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Research Paper

The Intermediation of Gold Prices in the Relationship between Macroeconomic Factors and Jakarta Islamic Index

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Abstract

Global financial markets, including Islamic stock markets, are highly sensitive to macroeconomic conditions. Understanding the relationship between macroeconomic factors and stock indices is crucial for investors and policymakers to anticipate market fluctuations. This study examines how macroeconomic variables affect the Jakarta Islamic Index (JII). This study employs path analysis using data from January 2013 to December, with the gold price serving as the mediating variable. The results show that interest rate, exchange rate, unemployment rate, and price of gold significantly affect the Jakarta Islamic Index price index, both directly and indirectly. The consumer price index, however, only has an indirect influence on the Jakarta Islamic Index. In addition, the gold price is proven to partially mediate the association between macroeconomic factors and the Jakarta Islamic Index. All macroeconomic variables also significantly affect the gold price. This study enriches the insights of previous literature. In addition, this study provides recommendations for investors and policymakers to give more attention to macroeconomic factors that may affect the stock market.

Keywords: *Macroeconomics, Jakarta Islamic Index, Islamic Capital Market, Gold Price, Path Analysis*

INTRODUCTION

The Islamic capital market plays a crucial role in Indonesia's economic growth, offering an alternative investment platform that aligns with Shariah principles. As one of the largest Muslim-majority countries, Indonesia has experienced rapid growth in its Islamic financial sector, reflected in the increasing number of investors in the Jakarta Islamic Index (JII). However, despite this growth, the JII remains highly volatile, responding to various macroeconomic factors. Understanding the dynamics of JII fluctuations is essential for investors and policymakers to formulate strategies that enhance market stability and optimize investment decisions.

The capital market is the venue where buyers and sellers of shares convene for share trading. In a capital market, a company (the issuer) seeks to raise capital by selling securities, while investors aim to purchase shares in a company that is anticipated to generate profits. In essence, the capital market acts as a channel for raising capital. For the Community, the market serves as an alternative instrument to maintain the value of its currency. The capital market can be subdivided based on its operating principles into two distinct categories: the traditional capital market and capital markets based on Islamic values.

The Islamic capital market in Indonesia is growing, largely driven by an upsurge in public financial literacy and the provision of regulatory support by the government. The growth is reflected in the increasing usage of Sharia Online Trading Systems (SOTS) by investors. In 2023, the number of investors utilizing the SOTS reached 128,255. Over the past five years, the number of investors in Islamic equities has increased by 240%, from 44,536 in 2018 to 151,560 in July 2024.

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Table 1. Indonesia's Islamic Capital Market Development

Year	Number of Islamic Trading Accounts
2018	44,536
2019	68,599
2020	85,891
2021	105,174
2022	111,500
2023	128,255
2024	151,560

Source: Financial Services Authority.

The accelerated growth of the Islamic capital market signifies an enhancement in the realm of financial inclusion within Indonesia. Financial inclusion is defined as the ability of individuals and businesses to access affordable financial instruments sustainably and responsibly that address a given need (Abriyoso et al., 2022). JII is a benchmark for people who want to invest according to Islamic principles. It tracks Indonesia's Islamic stock performance. The JII is an index comprising the thirty most liquid and highly capitalized Islamic stocks. The index is subject to a biannual review, and it is prone to the same fluctuations as the conventional capital market. These fluctuations have the potential to affect investor confidence.

Figure 1 illustrates the trajectory of JII from 2019 to 2024. The primary line depicts the index's fluctuations over the specified period. In the initial stages of 2019, the graph demonstrates a stable trend with moderate increases until the conclusion of the year. However, at the beginning of 2020, there was a notable decline, which reflected the early implication of COVID-19 on the market. From 2021 to 2023, the line demonstrates a relatively stable trend, although it exhibits minor fluctuations due to global uncertainties, including rising commodity prices and inflationary pressures. This figure demonstrates the manner in which the Indonesian Islamic stock market is impacted across a range of external and internal variables, including economic policies and shifts in the global context.

Figure 1. Jakarta Islamic Index Movement
Source: investing.com

The stock market is inherently sensitive to macroeconomic conditions, with variables such as exchange rates, interest rates, inflation, and unemployment influencing market performance. While the impact of these factors on conventional stock indices has been widely explored, there remains a gap in understanding how these macroeconomic variables specifically affect Islamic stock indices, particularly the JII. Additionally, gold has historically been viewed as a *safe haven* asset, especially during economic uncertainty. However, limited research has explored its role as an intermediary in the relationship between macroeconomic variables and Islamic stock indices.

A substantial number of papers have investigated the impact of macroeconomic factors on

stock prices, yet the evidence remain inconclusive. For instance, Fauziah & Rahmah (2020) and Karyatun et al. (2021) asserted that macroeconomics exerts a negligible impact on stock prices, whereas Ligocka (2023) discovered that macroeconomic variables exert a long-term influence on stock market indices. Macroeconomic stability provides a more robust foundation for forecasting the trajectory of market conditions and fiscal and monetary policies, underscoring its significance as a key consideration.

Verma and Bansal (2021) identified several macroeconomic factors that have an effect on the stock market. GDP, foreign direct investment, and foreign institutional investment are among the factors that help stock prices, while interest rates and gold are among the factors that hurt them. Furthermore, the increase in oil prices has a positive impact on oil-producing countries only. Al Salamat et al. (2021) reached analogous conclusions, determining that economic growth and foreign direct investment are influential factors. However, the impact of money supply on stock market prices exhibits no clear relationship.

Other literature also explores the relationship between additional macroeconomic factors, including inflation, interest rates, and exchange rates. Kumar and Sahu (2017) investigated the influence of macroeconomic variables on the Dow Jones Islamic India Market Index. Their findings indicated that the exchange rate and money supply exert the most significant impact, while inflation exerts a positive influence and interest rates a negative one. In contrast, Handri et al. (2024) found that interest rate and inflation have no influence on stock prices after employing panel data regression on the Islamic banking sector in Indonesia.

Furthermore, Huong and Trung (2020) posited that fluctuations in the gold prices and interest rates exert an influence on the stock price index. Moreover, they also identified a causal relationship between interest rates and gold prices. These findings suggest the possibility of a causal interaction from macroeconomic factors to gold prices, as well as implications for understanding the impact of macroeconomic factors and gold prices on stock prices. This finding also encourages further investigation into the mediating role of gold prices in the association of macroeconomic factors with stock prices. In the context of Islamic banking,

Despite these insights, most prior research has focused on conventional stock indices, with limited attention given to Islamic stock markets. Moreover, studies on macroeconomic influences often fail to account for the unique nature of Islamic investments, which operate under different regulatory and ethical frameworks. Additionally, the role of gold prices as a mediating variable remains underexplored, despite its potential to mitigate risks during periods of economic uncertainty. Marwanti & Robiyanto (2021) emphasized that gold acts as a haven asset, meaning its price tends to move inversely with economic conditions. This suggests that gold could serve as a stabilizing factor within Islamic stock markets, a hypothesis that has yet to be thoroughly tested.

To address these gaps, this study seeks to answer the following research questions:

1. How do macroeconomic variables affect gold prices?
2. How do macroeconomic variables affect the Jakarta Islamic Index?
3. To what extent does the gold price mediate the relationship between macroeconomic variables and JII?

Theoretically, this study builds upon the Arbitrage Pricing Theory (APT), which posits that stock returns are influenced by multiple macroeconomic factors. While APT has been widely applied to conventional stock markets, its application in Islamic capital markets remains limited. By incorporating gold prices as a mediating factor, this study extends APT by examining how macroeconomic risks are transmitted to Islamic stock indices. The findings provide empirical evidence on whether gold acts as a stabilizing mechanism in response to macroeconomic fluctuations, offering new insights into risk pricing in Shariah-compliant investments.

From a practical perspective, this study offers valuable insights for investors, policymakers,

and financial institutions. Investors can use the findings to develop more resilient Islamic investment portfolios by considering gold's role in hedging against macroeconomic shocks. Policymakers can formulate strategies that enhance Islamic market stability, recognizing macroeconomic indicators that significantly impact stock performance. Furthermore, financial institutions can leverage these insights to design Shariah-compliant financial products that integrate macroeconomic risk management with gold investment strategies.

LITERATURE REVIEW

Investment strategies in the capital market play a pivotal role in the optimization of returns and the management of risk (Wijaya et al., 2024). This study provides insights into stock volatility in the context of macroeconomics and gold prices, thereby enabling individual and institutional investors to strategize their investments. Mechri et al. (2022) conducted a comprehensive investigation. They identified the influence of macroeconomic factors on stock price dynamics among five countries of the Middle East and North Africa (MENA) region. The Tunisian stock market is the only one to be negatively affected by inflation. The Turkish stock market is positively correlated to inflation and negatively correlated to interest rates. The Moroccan stock market is affected by exchange rate fluctuations, inflationary pressures, and the price of gold. Conversely, the Egyptian stock market is affected by inflation, oil prices, and interest rates. Subsequently, the Jordanian stock market is adversely impacted by volatility in gold and oil prices, while exhibiting a favorable response to shifts in exchange rates.

A similar phenomenon has also been observed in North America, where the impact on the capital market is contingent on the specific capital market conditions and policies of the respective country. Bhuiyan and Chowdhury (2020) corroborated the correlation between macroeconomic variables and stock market performance in the United States and Canada through the utilization of cointegration analysis and monthly data spanning the period between 2000 and 2018. The results demonstrate that macroeconomic factors, including interest rates, money supply, and inflation, exert an influence on the stock price in the United States. However, no analogous relationship is observed with the stock index in Canada. The industrial output index is less relevant as the US economy has shifted from a manufacturing to a services-oriented structure. Another noteworthy finding of this study is that economic policy in the US has an influence on stock indices in Canada, which illustrates the continued dominance of the US in the international market.

Keswani and Wadhwa (2018) posited that there is a robust long-run relationship between disposable income, government policy, inflation rate, exchange rate, and interest rate on stock prices in the Bombay Stock Exchange, India. Employing the ARDL method, Gupta and Kumar (2020) also observe the Indian stock market. They discovered the same long-term effect as the prior study. Over the long term, stock prices are boosted by inflation and foreign institutional investors, while exchange rates, gold prices, and oil prices have a negative impact. The results indicated that broad money, broker loan rate, gross fiscal deficit, and industrial production index exerted no significant influence on stock prices. The Granger causality test indicates that stock prices are driven by crude oil, the exchange rate, and industrial production. In a recent study, Keswani et al. (2024) still support the prior findings that macroeconomic factors, including exchange rate, interest rate, and inflation, exert a long-term influence on stock returns, whereas GDP exerts a positive influence.

In contrast to the findings in the Indian capital market. Arisandhi and Robiyanto (2022) investigated the relationship between stock prices, exchange rates, and gold prices in five ASEAN countries. Using the ADCC-GARCH forecast model with day-to-day data between March 2020 and August 2021, they identified a relatively weak correlation between gold prices and exchange rates to stock prices. Nevertheless, the direction of the correlation with stock prices differs. Exchange rates were negatively correlated with stock prices, while gold prices were positively correlated with

stock prices. The study posits that the influence of cryptocurrencies has resulted in a weakening of the correlation. However, the associations between cryptocurrencies and the stock market were not investigated in this study.

A number of studies have also been conducted in the Indonesian Islamic capital market. Mashilal et al. (2024) conducted a study that specifically investigated the effects of global economic policy uncertainty on the Islamic stock market in Indonesia. The vector error correction model was employed as a tool for analysis, with the Indonesia Islamic Stock Index (ISSI) serving as a proxy for the Islamic stock market. The study revealed that the global economic policies of the United States, China, and Japan exert a good influence on the stock price. Similarly, the conversion rate and the level of exports exert a comparable influence. Conversely, inflation exerts a negative influence. These findings indicate that the Indonesian Islamic capital market demonstrates considerable resilience, particularly in the context of global uncertainty.

Compared with previous findings, Mubarok et al. (2020) applied VECM to the ISSI from January 2012 to December 2019. They revealed that gold prices exert a significant and positive impact with respect to the ISSI in both the short and the long run. The impact of inflation is only significant in the longer term. In contrast, the exchange rate, world oil price, and interest rate were found to have no significant impact in either the short or long run. Moreover, Setyowati et al. (2024) ascertained that the prices of gold have an effect only in the long term. Additionally, they also investigated the impact of macroeconomic factors on the ISSI. To this end, the Engle-Granger error correction model was employed to analyze data from May 2013 to January 2022. The findings indicate that the ISSI is also influenced by the exchange rate, money supply, and oil prices in the long run. Conversely, in the short term, inflation and the BI interest rate have a significant impact.

In addition to the ISSI, the JII index has been the subject of investigation in several studies. Mashudi et al. (2020) employed a variety of analytical techniques to ascertain the impact of specific economic variables on the JII. Their findings indicated that the index of industrial output, inflation, and rupiah conversion rate exerted a notable influence on the JII, particularly when subjected to ordinary least squares analysis. In contrast, the money supply was found to have no effect whatsoever. Masrizal et al. (2021) offer further insight into the Jakarta Islamic Index (JII). The researchers employed the Johansen cointegration test and VECM to achieve this objective. The study revealed that, in the short term, only inflation has a significant negative influence on the JII, while oil prices and the industrial output index have a positive influence in the long term. The incorporation of non-economic factors, including financial and political risks, which exert a negative influence on the JII, serves to enhance the robustness of the research.

In a subsequent study of the JII, Hasanah et al. (2021) identified more specialized sectors, namely trading, service, and investment companies listed on the JII between 2014 and 2015. Their findings revealed that inflation and lending rates did not exert an influence on stock prices. Nevertheless, the study yielded novel evidence that fundamental factors, including market capitalization, earnings multiple (PER), and price-to-book ratio (PBV), exert an influence on stock returns. The study found that the PER had a positive impact on returns, while PBV exerted a negative influence.

The interaction of inflation with the stock price is subject to variation across countries and stock markets. Bahloul et al. (2017) discovered that inflation exerts an influence on the stock market, but only in instances where volatility is low. Moreover, Moradi et al. (2021) underscored that uncontrolled inflation results in a decline in stock prices. In the context of the Indonesian capital market, Antonio et al. (2013) concluded that the exchange rate and consumer price index exert a significant influence on the JII and IHSG. A consensus emerges from these three studies, indicating a correlation between inflation and the consumer price index on one hand, and stock prices on the other.

The relationship between exchange rates and stock prices was investigated by Alagidede et al. (2011). The causal relationship of currency exchange rates and stock markets in Japan, Switzerland, Australia, Canada, and the United Kingdom was examined for the period 1992-2005. The evidence does not support the existence of a long-term correlation among the observed variables. But applying three variants of the Granger causality test suggests that a short-run relationship exists. In the UK, Switzerland, and Canada, they find evidence of a causality between exchange rates and stock prices in a short period. Contrary to the results of the above studies in developed countries, Rana and Akhter (2015) discovered that the exchange rate exerts a considerable influence on conventional and Islamic stock indices in Pakistan.

One macroeconomic factor that has not been extensively investigated in the context of stock market dynamics is the unemployment rate. Nevertheless, a number of studies have identified evidence of cointegration between stock market volatility and the unemployment rate (Holmes & Maghrebi, 2016; Pan, 2018; Sibande et al., 2019). Additionally, Pan (2018) reached the conclusion that the unemployment rate can be used as a predictor of stock prices, particularly in developing countries. These findings indicate that the efficacy of fiscal and monetary policy should be enhanced to reduce stock market volatility in the event of economic shocks. This would have the additional benefit of reducing unemployment or, at the very least, stabilising the unemployment rate in the event of extreme stock market volatility. Moreover, Botey-Fullat et al. (2023) obtained analogous results for the Spanish stock market.

The impact of macroeconomic factors on the gold price has been the subject of numerous studies. The study by Christie-David et al. (2000) reached the conclusion that an increase in the unemployment rate hurts the price of gold and silver. In line with the previous finding, Lili & Chengmei (2013) demonstrated that macroeconomic factors exert a negative influence on gold prices. In a more detailed analysis, Soeharjoto et al. (2020) demonstrate that the exchange rate has a positive impact on gold prices, while interest rates exert a negative influence. Nevertheless, inflation has been found to exert no significant effect on gold prices.

As Muharam et al. (2021) posit, it is incumbent upon each country and capital market regulator to anticipate global economic shocks by regulating economic policies that can mitigate the risk of macroeconomic instability. This finding is corroborated by the evidence presented in the reviewed literature. Nevertheless, no definitive conclusion has been reached regarding the association between macroeconomic variables and stock prices, including the potential role of gold in mediating this association.

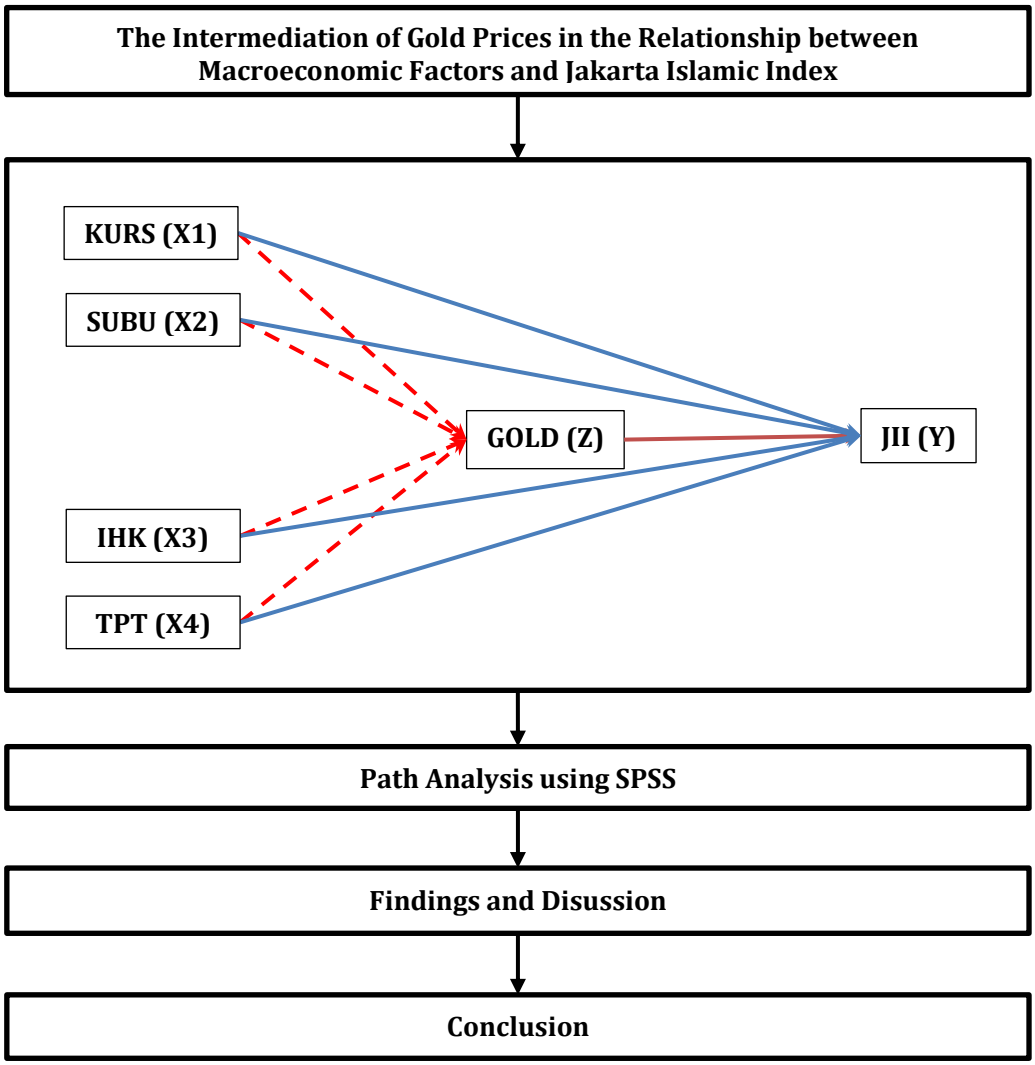

Figure 2. Research Framework

The extant literature was reviewed to determine the impact of macroeconomic factors on stock prices, both directly and indirectly, through the lens of gold prices. To this end, a research framework was developed, and the following hypotheses were formulated:

H1: Macroeconomic factors affect gold prices
H2: Macroeconomic factors and gold prices affect the Jakarta Islamic Index
H3: Gold prices mediate the relationship between macroeconomic factors and the Jakarta Islamic Index

RESEARCH METHOD

This study adopts a quantitative approach, using time series data from 2013 to 2023. The data were collected from credible channels, namely the Financial Services Authority (OJK), the Central Statistical Office (BPS), the Bank of Indonesia (BI), the World Bank, Yahoo Finance and Investing.com. Path analysis is the data analysis method used in this study. Path analysis constitutes a method employed for the purpose of modeling the relationship between multiple variables within a model, intending to elucidate the underlying causal mechanisms (Esvandiari et al., 2023). Unlike multiple linear regression, which only estimates direct relationships between independent and

dependent variables, path analysis extends this capability by allowing the measurement of both direct and indirect effects. This makes path analysis particularly useful for testing mediation effects and understanding the interdependencies among variables.

The macroeconomic variables that were examined for their influence on the Jakarta Islamic Index (JII) are the exchange rate (KURS), the interest rate (SUBU), the consumer price index (IHK) and the unemployment rate (TPT). Furthermore, the analysis incorporates gold prices (GOLD) as a mediating variable, thereby enhancing the precision of the study's findings. These variables are widely recognized as fundamental indicators influencing stock market movements. Interest rates and inflation rates affect stock prices by altering discount rates and expected future cash flows. Meanwhile, exchange rates can impact stock market performance through their effect on international trade competitiveness. The unemployment rate is included as it reflects overall economic health, which can influence investor sentiment and capital market fluctuations. Furthermore, this study incorporates gold prices (GOLD) as a mediating variable to enhance the precision of the analysis. Gold is often regarded as a safe-haven asset that responds to macroeconomic fluctuations and, in turn, affects stock market performance.

In addition, this study employs a two-substructure model. The first substructure is designed to ascertain the effect of macroeconomic factors on gold prices, while the second substructure aims to elucidate the effect of macroeconomic factors and the price of gold on the Jakarta Islamic Index. The mathematical model of substructure I is as follows:

$$Z = PZX_1 + PZX_2 + PZX_3 + PZX_4 + \varepsilon_1 \ldots (1)$$

The mathematical model of substructure II is as follows:

$$Y = PYX_1 + PYX_2 + PYX_3 + PYX_4 + PYZ + \varepsilon_2 \ldots (2)$$

where:

Z : gold price (GOLD)
Y : Jakarta Islamic Index (JII)
X1 : exchange rate (KURS)
X2 : interest rate (SUBU)
X3 : consumer price index (IHK)
X4 : unemployment rate (TPT)

In order to ascertain the significance of the gold price as a mediator, the Sobel test was employed. The Sobel test is a statistical tool used to assess the strength of the indirect effect of an independent variable (X) on a dependent variable (Y) through a mediating variable (Z) (Abu-Bader & Jones, 2021). The Sobel test is calculated using the following formula:

$$sab = \sqrt{b^2sa^2 + a^2sb^2 + sa^2sb^2} \ldots (3)$$

where:

sab : the standard deviation of the indirect effect
a : coefficient of predictor on mediating variable
b : coefficient of mediator on response variable
sa : standard deviation of coefficient a
sb : standard deviation of coefficient b

The significance of the indirect effect can be determined by calculating the t-statistic using the following equation:

$$t = \frac{ab}{sab} \dots (4)$$

The t-value is then checked against the corresponding value in the t-table. A mediation effect can be inferred if the calculated t-value is greater than the value in the t-table. This can also be observed in the p-value. A p-value less than 0.05 indicates the presence of a mediating effect. Furthermore, the Sobel test can be calculated using the Sobel calculator. The aforementioned calculator is accessible via the following online sources: www.danielsoper.com and https://quantpsy.org/sobel/sobel.htm.

FINDINGS AND DISCUSSION

Data collected from reliable sources are presented, analyzed using SPSS, and interpreted to support the research objectives.

Classical Assumption Test

Normality Test

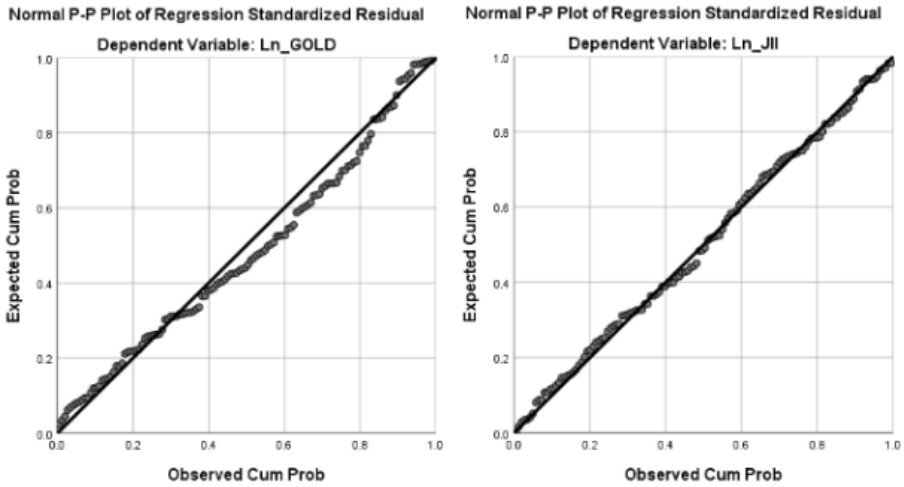

Figure 3. Results of the normality test of the substructure I and II

Figure 2 illustrates that the data points follow the diagonal line and do not diverge from it, which suggests that the data is normally distributed.

Multicollinearity Test

Table 2. Results of the multicollinearity test of the substructures I and II

Substructure I	Collinearity Statistics	
	Tolerance	VIF
KURS	0,584	1,711
SUBU	0,625	1,600
IHK	0,449	2,226
TPT	0,560	1,785
VOL	0,736	1,385

Substructure I	Collinearity Statistics	
	Tolerance	VIF
Substructure II		
KURS	0,559	1,788
SUBU	0,549	1,822
IHK	0,430	2,324
TPT	0,525	1,904
VOL	0,576	1,737
GOLD	0,354	2,822

Table 2 demonstrates that the tolerance and VIF values for each variable are greater than 10% and less than 10, indicating that the model for each structure is free of multicollinearity.

Autocorrelation Test

Table 3. Results of autocorrelation test of the substructure I and II

	Durbin Watson	dL	dU
Substructure I	1,692	1,654	1,777
Substructure II	1,695	1,638	1,795

Table 3 illustrates that in each substructure, it was found that dL < DW < 4-dU, indicating that the model is autocorrelation-free.

Heteroscedasticity Test

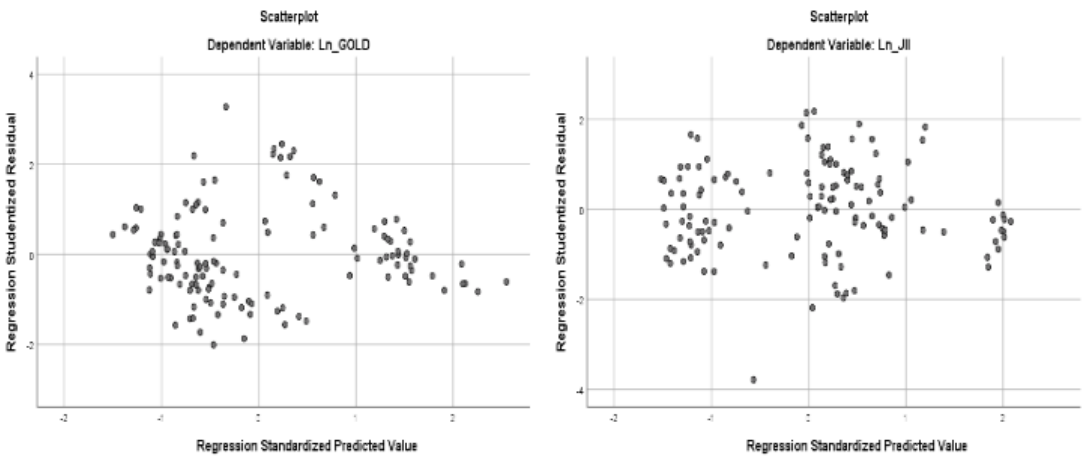

Figure 4. Results of the heteroscedasticity test of substructure I and II

Figure 4 illustrates that the points are dispersed and do not form a discernible pattern, indicating that the model is free from heteroscedasticity issues.

Significance Test

Simultaneous F Test

Table 4. Results of the simultaneous F test of the substructure I and II

Substruktur I					
Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	2.956	5	0.591	45.92	.000[b]
Residual	1.622	126	0.013		
Total	4.578	131			
Substruktur II					
Regression	1.015	6	0.169	42.645	.000[b]
Residual	0.496	125	0.004		
Total	1.511	131			

As illustrated in Table 4, both substructures are found to be significant for the dependent variable.

Partial t Test

Table 5. Results of the partial t-test results of substructure I and II

Substructure I			
Variable	**Std. Error**	**Coefficients**	**Sig.**
KURS	0.115	0.165	0.019
SUBU	0.049	-0.28	0.000
IHK	0.147	-0.185	0.021
TPT	0.13	0.206	0.004
VOL	0.029	0.366	0.000
Substructure II			
KURS	0.065	-0.276	0.000
SUBU	0.029	-0.271	0.000
IHK	0.083	0.029	0.712
TPT	0.075	-0.417	0.000
VOL	2.24E-10	0.005	0.924
GOLD	0.049	-0.561	0.000

As illustrated in Table 5, the results indicate that KURS, SUBU, IHK, and TPT exert a partial influence on GOLD. With regard to substructure II, it was determined that KURS, SUBU, TPT, and GOLD exert a partial influence on JII, whereas IHK is not a significant factor.

Coefficient of Determination Test

Table 6. Results of the Coefficient of Determination Test

Model	**R Square**	**Adjusted R Square**
Substructure I	0.646	0.632
Substructure II	0.672	0.656

As illustrated in Table 6, for the substructure I, the independent variables, namely KURS, SUBU, IHK, and TPT, collectively account for 63.3% of the dependent variable, GOLD. The rest of 36.7% is attributed to other variables not considered in this research framework. With regard to substructure II, the independent variables comprising KURS, SUBU, IHK, TPT, and GOLD were found to account for 65.6% of the JII variable, while the rest of 34.4% was determined by other variables not considered in the research framework.

Table 7. Path Coefficient Table

Variable	Path Coefficient	Effects		
		Direct	Indirect	Total
X1 → Z	0.17	0.17	-	0.17
X2 → Z	-0.445	-0.445	-	-0.445
X3 → Z	-0.209	-0.209	-	-0.209
X4 → Z	0.258	0.258	-	0.258
X1 → Y	-0.276	-0.276	-0.093	-0.368
X2 → Y	-0.271	-0.271	0.157	-0.043
X3 → Y	-	-	0.104	0.104
X4 → Y	-0.417	-0.417	-0.116	-0.533
X5 → Z	0.366	0.366	-	0.366
X5 → Y	0.005	0.005	-0.205	-0.2
Z → Y	-0.561	-0.561	-	-0.561

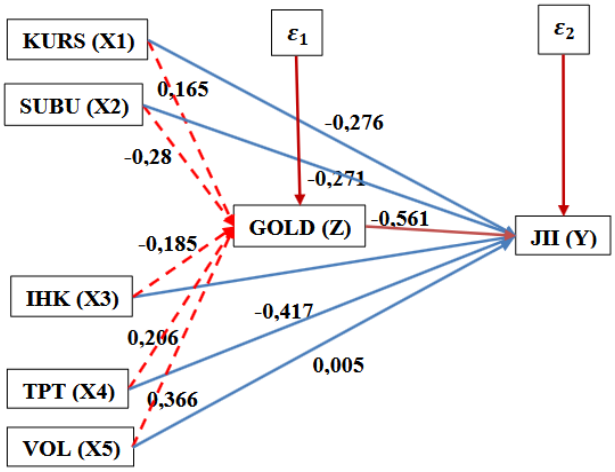

Figure 5. Path Diagram

Table 7 illustrates the effects, both direct and indirect, between variables. The direct effect is derived from the coefficient of the independent variable, whereas the indirect effect is calculated by multiplying the coefficient of the independent variable by that of the mediating variable. The results of the direct and indirect impacts are then presented in Figure 4, which illustrates how the path diagram is formed based on the results of the conducted tests. Subsequently, the Sobel test is employed to ascertain the statistical significance of the gold price as a mediator.

Sobel Test

Table 8. Result of the Sobel Test

Mediating effect	Test Stat.	p-value
X1 → Y through Z	-1424	0,155
X2 → Y through Z	5113	0,000
X3 → Y through Z	1251	0,211
X4 → Y through Z	-1570	0,116
X5 → Y through Z	-8.47971	0,000

Table 8 demonstrates that the gold price is a key factor in mediating the impact of SUBU on JII. The variable is not statistically significant with respect to the remaining variables.

Discussion of Hypotheses

Exchange Rates (KURS)

The regression test results demonstrate a statistically significant positive association between the exchange rate and the gold price. This suggests rising gold prices in Indonesia as the rupiah exchange rate stabilizes. This result is by the findings of Soeharjoto et al. (2020). The effect of the exchange rate on the Jakarta Islamic Index is negative. This indicates that fluctuations in the rupiah exchange rate exert an opposing influence on the JII's performance. A depreciation of the rupiah will have an impact on companies with dollar-denominated debt, as the cost of debt repayments will increase. This result is consistent with the findings of Wei (2021), Aliu et al. (2021), Yacouba & Altintas (2019), and Narayan et al. (2014). Conversely, Mahpudin and Lumban Batu (2021) discovered that the exchange rate has no impact on stock prices.

Interest Rates (SUBU)

The results of the regression tests show that there is a negative correlation between the rate of interest and the price of gold. Thus, a rise in the rate of interest could result in a decline in gold prices. Investors typically demonstrate a greater propensity to maintain their financial resources via savings or deposits relative to the acquisition of gold. Conversely, a decrease in interest rates prompts investors to reallocate their funds towards gold, which can result in a corresponding increase in gold prices. This result is consistent with the findings of the research conducted by Soeharjoto et al. (2020).

The impact of interest rates on the Jakarta Islamic Index is negative. Rising interest rates will cause the JII to fall and vice versa. Investors are encouraged to save their money in deposits when interest rates rise. If deposits can provide the expected returns, investors will be less interested in investing in the capital markets. This phenomenon leads to a decrease in investment demand in the capital market, which in turn causes stock prices to fall. Our findings are in agreement with the work done by Hasan et al. (2022).

Consumer Price Index (IHK)

The regression test results indicate that the consumer price index, which serves as a proxy for inflation, has a markedly adverse effect on the price of gold. The inflationary process exerts a deleterious impact on the gold price through a number of economic mechanisms. In response to high inflation, central banks frequently implement interest rate increases in order to exert control over rising prices. This increase in interest rates renders investments in interest-bearing assets, such as bonds and deposits, more attractive than non-interest-bearing gold. Consequently, the demand for gold declines, which subsequently results in a decline in the price of gold (Duong, 2023).

Furthermore, there is no discernible impact of the consumer price index on the Jakarta

Islamic Index. The lack of an effect of inflation on the JII appears to be the result of a number of factors. Firstly, this indicates that during the period under review, the influence of inflation was not a primary factor in investment decisions, given the presence of a number of more significant considerations. Secondly, Kewal (2012) posits that in the event of inflation remaining below 10%, this will have no impact on the stock price index. Nevertheless, in the event of inflation exceeding 10%, the capital market will undergo a significant disruption. The mean inflation rate for the study period was 4.07%, which is below the 10% threshold. Therefore, it can be concluded that inflation does not exert a considerable impact on stock prices. Additionally, Mahpudin and Lumban Batu (2021) corroborate this conclusion.

Unemployment Rates (TPT)

Regression results indicate that unemployment has a significant positive impact on gold (GOLD). The unemployment rate influences gold prices in a positive and significant manner through the mechanism of economic uncertainty. An uptrend in unemployment is indicative of economic fragility and gives rise to concerns regarding the potential for economic growth. This uncertainty encourages investors to seek assets that are considered safe havens, to protect the value of their investments from market volatility and economic risk. This result is by the findings of Christie-David et al. (2000).

The effect of unemployment on the Jakarta Islamic Index is negative. This indicates that fluctuations in unemployment will exert an inverse influence on the JII. An uptrend in the unemployment rate prompts consumers to reduce their expenditure and curtail investment. In response to a reduction in consumer spending, companies typically implement cost-cutting measures, including a cessation of expansionary and hiring activities. A high unemployment rate will lead to a decline in the price of stock due to the reduced productivity of companies, which in turn will lead to a less dynamic business environment. Consequently, this will result in a decline in stock prices and corporate earnings. This conclusion is corroborated by the findings of Pan's (2018) study.

Gold Prices (GOLD)

Empirical evidence indicates that gold prices exert an influence on the JII. This finding aligns with the conclusions of Aumeboonsuke (2021) and Shabbir et al. (2020). However, Kumar & Robiyanto (2021) presented an opposing viewpoint. They revealed that there no significant relationship between the two. Moreover, the Sobel test results indicate that the role of gold prices as a mediator represents a novel contribution to this field of inquiry. The gold price is found to successfully explain the association between interest rates and the Jakarta Islamic Index through its role as a mediator.

CONCLUSIONS

This study investigates the possible role of gold prices in the link between macroeconomic factors and with Jakarta Islamic Index. The simultaneous F-test results indicate that the findings in both substructures are statistically significant. The partial t-test results indicate that, in substructure I, macroeconomic variables exert a partially significant influence on gold prices. In substructure II, the impact of macroeconomic variables and gold prices on the Jakarta Islamic Index is partially significant, with the exception of the consumer price index. Subsequently, the price of gold is identified as a mediating variable, exhibiting significance as a mediator in the association between the rate of interest and the Jakarta Islamic Index. However, this significance is not observed for other variables.

This study offers a novel and comprehensive insight into the function of gold prices as a

mediator in the stock market. Furthermore, this study employs the unemployment rate variable, which has not been extensively examined in the context of Indonesia's Islamic stock market. The results highlight the necessity for monitoring macroeconomic indicators and gold price movements when making investment decisions in Shariah-compliant stocks. It is advised to implement policies aimed at stabilizing macroeconomic conditions, with a view to improving the development of the Islamic capital market.

LIMITATION & FURTHER RESEARCH

The present study is constrained by its focus on the Islamic stock market in Indonesia. Consequently, the findings may be less applicable to stock markets in other countries. Future research could expand the scope to include Islamic stock markets in different regions, allowing for comparative analysis and broader generalizability. Further development of this study could be achieved by incorporating additional macroeconomic variables that may have significant influences on the stock market. These include money supply (M2), government debt levels, fiscal deficit, foreign direct investment (FDI), and geopolitical risk indices. Additionally, future studies could explore alternative analytical methodologies, such as machine learning-based forecasting models or structural equation modeling (SEM), to improve predictive accuracy and causal inference.

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