



The Effect of Inflation Rate, Exchange Rate, The Certificate of Bank Indonesia (SBI) Interest Rate and Sharia Stock Trading Volume on Sharia Stock Performance in Companies Listed on the Indonesian Sharia Stock Index (ISSI)

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<http://dx.doi.org/10.18415/ijmmu.v8i3.2494>

Abstract

This study aims to determine and analyze the effect of the inflation rate, exchange rate, SBI interest rate and Sharia stock trading volume on the performance of Sharia stocks in companies listed on the Indonesian Sharia Stock Index. In this study, a research model was created using Sharia stock performance as the dependent variable. While the independent variables are the inflation rate, exchange rate, certificate of Bank Indonesia (SBI) interest rate and Sharia stock trading volume. The research method used is quantitative research method with multiple regression models using panel data. The research object employs Sharia stocks from companies that are in the Indonesian Sharia Stock Index (ISSI), namely Sharia stocks that are listed on the stock exchange, active, and meet the requirements of the Capital Market in Indonesia during the period January 2014 to December 2018. The object of this research includes all 392 companies using purposive sampling technique. Further, the samples used are 278 companies that meet the requirements. Based on the results, it shows that the inflation rate has no effect on the performance of Sharia stocks. Next, the exchange rate and the SBI interest rate have a significant negative effect on the performance of Sharia stocks, while the trading volume of Sharia stocks has no effect on the performance of Sharia stocks.

Keywords: *Inflation Rate; Exchange Rate; SBI Interest Rate; Sharia Stock Trading Volume; Sharia Stock Performance*

Introduction

1. Introduction

1.1 Background

The capital market has a significant role in a country's economy because it can facilitate the demand and supply of capital for the interests of industry and other entities in the country concerned. In facilitating the demand and supply of capital, the capital market has two functions, namely an economic

function and a financial function. As an economic function, the capital market facilitates the transfer of funds from parties that have excess funds to parties which requiring funds. Parties who have funds will get returns and parties who need funds can invest without waiting for funds from the results of their company's operations. Thus, there was a process of increasing prosperity. Meanwhile, the financial function, the capital market, provides the funds needed by parties who need capitals from parties that have excess funds, but they do not have to be directly involved in ownership of real assets in these investments (Husnan, 2015).

One form of investment offered through the capital market is sharia securities which carry out its activities in accordance with sharia principles. The development of sharia securities carried out on the capital market in Indonesia aims to accommodate the needs of Muslims in Indonesia who wish to invest in accordance with sharia principles and at the same time are expected to involve their participation as the main investors in the Sharia capital market.

The presence of sharia securities in the capital market can be utilized to optimize the use of sources of funds for sharia banking and sharia insurance, and the presence of these sharia securities is expected to be able to overcome the liquidity problem of the sharia financial industry. The effect of sharia on the capital market in Indonesia is expected to play a big role for the Indonesian economy. By utilizing the effect of sharia on the capital market in Indonesia, it is hoped that economic activities in Indonesia will increase.

In order for this hope to be achieved, it is necessary to have policy arrangements that can encourage the development of the performance of sharia securities, especially the performance of Sharia stocks on the capital market in Indonesia by policy makers, namely the Government, the National Sharia Council-MUI, and the Financial Services Authority (OJK).

1.2 Problem Formulation

How does the inflation rate, exchange rate, SBI interest rate and the volume of Sharia stock trading affect the performance of Sharia stocks in companies listed on the Indonesian Sharia Stock Index for the period January 2014 to December 2018?

1.3 Research Objectives

To find out and analyze the effect of the inflation rate, exchange rate, SBI interest rate and sharia stock trading volume on the performance of Sharia stocks in companies listed on the Indonesian Sharia Stock Index for the period January 2014 to December 2018.

2. Literature Review

2.1 Basis of Research Theory

2.1.1 Capital Asset Pricing Model (CAPM)

The theory underlying in measuring the performance of Sharia stocks is a theory that is often used in measuring investment performance, namely the Capital Asset Pricing Model (CAPM) theory, which is a model that links the expected rate of return of a risky asset with the risk of that asset in a balanced market condition. From the CAPM, the Sharpe Index is derived to measure investment performance with total risk as an indicator.

2.1.2 Arbitrage Pricing Theory (APT)

The theory underlying in analyzing the influence of sharia trading activity factors and macroeconomic factors on Sharia stock performance is Arbitrage Pricing Theory (APT) which has the view that the expected return for a security will be influenced by several risk factors. These risk factors will indicate the general economic conditions, and are not a specific characteristic of the company, and these factors must be proven statistically.

2.2 Theoretical Framework

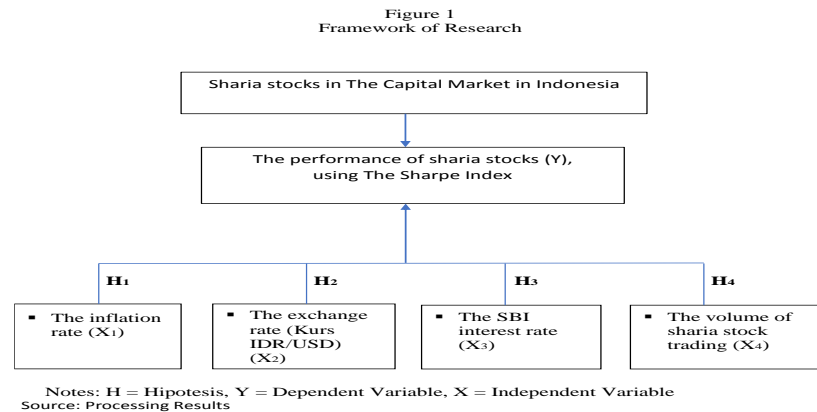


Figure 1. Framework of Research

2.3 Hypothesis

2.3.1 Inflation is the tendency to increase the price of goods and services in general and continuously. High inflation will result in a decrease in stock prices in the market, which will cause a decrease in stock returns and stock performance.

H1: Inflation rate has a negative effect on Sharia Stock Performance.

2.3.2 The exchange rate is the price level agreed by the two countries to trade with each other, or in other words, the price of a particular country's currency compared to the currencies of other countries (Mankiw, 2010). Changes in exchange rates will affect changes in share prices due to the effect of changes in exchange rates on company profits, which in turn will affect company revenues, costs and company stock prices (Singh, 2015). Thus, in the end it will affect the performance of the shares of the companies concerned.

H2: Exchange Rate has a negative effect on Sharia Stock Performance.

2.3.3 High interest rates can cause investors to withdraw their investment in stocks and transfer them to investments in the form of savings or deposits (Tandelilin, 2017), so that in the end it will affect stock prices, stock returns, and stock performance.

H3: The SBI Interest Rate has a negative effect on Sharia Stock Performance.

2.3.4 Sharia stock trading volume is the number of Sharia shares traded on the capital market at a certain time. A large volume of stock trading shows that the stock is in demand by investors. With the large number of enthusiasts, it indicates that the performance of the related Sharia stocks is high.

H4: Sharia Stock Trading Volume has a positive effect on Sharia Stock Performance.

3. Research Methodology

3.1 Research Object

In this study, the object of research is Sharia stocks from companies that are in the Indonesian Sharia Stock Index (ISSI), namely Sharia stocks that are listed on the stock exchange, active, and meet the requirements of the Capital Market in Indonesia during the period January 2014 to December 2018. The population of this research includes all 392 companies. By using purposive sampling technique, the sample used are 278 companies that meet the requirements.

3.2 Research Methods

The research method used in this research is quantitative research methods, with multiple regression models using panel data.

3.3 Research Model

In this study, a research model was created with the dependent variable being the performance of Sharia stocks. Meanwhile, the independent variables are the inflation rate, the exchange rate, the SBI interest rate and the volume of Sharia stock trading.

3.4 Data Analysis Methods

To analyse the data in this study, the following steps were taken, namely: panel data regression model estimation, stationary testing, classic assumption test, and hypothesis testing.

3.5 Measurement of Sharia Stock Performance with the Sharpe Index

Sharpe index is used in measuring the performance of Sharia stocks. The Sharpe index is derived from the Capital Asset Pricing Model (CAPM) Theory, which is calculated by dividing the investment risk premium by its standard deviation. To calculate the Sharpe Index, the following equation can be used:

$$\hat{S}_p = \frac{\bar{R}_p - RF}{\sigma_{TR}}$$

where:

\hat{S}_p = sharpe index

\bar{R}_p = the average return on investment p during the observation period

RF = the average risk-free return during the observation period

σ_{TR} = standard deviation of investment return p during the observation period

3.6 Regression Equation Model

The regression equation models used in this study are:

$$\text{PERFORMANCE}_{i,t} = \beta_0 + \beta_1 \text{INF}_t + \beta_2 \text{KURS}_t + \beta_3 \text{SBI}_t + \beta_4 \text{VOL}_{i,t} + \varepsilon_{i,t}$$

Description.

PERFORMANCE: Sharia Shares Performance

INF : Inflation rate

KURS : Exchange Rate of IDR/USD

SBI : SBI Interest Rate

VOL : Sharia Stock Trading Volume

 β_0 : Constants β : Regression coefficients of each independent variable ε : error (residual)**4. Finding and Discussion****4.1 Research Findings**

To determine the effect of the inflation rate, exchange rate, SBI interest rate and the volume of Sharia stock trading on the performance of Sharia stocks in companies listed on the Indonesian Sharia Stock Index, the results of statistical calculations obtained using EViews 10 are presented as follows:

Table 1. The Estimation Results of Pooled Least Square

Cross-sections included: 278

Total panel (unbalanced) observations: 16679

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.267970	0.402681	-0.665464	0.5058
INF	3.051927	8.101977	0.376689	0.7064
DKURS	-0.000772	0.000349	-2.212226	0.0270
DSBI	-10.99283	6.093670	-1.803975	0.0713
VOL	4.88E-05	7.96E-05	0.612684	0.5401

Source: Secondary Data Processing Results with Eviews 10

Thus, the regression results above can be described in the research model as follows:

$$\text{PERFORMANCE}_{i,t} = -0,267970 + 3,051927 \text{ INF}_{i,t} - 0,000772 \text{ DKURS}_{i,t} - 10,99283 \text{ DSBI}_{i,t} + 0,0000488 \text{ VOL}_{i,t} + \varepsilon_{i,t}$$

4.2 Discussion**4.2.1 Overview of Sharia Stock Performance in the Capital Market in Indonesia**

The performance of Sharia stocks on the capital market in Indonesia using a risk adjusted return measuring tool, namely the Sharpe Index, it can be seen that the value of the Sharpe Index ranges between -1.046,338 and 1,150,818 with an average value of -0.109645 with a standard deviation of 17, 03258. The development of the performance of Sharia stocks tends to decline and fluctuate with the largest average performance of Sharia stocks in the Indonesian Capital Market in 2014, which was 0.32 and the smallest in 2018 was -0.43.



Source: Processed from Indonesian Financial Service Authority (OJK), IDX, and Yahoo Finance
Figure 2. Performance of Sharia Shares on The Capital Market in Indonesia for the Period 2014-2018

The development of sharia stock performance which tends to decline and fluctuate can be explained by the results of the National Financial Literacy survey which states that the majority of Indonesians, more than 90%, are still unfamiliar with the capital market. The survey shows that the number of Indonesian occupants who use capital market instruments is still relatively small, amounting to less than 1%. From the description of the survey results referred to, it can be assumed that the level of literacy and utility of Sharia securities products which are part of the capital market in Indonesia is still very small (OJK, 2015).

If we associate it to global conditions, the development of sharia stock performance which tends to decline and fluctuate in the period 2014 to 2018 can be caused by government and Bank Indonesia policies in implementing economic stabilization, by raising interest rates, cutting budget deficits and let the rupiah move to follow the market. This policy was taken to deal with rising interest rates from the Central Bank of the United States (The Federal Reserve), trade wars, and geopolitical instability.

In the period 2014 to 2018, the rupiah depreciated from Rp. 11,404, - per US dollar to reach Rp. 15,227, - per United States dollar. The weakening of the rupiah was due to the normalization of monetary policy in the United States, which had an impact on the return of capital flows to the United States from Emerging Economies (EM) countries, including from Indonesia, resulting in a hit and weakening of the rupiah exchange rate. In facing these conditions, the Indonesian government and Bank Indonesia decided to choose stability over economic growth (Basri / katadata, 2019).

By the weakening of the rupiah against the value of the United States dollar, it has an effect on changes in stock prices, including Sharia stock prices. This is due to the effect of the weakening rupiah exchange rate per US dollar on company profits. Changes in the exchange rate affect the competitiveness of the company, which in turn will affect the company's revenue, costs, share price, and the company's stock performance. Thus, in the period 2014 to 2018 in general there was a decline in the performance of Sharia stocks on the capital market in Indonesia. This exhibits that at this time the conventional economic system still affects the performance of Sharia stocks.

4.2.2 The Influence of Inflation Rate on Sharia Stock Performance in Capital Market in Indonesia

The results of this study indicate that the regression coefficient on the Inflation Rate variable shows a positive value of 3.052, which means that for each additional 1% inflation rate, the Sharia Stock

Performance index will increase by 3.052. From this research, the results obtained from the value of $t_{\text{count}} > -t_{\text{table}}$, namely $0.377 > -1.645$, so that H_0 is accepted with a significance level of 10%. Thus the results of this test indicate that the Inflation Rate has no negative effect on the Performance of Sharia Shares in the Indonesian Capital Market.

Several previous studies, whose results are in line with this study, including:

- Research conducted by Charles Barnor (2014) shows that the inflation rate does not significantly affect stock market returns in Ghana.
- Research conducted by Slah Bahloul, Mourad Mroua, and Nader Naifar (2016) shows that the inflation rate has no effect on the Sharia stock index.
- Research conducted by Mia Laksmiwati (2017) shows that the inflation rate does not affect the volatility of stock prices.

Several previous studies, whose results showed a negative relationship, include:

- Research conducted by Rowland B. F. Pasaribu and Mikail Firdaus (2013) shows that the inflation rate has a negative relationship with the Indonesian Sharia Stock Index.
- Research conducted by Tantra Setia Juli Wijaya (2015) shows that the inflation rate has a significant negative effect on the JCI value.

The results of this study indicate that in the capital market in Indonesia from January 2014 to December 2018, the performance of Sharia stocks is not significantly affected by the inflation rate. If we look at inflation in the Sharia economic system, it is known that there are two types of inflation proposed by the sharia economist Taqiyuddin Ahmad ibn Al-Maqrizi, namely (Yuliadi, 2019):

1. Natural inflation is inflation that occurs due to an increase in aggregate demand and / or a decrease in aggregate supply in the market. One of the causes of inflation is due to an increase in aggregate demand, among others, due to an increase in public income which encourages an increase in demand for goods which results in an increase in prices. Meanwhile, the cause of inflation was due to a decrease in aggregate supply, namely disruption of the supply of goods caused by crop failure, weather disturbances, political conflicts and so on. This condition resulted in a general increase in prices.
2. Inflation due to human behavior errors (human error inflation) is inflation that occurs because of human behavior errors, including errors in administration and management (mismanagement) and moral hazard behavior such as corrupt behavior, illegal fees, project mark-ups, and so on. This results in inefficiencies in the economy, which in turn will lead to a high cost economy, resulting in less production and increasing prices of goods.

If we connect with the inflation theory, which explains that an increase in the inflation rate will increase the company's revenue and costs. If the increase in production costs is higher than the price increase that can be enjoyed by the company, then the company's profitability will decrease and with a decrease in the company's profitability it can cause investors to withdraw their investment from the company, which will result in a decrease in stock prices and cause a decrease in stock returns and stock performance.

The decline in the profitability of companies in companies that run their business with a conventional system can be caused because the companies concerned have to pay fixed interest even though their income has decreased due to an increase in the inflation rate. Unlike the case with companies that run their business with the sharia system, the company's profitability is relatively more preserved because in the Sharia system it does not apply a fixed interest system on transactions but uses a profit-

sharing system that adjusts to the company's income conditions. This is why the Sharia system is more resistant to inflation. Thus, Sharia stocks can be a viable alternative for investment options during times of high inflation, and Sharia stocks can also be considered as an effective hedging instrument in times of high inflation.

4.2.3 The Effect of the Rupiah Exchange Rate on the Performance of Sharia Shares in the Capital Market in Indonesia

The results of this study indicate that the regression coefficient on the variable changes in the Rupiah Exchange Rate shows a negative value, namely -0.000772 , which means that for every change in the increase in the Rupiah Exchange Rate of Rp. 1, -, the Sharia Stock Performance index will decrease by 0.000772 . From the results of this study, the value $-t_{\text{count}} < -t_{\text{table}}$ is $-2.212 < -1.645$ so that H_0 is rejected with a significance level of 10%. Thus the results of this test indicate that the Rupiah Exchange Rate has a significant negative effect on Sharia Stock Performance in the Indonesian Capital Market.

Several previous studies, whose results are in line with this study, including:

- Research conducted by Ariyani Indriastuti and Zumrotun Nafiah (2017) shows that the exchange rate has a significant negative effect on stock returns.
- Research conducted by Khalid Ul Islam and Mohsina Habib (2017) shows that the exchange rate has a significant negative effect on Sharia stock market returns.
- Research conducted by Mia Laksmiwati (2017) shows that the USD / IDR exchange rate has a significant negative effect on stock price volatility.

Several previous studies, whose results show a positive relationship, include:

- Research conducted by Charles Barnor (2014) shows that the exchange rate has a significant positive effect on stock market returns in Ghana.
- Research conducted by Md Ejaz Rana and Waheed Akhter (2015) shows that exchange rate volatility has a positive and statistically significant effect on the performance of conventional stocks and the performance of Sharia stocks.
- Research conducted by Tantra Setia Juli Wijaya (2015) shows that the exchange rate has a significant positive effect on the JCI value.

While the results of research conducted by Gaurav Agrawal, Aniruddh Kumar Srivastav, and Ankita Srivastava (2010) indicate that there is a weak negative correlation between the exchange rate variable and the stock return variable.

The results of this study indicate that the Rupiah Exchange Rate has a significant negative effect on Sharia Stock Performance in the Indonesian Capital Market from January 2014 to December 2018. If we look at the principles of sharia in financial and investment transactions, then speculation is one of the elements that is prohibited. This prohibition falls into the *Taghrir / Gharar* category, which is a situation where both parties do not know the information, so that the transactions carried out by both parties are equally uncertain. *Gharar* can occur when we change something that should be certain to be uncertain. In addition, there are different views about the function and role of money between conventional economic views and Sharia economics. In Sharia principles, money is a medium of exchange in financial transactions, not a commodity that can be traded like goods. Thus, the implication is that money must really be used for the purpose of smoothing economic activities and should not be used as a traded commodity. Money must be used to drive real economic activities, so that economic activities will run optimally which will increase the productivity and economic welfare of the community.

A different view occurs in conventional economics, in addition to money being used as a tool to encourage transaction activities in the real sector, it is also used as a traded commodity as seen in foreign exchange transactions for speculative purposes. The implication is that there will be an increase in the amount of money in circulation and an increase in the circulation of money is not always followed by an increase in the amount of production of goods and services, because some money in society is not used for transactions in the real sector but is used for non-real activities, namely speculation. The more money used for speculative activities, the less money will be used for economic activities in the real sector, so that it will disrupt activities in the real sector (Yuliadi, 2019).

From the description above, it can be seen that speculation is a prohibited element in sharia transaction activities, including buying and selling foreign currency for speculation purposes. Therefore, the rupiah exchange rate should not affect the performance of Sharia stocks, but in fact it has a significant negative effect. This shows that players in Sharia stock investment still use the reference or are affected by the rupiah exchange rate. Thus, this shows that at this time the conventional economic system still affects the performance of Sharia stocks.

4.2.4 The Effect of Interest Rates on the Performance of Sharia Shares in the Capital Market in Indonesia

The results of this study indicate that the regression coefficient on the interest rate change variable has a negative value, namely -10.99283, which means that for every change in the interest rate increase of 1%, the Sharia Stock Performance index will decrease by 10.99283. From the results of this study, as previously discussed the Interest Rate variable obtained a t_{count} of -1.804 with a t_{table} of -1.645 so that because the value of $-t_{\text{count}} < -t_{\text{table}}$ was $-1.804 < -1.645$, so H_0 was rejected with a significance level of 10%. Thus the results of this test indicate that the Interest Rate has a significant negative effect on Sharia Stock Performance in the Indonesian Capital Market.

Several previous studies, whose results are in line with this study, including:

- Research conducted by Charles Barnor (2014) shows that interest rates have a significant negative effect on stock market returns.
- Research conducted by Tantra Setia Juli Wijaya (2015) shows that interest rates have a significant negative effect on the JCI value.
- Research conducted by Khalid Ul Islam and Mohsina Habib (2017) shows that interest rates have a significant negative effect on Sharia stock market returns.

Several previous studies, whose results showed no effect, include:

- Research conducted by Md Ejaz Rana and Waheed Akhter (2015) shows that interest rate volatility does not have a statistical effect on the performance of Sharia stocks.
- Research conducted by Slah Bahloul, Mourad Mroua, and Nader Naifar (2016) shows that interest rates have no effect on the Sharia stock index.
- Research conducted by Mia Laksmiwati (2017) shows that the BI Rate does not affect the volatility of stock prices.

Meanwhile, research conducted by Rowland B. F. Pasaribu and Mikail Firdaus (2013) shows that the BI interest rate variable has a positive influence on the Indonesian Sharia Stock Index.

The results of this study indicate that the SBI Interest Rate has a significant negative effect on Sharia Stock Performance in the Indonesian Capital Market from January 2014 to December 2018. If we look at the principles of sharia in investment or financial financing, *riba* is one of the elements which is

prohibited on transaction. The most basic difference between the Sharia financial system and the conventional financial system is how to respond to interest or in sharia terms is *riba*. The Sharia financial system addresses *riba* (interest) as a prohibited or prohibited variable, while the conventional financial system addresses *riba* (interest) as the core of all business activities and even becomes the main source of business income.

In the Sharia financial system, *riba* (interest) has nothing to do with the amount of the loss incurred or the amount of additional value charged to the parties, but is strongly influenced by any additional requirements. Thus, even though the parties conducting a *riba* (interest) transaction declare that they do not object or are not harmed by the amount of its value, legally, the related transaction is a prohibited or prohibited transaction. The official notice from the National Sharia Council (DSN)-MUI No. 80 concerning the Application of Sharia Principles in the Equity Securities Trading Mechanism in the Stock Exchange Regular Market, defines *riba* as an addition given in exchange for *ribawi* goods (*al-amwal al ribawiyah*) and an addition given to the principal of debt in exchange for an absolute deferment of payment. *Riba* is binding on the parties involved in the transaction. *Riba* in sharia securities transactions can be found in the issuance of securities, the method of securities transactions and the type of securities that are used as transaction objects (Abdalloh, 2019).

In the Sharia economic system, there are two reasons why *riba* (interest) is prohibited in all business activities, namely:

1. The ideological normative reason is that the prohibition is in the Qur'an and Sunnah, so that the law of *riba* is absolute haram in the Sharia financial system.
2. Positive empirical reasons, namely based on the view of the Sharia financial system that both theoretically and the empirical impact of the practice of usury cannot be accepted by economic logic. The monetary economy concept which states the time value of money assumes that the present value of money is higher than the value of money yesterday and the value of money tomorrow is higher than the present value of money. This concept assumes that the value of money occurs due to changes in time, so this concept is contrary to the function and role of money as a medium for transactions. Apart from that, in a business cooperation transaction between entrepreneurs and investors, no one can guarantee that they will gain or lose. So that money or capital should be used for real economic activities and compensate proportionally from the results obtained. If the business cooperation makes a profit, then the profits will be divided proportionally between the entrepreneur and the investor. Conversely, if the business cooperation suffers a loss, then the loss will be shared proportionally between the entrepreneur and the investor (Yuliadi, 2019).

From the description above, the interest rate should not have an effect on the performance of Sharia stocks, but in fact the results of this study have a significant negative effect. This shows that investor in Sharia stock investment still use a benchmark or are affected by interest rates. Thus, this shows that at this time the conventional economic system still affects the performance of Sharia stocks.

4.2.5 The Effect of Sharia Stock Trading Volume on Sharia Stock Performance in the Capital Market in Indonesia

The results of this study indicate that the regression coefficient on the Sharia Stock Trading Volume variable has a positive value, namely 0.0000488, which means that for each additional Sharia Stock Trading Volume of 1 million shares, the Sharia Stock Performance index will increase by 0.0000488. However, as discussed above, the results of this study are not statistically significant because the value of $t_{count} < t_{table}$ is $0.613 < 1.645$, so that H_0 is accepted with a significance level of 10%. Thus the

test results show that Sharia Stock Trading Volume does not have a significant positive effect on Sharia Stock Performance in the Indonesian Capital Market.

Several previous studies, whose results are in line with this study, including:

- Research conducted by Ni Luh Nonik Tika Silviyani, Edy Sujana, I Made Pradana Adiputra (2014) shows that stock trading volume has a positive effect on stock returns, but not significantly.
- Research conducted by Ariyani Indriastuti and Zumrotun Nafiah (2017) shows that stock trading volume shows positive results but not significant to stock returns.

Several previous studies, whose results showed a significant positive relationship, including:

- Research conducted by Omran and Girard (2009) shows that there is a significant positive relationship between trading volume and stock returns.
- Research conducted by Hazem Al Samman and Mohamed Khaled Al-Jafari (2015) shows that stock trading volume has a significant positive effect on stock return volatility.
- Research conducted by Rini Elvira (2016) shows that the volume of Sharia stock trading has a significant positive effect on Sharia stock returns.

Meanwhile, research conducted by Mia Laksmiwati (2017), regarding the relationship between stock trading volume and stock price volatility, shows that stock trading volume has a significant negative effect on stock price volatility.

In order to realize the development of sharia securities in the Indonesian capital market so that it can grow, be stable, sustainable, and accountable, the Financial Services Authority (OJK) as a regulator, has set a direction for the development of sharia securities in the capital market for the period 2015 - 2019, which is described in a work program. One of the programs is to conduct socialization and education to the public. This program is carried out by disseminating and educating institutions and individuals to invest in sharia securities in the capital market, as well as disseminating information to the world of education (OJK, 2015).

Even though the regulator, in this case the OJK, has a socialization and education program, the results of this study indicate that the Sharia Stock Trading Volume does not significantly affect the Sharia Stock Performance. This means that in general, investors in the capital market in Indonesia for the period January 2014 to December 2018 have not selected Sharia stocks based on their performance. Thus, the socialization and education programs carried out by the OJK have not been able to boost the performance of Sharia stocks.

To encourage the performance of Sharia stocks in the capital market, it is necessary to have policies, socialization and education carried out by regulators to investors that it is necessary to consider the performance aspects in investing in Sharia stocks. This needs to be done in order to encourage the performance of Sharia stocks on the capital market in Indonesia, and can provide benefits to investors to choose Sharia stocks that have good performance.

If we examine at the concept of sharia economics, the main principle in the formulation of official notice (Fatwa) for sharia investment products cannot be separated from the principles of *maqashid sharia* and *maslahah*. *Maqashid sharia* is a principle which states that the sharia is actually aimed at realizing the benefit of mankind in this world and in the hereafter. Benefit can be realized if the five elements of the objectives of the Sharia can be realized and maintained, namely: (1) religion, (2) soul, (3) reason, (4) descent, and (5) wealth. Meanwhile, *Maslahat* is taking advantage and rejecting harm in order to maintain the objectives of the *Sharia*. Thus, this main principle is in line with efforts to encourage the performance of Sharia stocks in order to provide benefits to investors by choosing Sharia stocks that have good performance.

Conclusions and Suggestions

Conclusion

Here are some conclusions from the research results:

1. Based on the results of this study, it shows that in the period 2014 to 2018, the development of Sharia stock performance in the Capital Market in Indonesia using the Sharpe Index measurement tends to decline and fluctuate. This means that in general there has been a decline in the performance of Sharia stocks from 2014 to 2018 on the capital market in Indonesia.
2. Inflation rate has no effect on Sharia Stock Performance. The results of this study indicate that Sharia stocks can be a viable alternative for investment options when inflation is high. Thus, Sharia stocks can also be considered as an effective hedging instrument in times of high inflation in investing.
3. Based on the results of this study, there is a significant negative effect between Interest Rates and Rupiah Exchange Rates on Sharia Stock Performance. This shows that the performance of Sharia stocks is still influenced by interest rates and the rupiah exchange rate. Thus, this shows that at this time the conventional economic system still affects the performance of Sharia stocks.
4. The results of this study indicate that Sharia Stock Trading Volume has no effect on the Performance of Sharia Shares in the Capital Market in Indonesia for the 2014-2018 period. This means that in general, investors in the capital market in Indonesia for the period January 2014 to December 2018 have not selected Sharia stocks based on their performance.

Suggestions

The suggestions for this research are:

1. Prospective research is expected to add other variables that are thought to have an influence on Sharia Stock Performance, this is necessary so that the research results can provide good benefits for academics, practitioners and policy makers.
2. In addition, further research is expected to examine not only the effect on Sharia Stock Performance but also can be extended to Sharia Bond Performance and Sharia Mutual Fund Performance.
3. Based on the results of this study, the interest rate and the rupiah exchange rate, which are part of macroeconomic factors, have a significant negative effect on the performance of Sharia stocks. Therefore, academics and practitioners need to explore more macroeconomic factors that affect the performance of Sharia stocks.
4. In order for Sharia stocks in the capital market to provide benefits to investors, investors should consider the performance aspects in choosing investments in Sharia stocks. Based on the research results, the trading volume of Sharia stocks has no effect on the performance of Sharia stocks. This shows that investors have not considered the performance aspect in choosing investments in Sharia stocks.
5. Issuing companies that issue Sharia shares in the capital market need to pay close attention to the performance of their shares, because based on the results of the research that in general there has been a decline in the performance of Sharia stocks from 2014 to 2018. Then the solution must be taken, in order to avoid reputation risk.

6. Regulators, namely the Government, the National Sharia Council-MUI, and the Financial Services Authority (OJK) need to increase supervision of issuers that issue sharia shares on the capital market and encourage the performance of these sharia shares to continue to increase and their activities do not break out of sharia regulations. because based on the research results show that the performance of Sharia stocks from 2014 to 2018 has generally experienced a downward trend.
7. To encourage the performance of Sharia stocks in the capital market, it is necessary to have policies, socialization and education conducted by regulators to investors that it is necessary to consider the performance aspects of investing in Sharia stocks. This needs to be done in order to encourage the performance of Sharia stocks on the capital market in Indonesia, and can provide benefits to investors to choose Sharia stocks that have good performance.
8. Regulators in making rules and decisions must encourage the development of Sharia stocks in accordance with sharia principles, namely prohibiting elements of *riba* and speculation, so that Sharia stocks can be a viable alternative for investment options and as an effective hedging instrument, especially during market uncertainties.

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