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The Effect of the Covid-19 Pandemic and Macroeconomic Variables on the Jakarta Islamic Index (JII) in Indonesia Stock Exchange

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Abstract

This study aims to determine the impact of the Covid-19 pandemic, macroeconomic variables (interest rate, inflation, exchange rate) and world oil prices on the Jakarta Islamic Index both in the short-term and long-term. The data used in this study is a secondary data. This study used Error Correction Model (ECM) analysis with weekly time series data in the period March 2020 – March 2021. The results showed that in the short-term variable interest rate and exchange rate had a significant negative effect on the JII stock index and world oil prices had a significant positive effect on the JII stock index. Rupiah exchange rate is negative in value, but this decrease in value means appreciation (the rupiah strengthens) meaning that when the rupiah appreciates, the JII stock index increases. Meanwhile, in the long-term the Covid-19 pandemic variable, interest rates, and the rupiah exchange rate had a significant negative effect on the JII stock index. Inflation had a significant positive effect on the JII stock index. The increase in cases of the Covid-19 pandemic has proven to affect the Indonesian stock market, especially the Jakarta Islamic Index stock index in the long term.Therefore, the government needs to implement the most effective and efficient policies in overcoming the Covid-19 pandemic that impacts the national health and economic stability of the country.

INTRODUCTION

The capital market is one indicator of a country's economic progress and is growing very rapidly today. Pantas (2017) state that in the concept of economic growth, a capital market in a country is crucial as an investment tool or means of developing providing capital for companies to expand or expand their business activities. In its development, the capital market in Indonesia issued sharia instruments, one of which is sharia shares, which use Sharia principles in the implementation and transaction mechanism. According to Alghaniawati et al. (2018), Islamic stocks are not the same as conventional stocks.

Islamic stocks are based on Islamic sharia principles and must not violate, such as containing usury, gambling, speculation, khamr, and others. In Indonesia, there are sharia-based stock indexes, one of which is the JII (Jakarta Islamic Index) stock index. The movement of the JII stock index fluctuates at any time, influenced by various factors, both domestic and foreign. Sartika (2017) said that in making investment decisions, investors should consider several indicators from macroeconomics.

The capital market is sensitive to the stability of a country's economy and global sentiment. In December 2019, the world was shocked by an outbreak of the coronavirus (Covid-19) originating from Wuhan, China. The impact is comprehensive to the international world; more than 180 countries are infected with the virus, including Indonesia, whose population is also infected. According to Goodell (2020), the Covid-19 pandemic causes direct global economic damage in every world region.

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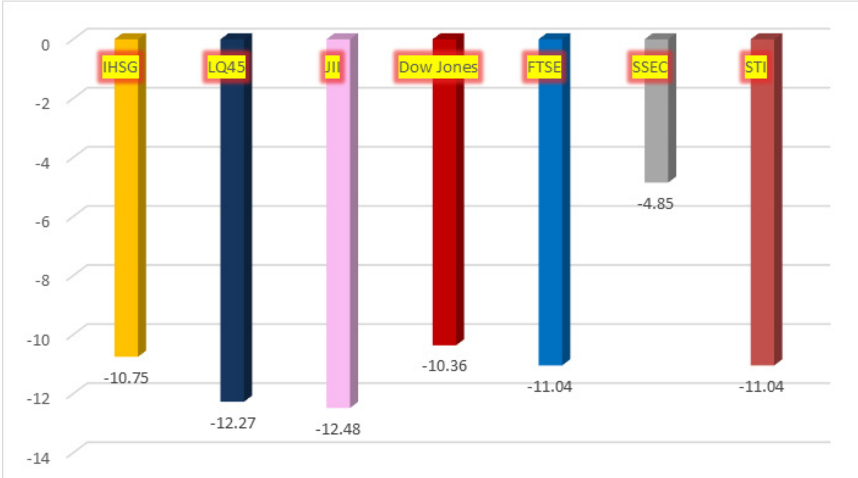
Figure 1. Change Global Stock Index Percentage in March 2020



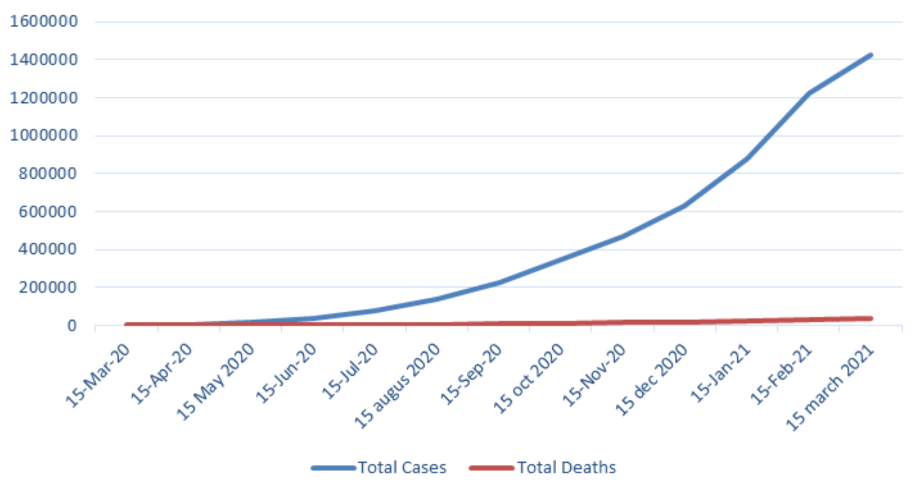
The movement of the JII stock index experienced a very significant downward trend, wherein early January, it touched the level of 700 points until March 2020 it felt the level of 452 points. The JII Index became the index that was deeply corrected by 12.48% percentage change compared to other global stock indices such as the JCI (Joint Stock Price Index), LQ45 (Liquid Index 45), DJI (America's Dow Jones Index), FTSE (FTSE 100 Index). London), SSEC (Shanghai Composite Index Hong Kong), and STI (Singapore's Strait Times Index) on March 2020 data (Investing.com data).

The World Health Organization (2020) declared the coronavirus outbreak a pandemic because it had spread throughout the world and declared the coronavirus a global health emergency. According to Rahmayani and Oktavilia (2020), the spread of Covid-19 that occurred impacted various sectors such as the economy, social relations, bilateral and multilateral between countries.

Figure 2. Total Coronavirus Pandemic Cases in Indonesia

Based on data published by the Central Statistics Agency (BPS), Indonesia's economic growth in the first quarter of 2020 decreased to 2.97%, leading to an economic recession wherein the second quarter of 2020 fell to -5.32% and the third quarter of 2020 economic growth by -3.49%.

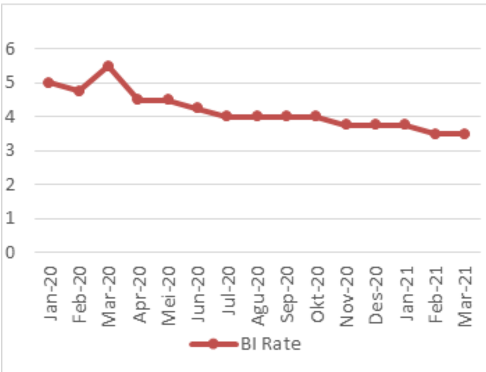
The picture above shows the number of cases infected with the coronavirus and the number of deaths due to the coronavirus in Indonesia. The coronavirus first began to spread in Indonesia on March 2, 2020. The graph shows a very significant increase in the number of infected cases and the rapid spread. When the coronavirus began to spread in Indonesia, there was panic selling in the capital market, investors selling shares or bonds in the capital market, which caused the JCI to decline by more than 5% for three days on trading on March 12, 13 and 17. 2020.



The Indonesia Stock Exchange enforces a 30-minute trading halt on the JCI to protect investors. Likewise, the JII stock index (Jakarta Islamic Index) experienced deep corrections in a row from February to March 2020. Investors and market participants must be careful in dealing with conditions like this.

The economy of a country is made up of microeconomic and macroeconomic variables. According to Laichena and Obwogi (2015), economic variables significantly affect the stock market. Macroeconomic factors such as interest rates, inflation, and the rupiah exchange rate against the dollar can influence stock price fluctuations. In addition, commodity prices such as oil prices can also affect the stock market.

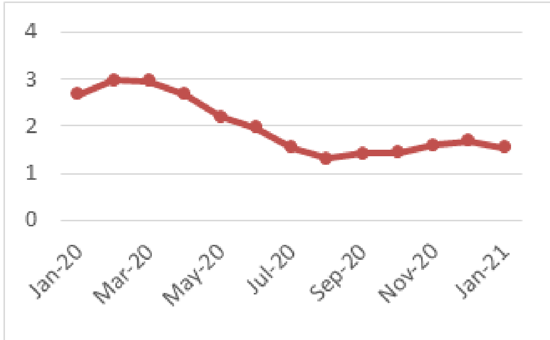
Figure 3. Interest Rate (%)



According to the classical macroeconomic theory of investment and interest rates, the correlation between interest rates and investment is negative. High interest rates will increase people's desire to save so that the number of bank funds will increase. People tend to keep their money in banks instead of investing in the stock market because the interest rate of return on deposits obtained is also high, and there is no risk of loss compared to investing in stocks that have a greater risk. In general, lower interest rates will increase economic growth because the intensity of the flow of funds will increase. This is in line with research conducted by Janah and Nurfaizah (2018), which shows a significant negative correlation between interest rates and stock price indexes.

In addition, another macroeconomic variable that can be taken into consideration by investors is domestic inflation. Inflation is closely related to the price level, which can reflect prices for goods or services. According to Kwofie and Ansah (2018), inflation is a process of increasing costs, in general, continuous and sustainable over a certain period, and inflation is also a general concern for the government.

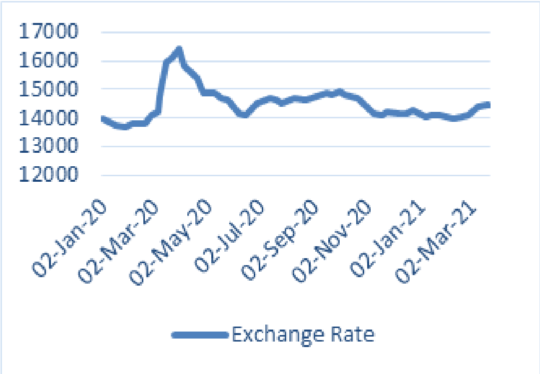
Figure 4. Indonesian Inflation (%)



Inflation can affect stock prices because inflation increases company costs. If the increase in expenses is higher than the company's revenue, then this can cause the company's profitability to decrease. The declining profits can cause investors to be less interested in investing in the company. This will result in a decrease in stock prices and an impact on a reduction of stock returns (Tandeilin, 2010). In addition, a high inflation rate will also reduce the purchasing power of money and reduce the level of investor income. Therefore, the fluctuating inflation rate in Indonesia can affect the level of investment in the Indonesian capital market, including the JII stock index. This is following Ranto (2019) research where inflation has a significant effect on the JCI.

The rupiah exchange rate against the US dollar is a macroeconomic variable that can affect stock price movements where when the rupiah depreciates, the value of one dollar will be more expensive so that it can affect the operational costs of companies which in the production process require imported raw materials or foreign debt of companies that use dollars. This will then impact the profits obtained by the company and the distribution of dividends to investors. Therefore, when Indonesia's economic conditions are unstable and the capital market is not promising, what happens is that investors will shift their funds from stock instruments to foreign exchange investments by buying dollars whose value tends to be strong and stable.

Figure 5. Exchange Rate of the Rupiah against the US Dollar



The picture above shows the movement of the rupiah exchange rate against the dollar, which weakened vary significantly from March 9 - March 27, 2020, as the impact of the coronavirus pandemic began to spread in Indonesia. Based on Mayzan and Sulismiyati (2018) research, the rupiah exchange rate against the US dollar has a significant negative effect on the JCI. In addition, research conducted by Hidayati and Sukmaningrum (2019) also shows that in the long term, the rupiah exchange rate has a significant influence on the Jakarta Islamic Index.

Furthermore, commodity prices that can affect stock prices are world oil prices. Crude oil is vital energy. When world oil prices rise, the economy and markets rise. However, if you look at the effect, it will be different for oil-exporting and oil-importing countries. The study results by Kilian and Park (2009) show that global oil prices have a significant and positive influence on the US capital market.

Novitasari's research (2013) shows that the price of crude oil positively affects changes in stock prices. According to him, this is related to rising crude oil prices, which will encourage investors to buy because they consider global demand, which will increase company profits in the mining sector. On the other hand, for companies outside the mining sector, an increase in oil prices will increase the company's operational costs.

Hypothesis Development

Coronavirus or coronavirus 2 (SARS-CoV-2) stands for Coronavirus Disease 2019 and attacks the respiratory system. Symptoms of this virus are cough, fever, diarrhoea, flu, can't smell, which can cause chronic pneumonia to death. The Covid-19 pandemic has provided sentiment for investors themselves; at the beginning of the coronavirus outbreak in Indonesia, investors tended to panic selling by selling their shares and holding cash because they were considered safer or to allocate their fund's other investment instruments that were safer than stocks.

Fluctuations in global risk factors are particularly noteworthy, driven by investor concerns about the global economic impact of the virus outbreak. Research conducted by Liu et al. (2020) shows that stock markets in large countries such as the US, UK, France, China, and Japan, fell significantly quickly after the coronavirus outbreak broke out in the territory of these countries. The destructive effect of confirmed cases of Covid-19 on stock indices is pessimistic sentiment for investors about future returns or uncertainty in the future.

H1: Covid-19 pandemic affects the JII stock price index in the short term and long term

The BI Rate is an interest rate that reflects the stance of monetary policy set by Bank Indonesia. According to Mishkin (2008), the BI rate is the cost price paid for borrowed funds; the BI rate impacts overall economic growth, which can affect consumers' willingness to save and influence their investment decisions. Interest rates can affect people's behavior in making requests for goods and services. On the one hand, interest rates will also have an impact on investors' mindsets in minimizing existing risks. On the other hand, high-interest rates can cause investors not to be interested in investing in the capital market; investors are more interested in investing their capital in deposits or savings because it is safer to risk than investment. The relationship between interest rates and stock prices, according to Tandelin (2010), changes in interest rates will affect stock prices in reverse, ceteris paribus. If interest rates increase, then stock prices will fall with the assumption of ceteris paribus and vice versa. If interest rates rise, the return on investment related to interest rates will also increase. Research conducted by Khan (2019) shows that interest rates have a significant negative effect on the Shenzhen Stock Exchange, China.

H2: BI Rate affects the JII stock price index in the short term and long term

Inflation is a condition in which the prices of general goods increase continuously during a specific period. Inflation in a country is one of the macroeconomic factors considered by investors. When inflation is high due to rising prices of goods and services in everyday life, it causes a decrease in investment funds allocated by investors. On the company or issuer side, it can also impact increasing the company's production costs. With the increase in the prices of raw materials and labour, while the economy is in a state of inflation, producers do not dare to raise the costs of their products. This will cause the company's profits to pay dividends to decrease, which will impact a negative stock price assessment. This is in line with research conducted by Khan (2019), which shows that the inflation rate has a significant negative effect on the Shenzhen Stock Exchange, China.

H3: Inflation affects the JII stock price index in the short term and long term

The rupiah exchange rate is one of the indicators in the decision to allocate funds in the stock market. According to Joesoef (2008), the exchange rate is a specific currency that can be exchanged for units of other currencies. When the rupiah depreciates, it will impact increasing the company's production costs, foreign debt, and the company's operating costs because the value of the dollar strengthens and must pay a higher value so that the profits obtained by issuers and investors are reduced. The rupiah depreciation will make investors less interested in investing in the capital market and prefer to hold the US dollar because it can provide maximum returns. Meanwhile, when the rupiah appreciates, investors will lose if they have US dollars, so that investors will move their funds to the capital market. The stability of the rupiah exchange rate against the dollar will also increase investor confidence and optimism about Indonesia's macroeconomic performance, which can become a positive sentiment in the capital market. Research conducted by Osamwonyi & Osagie (2012) shows that the exchange rate has a negative effect on the stock index in the long term.

H4: Rupiah Exchange Rate affects the JII stock price index in the short term and long term

Crude oil is one of the world's most vital commodities needed in daily needs; crude oil is processed into energy sources such as diesel, gasoline, liquified petroleum gas (LPG), and other fuels. Crude oil is one of the essential commodities for the Indonesian economy because the processed oil will be used as an energy source. This oil price volatility follows the economic and political events of a country so that the movement of oil prices will affect the movement of stock prices. The price of oil is an indicator that can affect the world's macroeconomic conditions. The increase in commodity prices in oil for non-mining sector companies can decrease profits due to increased operating costs, resulting in the company's share price.

However, an increase in oil prices for companies in the mining sector can increase company profits. Research conducted by Khai et al. (2017) shows that world crude oil prices have a positive effect on the Vietnam stock market index in the short term. Meanwhile, in the long term, world crude oil prices have a negative impact on the Vietnam stock market index.

H5: Crude Oil Price affects the JII stock price index in the short term and long term

METHOD

This study uses quantitative methods to determine the effect or relationship of two or more variables in the short and long term. The object in this study is the JII stock index which is influenced by the Covid-19 pandemic, macroeconomic variables (BI Rate, inflation, and exchange rates), and world oil prices. Data were obtained from Bank Indonesia publications, the Investing.com website and the World Health Organization (WHO) website.

This study uses the Error Correction Model (ECM) analysis technique, using weekly data from March 2020 to March 2021. The Error Correction Model / ECM analysis aims to predict the condition of the dependent variable if two or more independent variables change over some time. Short and long term. To get the research results, the researchers used the EViews 9 software in processing and processing the data. Time series data can be stationary or non-stationary. For stationary data, modelling can be done using the Ordinary Least Squares (OLS) procedure where the equation is as follows:

$$\mathbf{Log(JII) = \beta 0 + \beta 1Log(Cov) + \beta 2IR + \beta 3Inf + \beta 4Log(Kurs) + \beta 5Log(Oil) + e}$$

Information :

JII	: Jakarta Islamic Index
Cov	: Covid-19 pandemic
IR	: Interest Rate (BI Rate)
Inf	: Inflation
Kurs	: US Dollar Exchange Rate against Rupiah
Oil	: World Oil Price (WTI)
0	: Constant
1 5	: Regression Coefficient of Independent Variables
Log	: Logarithm
e	: Error

The ECM model is called valid if the ECT (Error Correction Term) coefficient is significant with less than 5% probability. In this study, the equation of the long-term ECM model is shown as follows:

$$DLog(JII)\ t = \alpha 0 + \alpha 1DLog(Cov)\ t + \alpha 2D(IR)\ t + \alpha 3D(Inf)\ t + \alpha 4DLog(Kurs)\ t + \alpha 5DLog(Oil)\ t + \alpha 6ECT\ t\text{-}1 + \mu t$$

Information :

D	: Difference
DLog(JII)	: Form 1st difference log variable Jakarta Islamic Index
DLog(Cov)	: Form 1st difference log variable Covid-19 Pandemic
D(IR)	: 1st difference form of Interest Rate (BI Rate) variable
D(Inf)	: Form 1st difference Inflation variable
DLog(Kurs)	: 1st difference log form of the Exchange rate variable
DLog(Oil)	: Form 1st difference log variable World Oil Price
ECT	: Error Correction Term
t	: Period
μ	: Error

Data in the form of time series is essential to do the stationarity test first. The data stationarity test is carried out through the Unit Root Test or the Degree of Integration Test. Testing Unit Root Test using Augmented Dickey-Fuller (ADF). The first step is to test the unit root at level (1(0)). The data is stationary if the t-statistic is greater than the critical test value or the probability value is less than the 5% level (0.05). On the other hand, if the probability value is greater than the 5% (0.05) level, the data is not stationary.

The degree of integration test is carried out if the stationary test shows the data results are non-stationary. This test aims to determine to what degree the data will be stationary. The unit root test procedure is applied again at this stage. The probability value that does not exceed the significance level indicates that the null hypothesis of the existence of a unit root can be rejected.

RESULT AND DISCUSSION

Stationary Test

Table 1. Results of Unit Root Test with ADF Method

Variable	Test Equation	Level	1st Difference
LOG(JII)	Intercept	0.4495	0.0000
	Trend and Intercept	0.0022	0.0000
	None	0.7009	0.0000
LOG(COV)	Intercept	0.0000	0.0000
	Trend and Intercept	0.0000	0.0000
	None	0.9752	0.0000
IR	Intercept	0.6771	0.0000
	Trend and Intercept	0.1292	0.0000
	None	0.0161	0.0000
INF	Intercept	0.6136	0.0000
	Trend and Intercept	0.6832	0.0001
	None	0.3566	0.0000
LOG(KURS)	Intercept	0.2018	0.0000
	Trend and Intercept	0.0950	0.0000
	None	0.6394	0.0000
LOG(OIL)	Intercept	0.7807	0.0000
	Trend and Intercept	0.0426	0.0001
	None	0.7972	0.0000

Based on the table above, all the variables used are not stationary because they have a probability value > alpha 0.05 (5%). Therefore, the variables in this study need to be tested in the first order (I(1)). After testing the degree of integration at the first level of differentiation, all variables used in this study were stationary because they had a probability value < alpha 0.05 (5%), indicating significance. So it can be decided that these variables are stationary at Difference 1 and can be continued to the next stage in the Error Correction Model (ECM) analysis

Cointegration Test

Table 2. Cointegration Test Values at Level

Variable	t-statistic	Probability	Conclusion
ECT	-4.728698	0.0003	Stationay

From the cointegration test results in the table above, the residual ECT has a probability value of 0.0003 < probability value of 0.05 (5%), so that the results are stationary at the level which indicates that the model used in this study has cointegrated between variables. This means that there is a long-term and short-term relationship.

ECM Regression Results

Table 3. Short-term Regression Estimation Results

Variable	Coefficient	t-statistic	Probability	Conclusion	Adjusted R-Squared
C	0.001315	0.300713	0.7649	Not Significant	0.593706
DLOG(COV)	-0.021279	-1.690674	0.0973	Not Significant	
D(IR)	-0.114333	-2.198418	0.0327	Significant	
D(INF)	0.150695	1.465224	0.1492	Not Significant	
DLOG(KURS)	-1.016035	-4.511007	0.0000	Significant	
DLOG(OIL)	0.140154	3.312636	0.0017	Significant	
ECT(-1)	-0.461305	-3.701345	0.0005	Significant	

The results of the short-term ECM approach regression in table 3 are as follows:

$$\mathbf{DLOG(JII) = 0.001315 - 0.021279*DLOG(COV) - 0.114333*D(IR) + 0.150695*D(INF) - 1.016035*DLOG(KURS) + 0.140154*DLOG(OIL) - 0.461305*ECT(-1)}$$

The value of the ECT obtained is negative where there is a short-term causality relationship that runs from the independent variable to the dependent variable. The ECT coefficient value -0.461305 means the difference between the Jakarta Islamic Index (JII) variable and the balance value is 0.461305, while the pr obability value is 0.0005 < 5% degree of confidence so that it can be said to be significant.

The long-term model of the error correction model in this study is as follows:

From the equation of the long-term regression model, the following results are obtained:

Table 4. Results of Long-Term Regression Estimation

Variable	Coefficient	t-statistic	Probability	Conclusion	Adjusted R-Squared
C	21.55730	9.985861	0.0000	Significant	0.865327
LOG(COV)	-0.014284	-2.453943	0.0176	Significant	
IR	-0.219903	-5.837653	0.0000	Significant	
INF	0.169031	2.414301	0.0194	Significant	
LOG(KURS)	-1.494425	-7.219778	0.0000	Significant	
LOG(OIL)	0.017801	0.460413	0.6472	Not Significant	

The regression results of the long-term ECM approach in table 4 are as follows:

$$\mathbf{Log(JII) = \beta 0 + \beta 1Log(Cov) + \beta 2IR + \beta 3Inf + \beta 4Log(Kurs) + \beta 5Log(Oil) + e}$$

Based on table 4, it can be seen that the variables that have a significant long-term effect on the dependent variable of the JII stock index are the Covid-19 case variable in Indonesia or COV -0.014284,BI rate or IR 0.219903 variable, inflation variable or INF 0.169031 and the rupiah exchange rate variable or KURS -1.494425. While the variable world oil prices or OIL 0.017801 is not significant.

Short Term Effect

Based on the ECM estimation results, the effect of the Covid-19 pandemic on the JII stock index in the short term is negative and insignificant, where the Covid-19 Pandemic variable coefficient is -0.021279, and the probability value is 0.0973 > 0.05 (5%). This is due to the improvement in the performance of the Indonesian stock market, including the JII stock index, which has experienced recovery. At the beginning of the coronavirus outbreak in Indonesia, the JII stock index was corrected significantly and became a different sentiment for the capital market in Indonesia. Investors tend to sell shares in their portfolios in large numbers due to the effects of the Covid-19 pandemic.

Although over time, the rise or fall of cases infected with the Covid-19 Pandemic in Indonesia did not significantly affect the Indonesian stock market because the Covid-19 vaccine was found and has been injected into the wider community, the economy tends to improve and slowly returns to normal, including optimism in the stock market.

Based on the ECM estimation results, the effect of the BI rate on the JII stock index in the short term is negative and significant. The BI Rate variable interest rate coefficient obtained is -0.14333, with a probability value of 0.0327 <0.05 (5%). During the Covid-19 pandemic, Bank Indonesia has implemented monetary policy since March 2020 by lowering the BI-7 Days Reverse Repo Rate to maintain economic stability. In March 2020, the BI benchmark interest rate was 5.50%; until May 2021, the interest rate was cut to 3.50%. This interest rate cut is a form of stimulus to reduce the impact caused by the coronavirus outbreak. Bank Indonesia has set the BI rate as the reference interest rate by banks in Indonesia to determine the deposit interest rate. High and low interest rates will impact the decline in the stock index on the Indonesia Stock Exchange (IDX) because investors can move their funds in the form of deposits in local banks and purchase SBIs on the money market.

Based on the results of the ECM estimation, the effect of inflation on the JII stock index in the short term is positive and not significant. The coefficient of inflation variable obtained is 0.150695 with a probability value of 0.1492 > 0.05 (5%). This happened because, during the research observation period, Indonesia's inflation was low where inflation was very moderate. What happened to low inflation could not predict the value of the JII stock index. Thus, when investors buy stocks by looking at macroeconomic assumptions, the value of low inflation cannot assume anything because people's purchasing power is low and economic activity is hampered during the research period.

Based on the ECM estimation results, the effect of the rupiah exchange rate on the JII stock index in the short term is negative and significant. The rupiah exchange rate is negative in value, but this decrease in value means appreciation (the rupiah strengthens), meaning that when the rupiah appreciates, the JII stock index increases. The coefficient of the rupiah exchange rate variable obtained is -1.016035 with a probability value of 0.0000 <0.05 (5%). The movement of the JII index number during the Covid-19 pandemic weakened because the US dollar exchange rate strengthened and caused the rupiah to depreciate. The weakening of the rupiah was also due to the unstable condition of Indonesia after the coronavirus began to spread in Indonesia. Unstable conditions in Indonesia will affect investor confidence, so investors pull their funds out of Indonesia, looking for the most liquid investment instruments with less risk. One option is to fall to the US dollar, which is considered to be solid and stable. The shift in investor confidence in the US dollar can cause investors' interest to invest in the capital market.

Based on the ECM estimation results, the effect of world oil prices on the JII stock index in the short term is positive and significant. The world oil price variable coefficient obtained is 0.140154, with a probability value of 0.0017 <0.05 (5%). During the Covid-19 pandemic, world oil prices experienced a very drastic and significant decline in which the lowest world oil price level was at US$ 18.84 per barrel in April 2020, and the highest world oil price level was at US$ 51.65. per barrel in January 2020. The increase in oil prices can lead to a rise in the company's production costs to reduce the company's profit. However, for oil mining and processing companies, crude oil prices will increase net income, causing share prices to rise on the stock exchange.

Long Term Effect

Based on the ECM estimation results, the effect of the Covid-19 pandemic on the JII stock index in the long term is negative and significant, where the Covid-19 Pandemic variable coefficient is -0.014284 with a probability value of 0.0176 <0.05 (5%). The increase in cases of the Covid-19 pandemic in Indonesia, which continues to increase, has become a different sentiment for the capital market in Indonesia in the long term. When cases of the Covid-19 pandemic in Indonesia continued to soar, the government implemented a Large-Scale Social Restriction (PSBB) or Community Activity Restriction (PPKM) policy to prevent the rapid spread of the virus. According to Semaun (2020), the call for social distancing has the impact of distancing human physical relations and disrupting people's economic activities. The lockdown discourse can hamper the pace of the economy. Decreased public income will weaken the level of public consumption. If this continues, it will impact declining corporate profits so that the prospects and performance of the company can affect stock prices.

Based on the ECM estimation results, the BI rate's effect on the JII stock index in the long term is negative and significant. The BI Rate variable coefficient obtained is -0.219903 with a probability value of 0.0000 < 0.05 (5%). During the Covid-19 pandemic, Bank Indonesia has implemented monetary policy since March 2020 by lowering the BI-7 Days Reverse Repo Rate to maintain economic stability. In March 2020, the BI benchmark interest rate was 5.50%. Until April 2021, the interest rate was cut to 3.50%. This interest rate cut is a form of stimulus to reduce the impact caused by the coronavirus outbreak. High and low interest rates will affect the stock index on the Indonesia Stock Exchange (IDX) because investors can move their funds in the form of deposits at local banks and purchase SBIs on the money market.

Based on the results of the ECM estimation, the effect of inflation on the JII stock index in the long term is positive and significant. The coefficient of the inflation variable obtained is 0.169031 with a probability value of 0.0194 <0.05 (5%). This can be explained because, during the pandemic, people's incomes decreased as a result of the pandemic, such as increased treatment costs for those infected with the coronavirus, workforce reductions, salary cuts, restrictions on economic activity, to layoffs. This causes the level of consumption or society to decline so that the inflation rate is low. When people's incomes fall, consumption levels are also standard, resulting in a decrease in demand for goods and services, which will then impact company productivity and company profits, which also decline. Therefore, company profits and company performance that are considered less than optimal can affect a company's stock price. In addition, the decline in people's incomes during economic difficulties due to the Covid-19 pandemic has resulted in people being less interested in investing or investing in the capital market because of fears that the Covid-19 pandemic is not yet entirely over.

Based on the ECM estimation regression results, the effect of the rupiah exchange rate on the JII stock index in the long term is negative and significant. The rupiah exchange rate is negative in value, but this decrease in value means appreciation (the rupiah strengthens) meaning that when the rupiah appreciates, the JII stock index increases. The coefficient of the rupiah exchange rate variable obtained is -1.494425 with a probability value of 0.0000 <0.05 (5%). The movement of the JII index number during the Covid-19 pandemic weakened due to the strengthening of the US dollar exchange rate and causing the rupiah to depreciate. The weakening of the rupiah was also due to the unstable condition of Indonesia after the corona virus began to spread to Indonesia. Unstable conditions in Indonesia will affect investor confidence, so investors pull their funds out of Indonesia looking for the most liquid investment instruments with less risk. One option is to fall to the US dollar which is considered to be strong and stable. The shift in investor confidence to the US dollar can cause investors' interest to invest in the capital market to decrease. Thus, the movement of the rupiah exchange rate can affect the movement of the JII stock index numbers.

Based on the ECM estimation results, the effect of world oil prices on the JII stock index is positive and not significant in the long term. The world oil price variable coefficient obtained is 0.017801 with a probability value of 0.6472 > 0.05 (5%). In the long term, the world oil price does not affect the JII stock index because the fluctuating world oil price in the long term is no longer a shock as in the short term, the oil price is not the main sentiment that can affect the stock price index the most, but during the Covid pandemic. -19, investors are more considerate of domestic macroeconomic conditions and the development of Covid-19 cases in Indonesia and how the Indonesian government is dealing with the Covid-19 Pandemic and its impacts.

CONCLUSION AND RECOMMENDATION

In the short term, the Covid-19 pandemic variable has a negative and insignificant effect on the Jakarta Islamic Index. Meanwhile, in the long term, the Covid-19 pandemic variable has a negative and significant impact on the Jakarta Islamic Index. In the short term and long term, the BI Rate variable has a negative and significant effect on the Jakarta Islamic Index. The inflation variable has a positive and insignificant impact on the Jakarta Islamic Index in the short term. Meanwhile, the inflation variable has a positive and significant effect on the Jakarta Islamic Index in the long term. In the short and long term, the Rupiah exchange rate against the dollar has a negative and significant effect on the Jakarta Islamic Index. In the short term, the World Oil Price variable has a positive and significant impact on the Jakarta Islamic Index. Meanwhile, the variable World Oil Price has a positive and insignificant impact on the Jakarta Islamic Index in the long term.

The Covid-19 pandemic in the long term can affect the stock price index, therefore controlling cases of coronavirus infection in Indonesia needs to be carried out optimally, and prevention policies also need to be managed carefully so as not to give negative sentiment to the capital market. In addition, the government and BI must also pay attention to macroeconomic variables such as interest rates, inflation, and the exchange rate of the rupiah against the US dollar. The government also needs to pay attention to movements in world oil prices.

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