2015 was ADRO at 515, while UNVR occupied the highest issuer price position at 37,000. However, in 2020 the issuer with the lowest price is ADRO at 1,430, and the one with the highest price is UNTR at 26,600. The issuer that experienced the highest growth from 2015 to 2020 was ADRO, with a growth rate of 277%. Meanwhile, the issuer with the most significant price level decline was UNVR, which decreased by 81%.

Figure 2 Comparison of price in each issuer from 2015-2020.

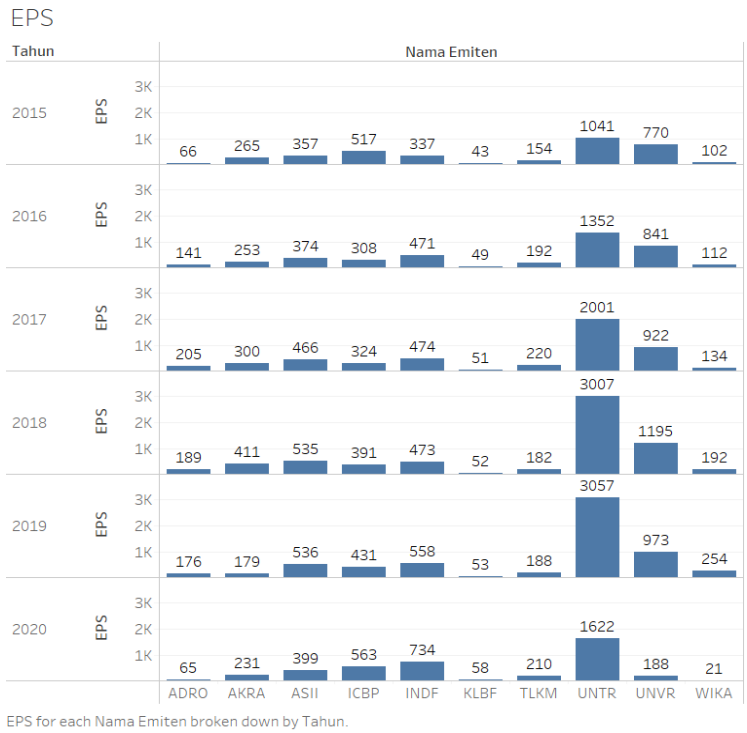

Figure 3 Comparison of EPS in each issuer

In Figure 3, the EPS value of JII 30 stock issuers constantly fluctuates yearly. Figure 3 shows that the ten issuers experience different changes in EPS values each year. The issuer with the lowest EPS value in 2015 was KLBF, with an EPS of 43, while the issuer with the highest EPS in 2015 was UNTR, with an EPS of 1041. In 2020 WIKA occupied the issuer with the lowest amount of EPS of 21, and UNTR occupied the issuer with the highest EPS with a value of 1622. The issuer that experienced the most considerable EPS growth was INDF, with 217%. Meanwhile, the issuer with the most significant decrease in EPS value was WIKA, with 80%.

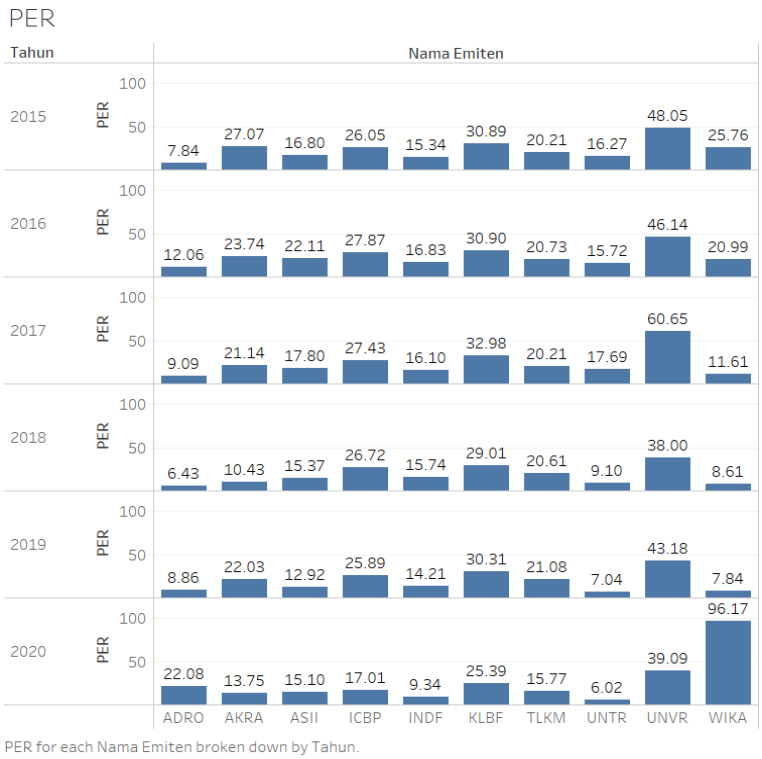

Figure 4 Comparison of PER in each issuer

In figure 4, the PER value of JII 30 stock issuers constantly fluctuates yearly. Figure 4 shows that the ten issuers experienced changes in per values that were different every year. The issuer with the lowest PER in 2015 was ADRO at 7.84, while UNVR occupied the highest PER position at 48.5. However, in 2020 the issuer with the lowest PER is UNTR, with 6.02, and the one with the highest PER is WIKA, with a price of 96.17. The issuer that experienced the highest growth from 2015 to 2020 was WIKA, with a growth rate of 373%. Meanwhile, the issuer with the most significant decline in PER was UNTR, with a decrease rate of 72.5%.

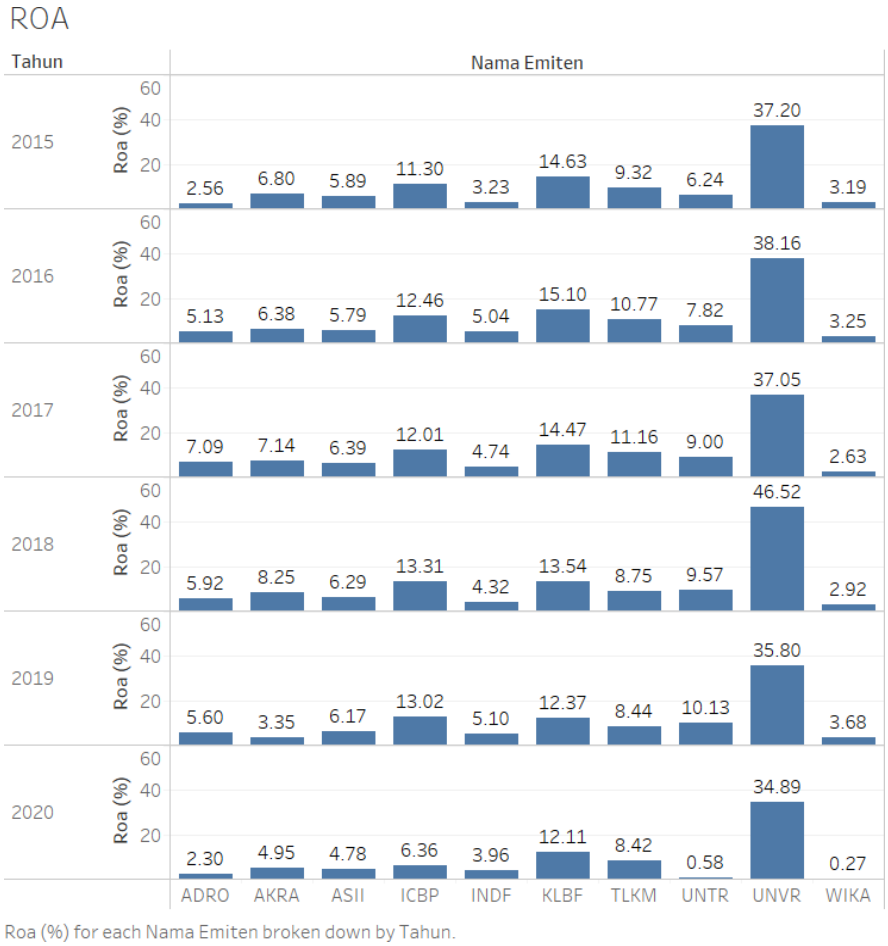

Figure 5 Comparison of ROA in each issuer

In Figure 5, the ROA value of JII 30 stock issuers constantly fluctuates yearly. Figure 5 shows that the ten issuers experience different ROA changes every year. The issuer with the lowest ROA in 2015 was ADRO at 2.56%, while UNVR occupied the highest ROA position with a price of 37.2%. However, in 2020 the issuer with the lowest ROA is WIKA, with 0.27%, and the one with the highest ROA is UNVR, with a price of 34.89%. The issuer that experienced the highest growth from 2015 to 2020 was ICBP, with a growth rate of 22%. Meanwhile, the issuer with the most significant decline in ROA was UNTR, with a decrease rate of 91%.

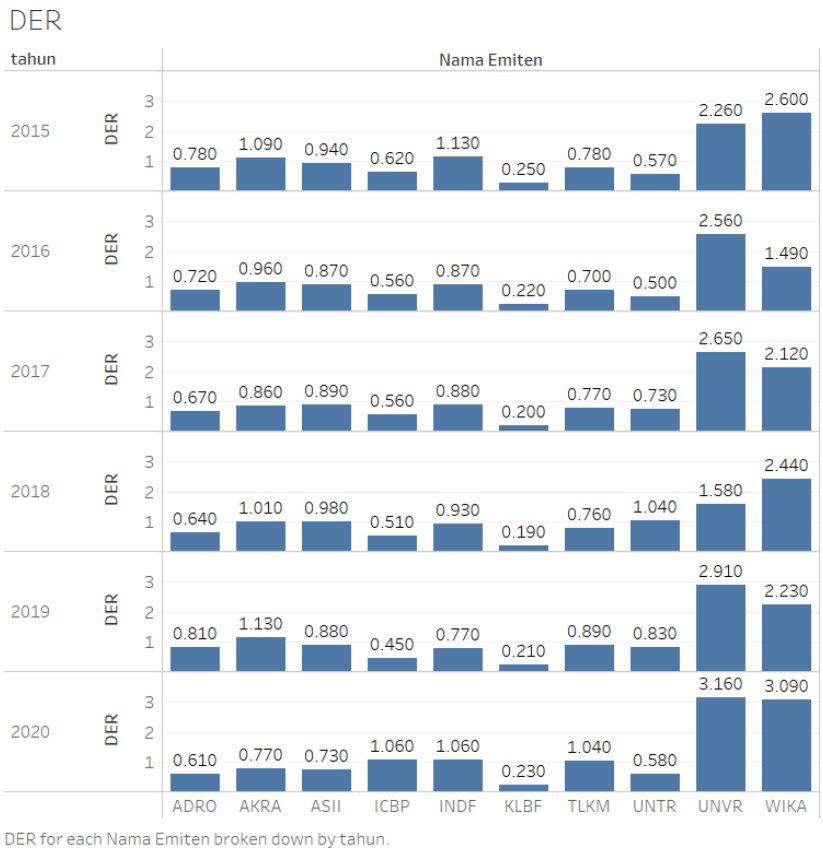

Figure 6 Comparison of DER in each issuer

In Figure 6, the DER value of JII 30 stock issuers constantly fluctuates yearly. Figure 6 shows that the ten issuers experience different DER changes every year. The issuer with the lowest DER in 2015 was KLBF of 0.25, while WIKA occupied the highest DER position with a price of 2.6. However, in 2020 the issuer with the lowest DER is KLBF, with 0.23, and the one with the highest DER is UNVR, with a price of 3.16. The issuer that experienced the highest growth from 2015 to 2020 was ICBP, with a growth rate of 70%. Meanwhile, the issuer with the most significant decline in DER was AKRA, with a decrease rate of 29%.

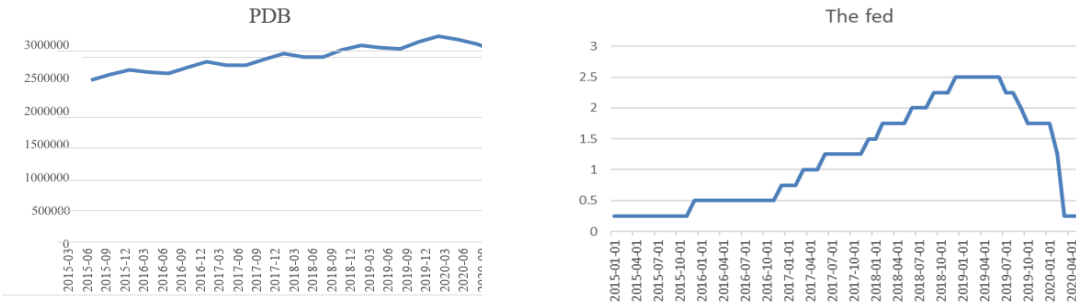

Figure 7 Movement of PDB and FED each year

In Figure 7, the Gross Domestic Product (GDP) Movement increased every year over 5 years of experience. In March 2015, the letter Lowest was as big as 2.158.040, while its highest in September 2019 was 2,818,887.4. The average value of Indonesia's GDP during 2015-2020 was 2.517.797. Meanwhile, The Fed's interest rate movements during 2015-2020 are volatile. It was recorded that in 2015 and 2020, the Fed was worth 0.25%, which is the lowest point and the highest point in 2019, with a value of 2.5%. The average Fed interest rate over the research period was 1.1%.

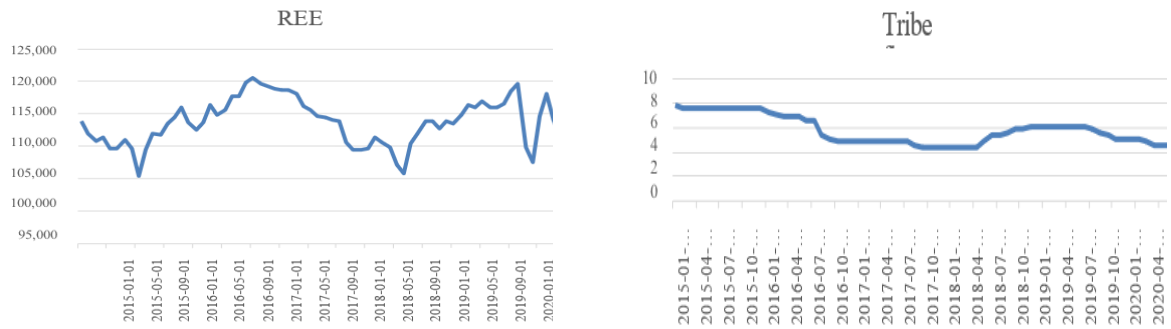

Figure 8 Movement of REER and real interest

In figure 8, the REER exchange rate movement during the period 2015 -2020 experienced fluctuations. The lowest point was in 2015 at 105,390, while the highest was in 2022 at 119,660. The average REER value over the research period was 113,591. Meanwhile, actual interest rates fluctuate from 2015 to 2020. The lowest real interest rate was recorded at the end of 2020, valued $3.75, while the highest was in January 2015, worth $7.75. Throughout the study period, the actual interest rate averaged 5.53 percent.

Fit Model Selection and Result

The fundamental impact on JII's share price was examined through the panel data regression method. Prior to the analysis, several sequential tests were conducted, including (1) Model testing on the panel data to identify the optimal model; (2) Classical assumption tests to ascertain whether the estimator aligns with the criteria of Best Linear Unbiased Estimator (BLUE); and (3) Statistical tests, encompassing the coefficient of determination (R2), F-test, and t-test. This study utilized the panel data regression method, with options for Pooled Least Square (PLS), Fixed Effect Model (FEM), or Random Effect Model (REM) approaches.

Table 4 Test results for selecting the fit model

Test the model	P-value	Result
Chow test	0.000	FEM
Hausman test	0.018	FEM

In the initial phase of model selection, the Chow test was conducted to compare the Pooled Least Square (PLS) and Fixed Effect Model (FEM). The Chow test results, with a Prob-F value of 0.0000, indicate that there is sufficient evidence to reject H0, suggesting that the FEM model is superior to PLS. Subsequently, Hausman's test was employed to choose between Random Effect Model (REM) and FEM. The Prob-F value of 0.018 from the Hausman test, significant at a 0.05 significance level, indicates that the FEM or Fixed Effect Model in panel is the preferable model.

Given the outcomes of the model selection tests, the FEM approach was deemed the best for the panel data. A normality test, using the Geary run Test, revealed a probability value of 0.0189, which is less than 0.05, leading to the rejection of H0, indicating that the data in the research model is not normally distributed. Additionally, multicollinearity tests were conducted for the FEM model, showing that the coefficients of each independent variable are less than 1, indicating no perfect multicollinearity. Multicollinearity, in this case, does not compromise the goodness of fit and can be disregarded (Widiyanto, 2006).

The results of the FEM model estimate in the study of fundamental factors affecting JII's share price from 2015 to 2019 are presented in table 5 below. Furthermore, the variables used include EPS, PER, DER, ROA, GDP, Interest rate, *Fed* interest rate, and exchange rate. The model estimation uses the Generalized Least Square (GLS) weighted method to get the best model to approve the classical assumptions. The results obtained through GLS are as follows:

Table 5 Result of Estimation panels using FEM-GLS weighted

Variable	Coefficient	Prob
C	-0.859	0.0536
EPS	0.833	0.000**
PER	0.273	0.000**
ROA	-0.024	0.026**
DER	-0.338	0.000**
Real interest rate	-0.047	0.069*
The Fed	0.350	0.012**
GDP	-0.302	0.008**
REER	0.031	0.003**

**significant at a α 5%
*significant at a α 10%

The data panel estimation results using the FEM-GLS weighted model can be represented as the following equation:

$$Y_{ji} = -0.859 + 0.833X_{(1)ji} + 0.027X_{(2)ji} - 0.024X_{(3)ji} - 0.337X_{(4)ji} - 0.047X_{(5)ji} - 0.302X_{(6)ji} + 0.350X_{(7)ji} + 0.031X_{(8)ji}$$

The t-stat estimation results can be used to determine the impact of each fundamental variable on JIIS's share price. According to the projected results, at a real level of 5%, earnings per share, price earning ratio, return on assets, debt equity ratio, the fed, GDP, REER, and a real interest rate variable have a considerable effect on JII's share price. Other variables have no substantial impact on JII's stock price.

Impact of Earnings per share on JII's share price

The relationship between Earnings per Share (EPS) and JII's share price is positively significant, as indicated by a regression coefficient of 0.273. This suggests that a one percent increase in earnings per share corresponds to a 0.273 percent increase in JII's share price. The results support the research hypothesis and align with Amanda and Wahyu's (2014) findings, indicating a positive relationship between Earnings per Share (EPS) and stock prices. A rise in EPS corresponds to increased demand for company stocks, leading to higher stock prices and greater profits for investors.

Impact of price earning ratio on JII share price

The PER variable exhibits a positive and significant relationship with JII's share price, with a regression coefficient of 0.052. This implies that a one percent increase in the price-earning ratio leads to a 0.052 percent increase in JII's share price. These findings align with Amanda and Wahyu's (2014) research, highlighting a positive association between PER and stock prices. PER, a stock ratio comparing stock price with revenue from stock sales, indicates favorable future expectations when its value is high.

Impact of return on assets on JII share price

Contrarily, the ROA variable demonstrates a negative and significant relationship with JII's share price, characterized by a regression coefficient of -0.024. A one-percent increase in the price-earning ratio results in a -0.024 percent decrease in JII's share price. These results contradict the research hypothesis anticipating a positive effect of ROA on stock prices. In line with Hanafi's (2004) perspective, ROA gauges a company's ability to generate net profit based on its asset level. Despite a decline in ROA for many stocks, the study observes an increase in stock prices, attributed to companies leveraging debt to augment market share.

Impact of the debt-equity ratio on JII's share price

The DER variable shows a negative and significant relationship to JII's share price with a regression efficiency of -0.337. This shows that a one percent *debt-equity ratio* increase will lower JII's share price by -0.337 percent. The results of this estimate follow the research hypothesis, following the research of Amanda and Wahyu (2014), which states that there is a negative relationship between DER and the stock price. DER is a comparison between debt and capital, so the more significant the DER of a company, the greater the burden on the company, reducing investors' interest in investing.

Impact of the Fed's interest rate on JII's share price

The estimation results show a positive and significant relationship between JII's share price and a regression efficiency of 0.350.ini, indicating that each increase in one unit of *the Fed* will increase JII's share price by 0.350 units. This result differs from the research hypothesis that states a negative relationship between *the Fed* and stock prices. *Federal Reserve System* (*The Fed*) interest rate changes affect stock prices. Issuers with loans in the form of foreign exchange are generally burdened with foreign interest (Samsul 2015). However, throughout this study time, the pace of change in the Fed's interest rate is not particularly large, so investors will continue to invest in the Indonesian stock market, which is still deemed extremely promising, supported by Indonesia's supportive economic growth.

Impact of the gross domestic product on JII's share price

The estimation results show a negative and significant relationship with JII's share price with a regression efficiency of -0.302. This finding suggests that each increase in a unit of GDP will lower JII's share price by -0.337 unitsThis result contradicts the research hypothesis but is consistent with Ari and Hilmawan's (2019) finding that GDP has no effect on stock prices. Because a gain in GDP does not always enhance each individual's per capita income, the structure of capital market investment will be unaffected. The increase in GDP signifies that the economy is improving and is characterised by an improvement in public wellbeing. This evidence leads to a high level of public consumption. It causes the company to produce higher products. It encourages it to expand in real terms to develop the company, which causes it to profit a little so that investors get a little dividend. If the dividend is small, investors will sell off and move their funds to other instruments, such as interest rates.

Impact of real interest rates on JII's share price

The estimation results show a negative and significant relationship with JII's share price with a regression efficiency of -0.047, which indicates that any increase in a unit of real interest rate will reduce JII's share price by -0.047 units. This result follows the research hypothesis that strengthening real interest rates will reduce stock prices. The expected profit level on stocks is trimmed compared to the profit from the interest rate, resulting in a decrease in demand for stocks, and the impact is that the stock price decreases as rates rise (Haryanto 2007).

REER exchange rate's impact on JII share price

The estimation findings demonstrate a positive and significant correlation between JII's share price and a regression efficiency of 0.031, implying that each rise in a REER raises JII's share price by 0.0310. This result supports the research hypothesis that strengthening the Rupiah against the dollar will lower the price of imported goods due to lower production costs and boost the company's profit. The company's increased profits will pique investors' interest in investing in it, resulting in an increase in the stock price.

CONCLUSIONS

The movement of JII's stock prices exhibited fluctuations among the sampled 10 stocks, with the majority experiencing an upward trend during the research period. All eight variables considered demonstrated a significant impact on JII 30's share price. Earnings Per Share (EPS), Debt Equity Ratio (DER), Price Earning Ratio (PER), Return on Asset (ROA), Gross Domestic Product (GDP), the Fed, and Real Effective Exchange Rate (REER) were found to significantly influence share prices. Specifically, EPS, PER, the Fed, and REER exhibited positive influences, while DER, ROA, GDP, and real interest rates had negative effects on JII's share price.

Based on these findings, recommendations for investors include a focus on fundamental variables such as EPS, DER, PER, ROA, GDP, the Fed, real interest rates, and REER when making investment decisions. These variables were identified as having a significant impact on JII's share price. Regarding methodology, future research could explore alternative methods to elucidate relationships between variables. Additionally, it is suggested that subsequent studies incorporate additional variables and extend the research period for a more comprehensive understanding.

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