The effect of macro economy, liquidity, and profitability on investment risk in companies listed on the Jakarta Islamic Index (JII)

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A B S T R A C T

The economic crisis in Indonesia had an impact on the declining performance of the company's fundamental in the stock market. Investment is the placement of funds at this time for making a profit in the future. Investment is always associated with return and risk. Investors are willing to accept greater risks but should also be compensated by the opportunity to get greater return. This research aims to find the effect of inflation, interest rate, and the exchange rate that represent the macro-factors and the level of liquidity and profitability (ROA) of the company that represent micro-factors ont the risk of stocks investment in companies listed on the Jakarta Islamic Index (JII). The sample used is 13 companies using purposive sampling techniques. The statistical analysis of this research is done by using multiple regression analysis. The results show that inflation rate, exchange rate, and liquidity do not have significant effect on investment risk, while interest rate and profitability have significant effect on investment risk.

A B S T R A K

Krisis ekonomi di Indonesia berdampak pada menurunnya kinerja perusahaan yang mendasar pada pasar saham. Investasi adalah penempatan dana pada saat ini untuk membuat keuntungan di masa depan. Investasi selalu dikaitkan dengan return dan risiko. Investor bersedia menerima risiko yang lebih besar, tetapi juga harus diimbangi dengan kesempatan untuk mendapatkan pengembalian yang lebih besar. Penelitian ini bertujuan untuk mengetahui pengaruh inflasi, suku bunga, dan nilai tukar yang merepresentasikan faktor makro dan tingkat likuiditas dan profitabilitas (ROA) perusahaan yang menggambarkan factor-mikro pada risiko investasi saham pada perusahaan yang terdaftar di Jakarta Islamic Index (JII). Sampel yang digunakan adalah 13 perusahaan dengan menggunakan teknik purposive sampling. Analisis statistik penelitian ini dilakukan menggunakan analisis regresi berganda. Hasil penelitian menunjukkan bahwa tingkat inflasi, nilai tukar, dan likuiditas tidak memiliki pengaruh yang signifikan terhadap risiko investasi, sementara suku bunga dan profitabilitas berpengaruh signifikan terhadap risiko investasi.

1. INTRODUCTION

Investment means investing funds in one or more types of assets. According to Henry (2009: 4), investment is an activity of allocating or investing the present resource with the hope to make benefit in the future. Thus, the purpose of individuals and organizations to invest is to obtain return from the investment. Investors always predict the expected return on the investment for a certain period in the future. In general, the investment that has been developed and done almost throughout the world is investment in the stock.

Furthermore, stock is one of investment types in an entity by way of depositing some funds. According to Tajul (2000: 256), the investors who hold common stock or preferred stock would get a share of the profits earned from the company in the form of dividends. The company would be able to distri-

bute the dividends if the company's financial performance is quite good and has been able to pay its obligations.

Investment is divided into three types: Syariah stock investment, Non-Syariah stock investment, and a combination of both. Syariah stock is issued by corporate issuers that have been selected and in accordance with the principles of Islamic Syariah. Prasetyo (2003) concluded that there are various kinds of investment options that can be performed in the capital market. The researcher sets from the options on the shares purchased and calculates which portfolio that generates the optimal profit. The result of the study indicates that investing in syariah stocks is more profitable than investing in non-syariah stocks.

In this case, the Indonesia Stock Exchange (IDX) in cooperation with PT. Danareksa Investment Management (DIM) launched the Jakarta Islamic Index (JII) on 3 July 2000, which aims to help investors who wish to invest their funds in syariah. Jakarta Islamic Index consists of thirty types of stocks selected from stocks in accordance with syariah principles. Syariah stock can be used as a means to allocate part of funds for investment, in which the funds management is treated well because syariah stocks belong to the stocks, which are not forbidden by Islam. Advanced information technology has helped the development of capital market transactions.

Investors should understand fully that investment has the potential to make benefit and the potential to suffer loss. Things that should be made by an investor are to maximize the rate of return earned and to minimize potential risks that may occur. Investment theory indicates the investment risks of any activities that want to generate returns and risk. Return is the repayment of the investment value submitted by the investor, while the risk is the difference between the expected returns and the returns being realized from the securities. Many investors like the high risk because in the high risk tends to contain high return.

Risk in the investment arises because of the uncertainty over the magnitude of the return received by investors. Investment risk is composed of two groups: systematic risk and unsystematic risk. Systematic risk is the risk that cannot be eliminated by doing diversification because the risk fluctuation is influenced by macro factors that affect the overall market. Unsystematic risk is the risk that can be eliminated by doing diversification because this risk occurs only in one company.

Inflation rate is one of the factors affecting the systematic risk. In general, the price increase results in the lower purchasing power, and thus causing the rate of return to be smaller or decreased. Inflation also affects the value of the money invested by the investors. Therefore, investors should carefully choose the investment products. Bank Indonesia (in Business.Com, March 4) estimated that inflation in March 2013 would be at 0.1%, lower than the historical annual at 0.24%.

Meanwhile, one of the factors that affect unsystematic risks is the company's liquidity. The ability of financial liquidity among companies tends to vary. According to Rahardjo (2006: 110), the characteristics of companies that have a strong financial position are able to meet their financial obligations to outside parties in a timely manner, able to maintain the condition of sufficient working capital, able to afford to pay the interest and dividend obligations to be paid, able to maintain a safe debt credit position.

Liquidity ratio measures the company's financial ability to meet short-term obligations and financial payment commitments. The higher the number of liquidity ratio is better for investors. Companies that have high liquidity ratio are favored by investors and affect the stock prices that tend to rise due to high demand. The increase in stock price indicates the improvement of the company's performance and this brings positive effect on investors because they earn high returns on their investments.

Based on the background of the problems that have been expressed above, the researcher is interested and motivated to conduct a study by examining the effect of inflation sensitivity, interest rate sensitivity, exchange rate sensitivity, liquidity and profitability on the stock investment risks in companies listed on the Jakarta Islamic Index (JII).

2. THEORETICAL FRAMEWORK AND HYPOTHESIS
Signaling Theory

Management has accurate information about the value of a company, so if the management conveys information to the capital markets, the market will respond to that information as a signal for the presence of certain events that may affect the company value, which is reflected in the changes in the price and volume of stocks trading. The information presented is in the form of financial statement of the company. Announcement of accounting information signals that the company has good prospects in the future (good news) so that investors are interested in doing stock trading, thus the market reacts

as reflected by changes in the volume of stock trading. Thus, the relationship between the publication of information (which includes financial statements, financial condition, social, and politic) and the fluctuations in the volume of stock trading can be seen in market efficiency.

Halim (2005: 4) stated that investment is essentially the placement of funds at this time with the hope to make a profit in the future. In general, there are two types of investment; investment in real assets and investment in financial assets. Investment in financial assets is carried out in the money market, for example in the form of certificates of deposit, commercial paper and money market securities. Investments can also be made in the stock market, for example in the form of stocks, bonds, warrants and options, while investment in real assets can be in the form of the purchase of productive assets, the establishment of taxes, mines opening, and plantations opening.

According to Jogiyanto (2000: 130), there are two types of investment risks in management:

1. **Systematic Risk**

   Systematic risk is a risk that cannot be eliminated by doing diversification, because this risk fluctuation is influenced by macro factors that can affect the overall market. For example, changes in interest rates, inflation rates, foreign exchange rates, and government policies. These risks are general and applicable to all stocks in the stock market concerned.

2. **Unsystematic Risk**

   Unsystematic risk is a risk that can be eliminated by doing diversification, because this risk exists only in one company or certain industry. The magnitude of the risk fluctuation is varied, that is why each share has different levels of sensitivity to every change in the market, such as factors of capital structure, asset structure, liquidity and profitability. In the portfolio management, it is stated that the company's risk can be minimized by diversifying in many types of securities.

Inflation

Inflation is a macro fundamental of macroeconomic indicator that describes the less healthy economic conditions due to an increase in the price of goods in general, which results in the weakening power of people. The price of goods will always experience a change, usually an increase. However, if the increase only happens on one or two items, it cannot be referred to as inflation.

Changes in the form of increase in the price of goods in general and continues, and that take place continuously, in the economic terms, are called inflation (Sadono Sukirno 2000). The high Increase in the prices will cause high inflation. This condition will affect the increase in production costs. High production costs will cause the selling price of goods production rise, and this will decline the purchasing power because the real income of the community is also decreased. The decline in purchasing power causes the decline in sales of the company, and the decline in sales of the company will reduce the company's profits. When the company's profits decline, it can be said that the company's performance also decreases.

Interest Rate

The indicator of the second macro fundamentals of macroeconomic conditions is the interest rate. The interest rate is often used as a measure of the income earned by the owners of capital. This interest rate is called a deposit interest or investment interest. Likewise, the interest rate is used as a measure of the cost of capital to be issued by the company to use the funds from the owners of capital. This is called the loan interest (Iswardono 1999). Therefore, the real interest rate is the price which is willing to be paid by the people who need the money, and this occurs in the money market and capital market.

Increase in interest rates encourages people to save, and reluctant to invest in the real sector. Increase in interest rates is also borne by investors, which is in the form of increase in interest costs for the company. The people do not want to risk investing with high costs, as a result, the investment is not growing, and the investment conditions become erratic. The company encounters many difficulties to survive, and resulting in the decrease in the performance of the company. This condition makes the stock market becomes erratic and investing in the stock market cannot provide certainty of return for the market participants. This makes the capital market decline. The decline in the stock market performance may result in the decline in the stock market price and IDX Composite.

Exchange Rate

Exchange rate is the price or the rate of exchange of the local currency against foreign currencies. The actors in the international market are concerned about the determination of the foreign exchange (forex), because the foreign exchange rate will affect the costs and benefits of "playing" in the trade of goods, services and securities (Mudrajad Kuncoro
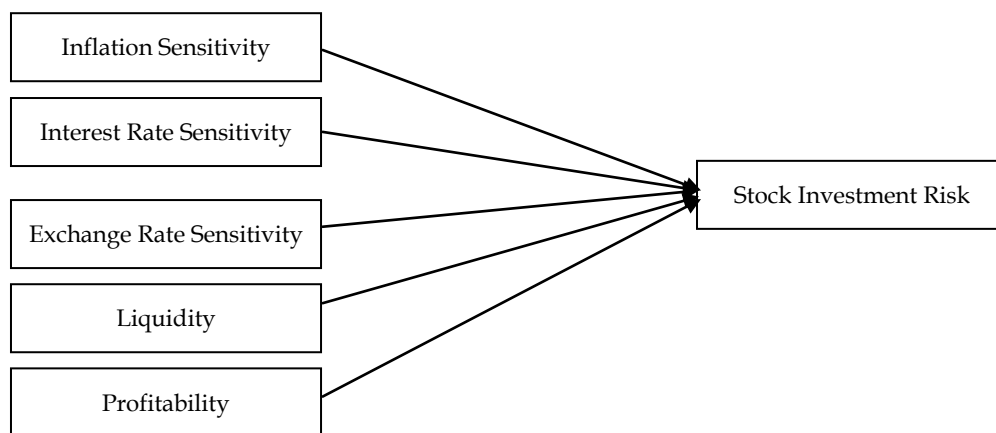
Figure 1
Research Framework

1996). The fundamental factors that are considered having strong influence on the foreign exchange rate is the amount of money in circulation, relative real income, relative prices, inflation differences, differences in interest rates, and demand s well as asset deals in both countries. Exchange rate or nominal exchange rate is the relative price of currencies of two countries (Mankiw 2000). The measurement of changes in the exchange rate is taken from the change in IDR rate with the dollar. The data of exchange rate are taken from secondary data published by Bank Indonesia, and use the middle rate for the variable of exchange rate.

Liquidity
Liquidity is defined as the ability of the company to repay all its short-term liabilities and to finance its business operations (Michell 2004). The measure that can represent liquidity is by comparing total current assets of the company with total short-term liabilities. Liquidity is the ability of the company to meet its financial obligations that must be met or short-term liabilities (Michell 2007).

Liquidity can be measured using a current ratio. This ratio is useful to measure the company's ability to pay its short-term obligations. A company with a high current ratio is not a guarantee to be able to pay the maturing debt; it is due to the unfavorable proportion of current assets. For example, the amount of inventory that is relatively high compared with the estimated level of future sales, so that the inventory turnover is lowering and indicating a large outstanding amounts and difficult to recover.

Profitability
Profitability is the net income of a series of policies and decisions. High profitability attracts investors, and the company can share the profits in the form of dividend payments. Return on Assets (ROA) is used to measure the effectiveness of the company to generate profit by making use of the overall assets owned by the company. ROA is the ratio between profit after tax and total assets as a whole. Assets are wealth owned by a company either in the form of liquid assets or not.

The increased ROA will certainly increase the attractiveness of external parties such as investors and creditors. Creditors are increasingly keen to invest their funds into the company, so it is possible for the Debt to Equity Ratio (DER) to increase, assuming that an increase in debt is relatively higher than the increase in the capital itself.

Research Framework
Based on the empirical explanations and hypothesis mentioned above, it can be made an empirical research model as shown in Figure 1.

3. RESEARCH METHOD
Population and Sample
The population in this study is all syariah stocks listed on the Jakarta Islamic Index (JII) in the period from 2008 to 2012. Sampling is done using purposive sampling method, a sampling based on certain criteria. The sampling criteria in this study is syariah stocks which are consistently listed on the Jakarta Islamic Index (JII) in the period from 2008 to 2012 and the companies that issue financial statements

Operational Definition of Variables
Here are the operational definitions of the research variables:
Direct Method
In this direct method, the first is to seek out the sensitivity of each company to the macro-economic

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conditions, such as inflation, interest rate and exchange rate using multiple linear regression equation as follows:

$$Stock\ Price = \beta 0 + \beta 1\ X1 + \beta 2 X2 + \beta 3 X3. \qquad (1)$$

Where:
Price= Stock Price (in monthly)
β_1 = Company Sensitivity on Inflation
X_1 = Inflation
β_1 = Company Sensitivity on Interest Rate
X_2 = Interest Rate
β_3 = Company Sensitivity on Exchange Rate
X_3 = Exchange Rate

Levels of Liquidity
The liquidity of a company can be seen from the balance sheet by comparing the amount of current assets to current liabilities. While the current ratio equation is as follows:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}. \qquad (2)$$

Profitability
Profitability is an indicator of performance conducted by management in managing the company's assets, which is indicated by the profit generated. Broadly speaking, the profit generated by the company is derived from the sales and the investments made by the company. And profitability is also a description of management's performance in managing the company. The formula used is as follows:

$$ROA = \frac{Profit\ before\ Tax}{Average\ Total\ Assets} \times 100\% \qquad (3)$$

Investment Risk
Investment risk occurs due to the uncertainty of the current time (time when starting investment) until the future time (enjoy a return on investment). This variable is measured by using deviation standard. The equation is as follows

$$Standart\ of\ Deviation (\sigma) = \sqrt{\frac{\Sigma (R_{ij} - E(R_i))^2}{n-1}}. \qquad (4)$$

Where:
Rij = Rate of profit that occurs on j condition
E(Ri)= Rate of profit expected
n = Number of conditions

However, the rate of dividend is calculated based on historical data with the following formula:

$$R_{ij} = \frac{P_t - P_{t-1}}{P_{t-1}}. \qquad (5)$$

Where**:**
P_t = Stock price in year *t*
$P_{(t-1)}$ = Stock price in year *t-1*.

Data Analysis Technique
The analysis technique uses multiple linear regression analysis. This technique is used to test the strength of the effect of inflation sensitivity, interest rate sensitivity, exchange rate sensitivity, liquidity, and profitability, as the independent variables, on investment risk, as the dependent variable. The regression model can be formulated as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 x_4 + b_5 X_5. \qquad (6)$$

Where:
Y = Investment risk
X_1 = Inflation sensitivity
X_2 = Interest rate sensitivity (Bank Indonesia (BI) Certificate)
X_3 = Exchange rate sensitivity
X_4 = Level of liquidity
X_5 = Profitability
a = Constanta
b_1 = Regression coefficient of inflation
b_2 = Regression coefficient of interest rate (BI Certificate)
b_3 = Regression coefficient of rupiah (IDR) exchange rate
b_4 = Regression coefficient of liquidity level
b_5 = Regression level of profitability.

4. DATA ANALYSIS AND DISCUSSION
Descriptive Statistical Information
Here is the descriptive statistical information of the research variables:
1. Inflation sensitivity (X1) has the mean value of -9048.09 with deviation standard of 90639.28. The highest value of inflation sensitivity (X1) is 235032.97 while the lowest value of inflation sensitivity (X1) is -264286.32.
2. Interest rate sensitivity (X2) has the mean value of 104304.53 with deviation standard of 295308.08. The highest value of interest rate sensitivity (X2) is 578330.19 while the lowest interest rate sensitivity (X2) is -1265904.85.
3. Exchange rate sensitivity (X3) has the mean value of 0.46 with deviation standard of 3.07. The highest value of exchange rate sensitivity (X3) is 9.61 while the lowest value of exchange rate sensitivity (X3) is -5.64.
4. Liquidity (X4) has the mean value of 3.16 with deviation standard of 2.45. The highest value of liquidity (X4) is 10.64 while the lowest value of liquidity (X4) is 0.10.
5. Profitability (X5) has the mean value of 0.25 with deviation standard of 0.13. The highest value of profitability (X5) is 0.60 while the lowest value of profitability (X5) is 0.04.
6. Investment risk (Y) has the mean value of 0.75 with deviation standard of 1.33. The highest value of investment risk (Y) is 6.74 while the

Table 1
Multiple Linear Regression Analysis

Variable	Coefficient	T	Sig. t
Constanta	-0.312	-0.784	0.438
Inflation Sensitivity (X_1)	-8.960E-007	-0.594	0.556
Interest Rate Sensitivity (X_2)	-1.106E-006	-2.163	0.037
Exchange Rate Sensitivity (X_3)	-0.021	-0.426	0.673
Liquidity (X_4)	0.065	1.061	0.295
Profitability (X_5)	2.457	2.221	0.032
R	=	0.511	
R Square (R^2)	=	0.261	
F	=	2.753	
Sig. F	=	0.032	

Source: Processed data of SPSS.

lowest value of investment risk (Y) is 0.06.

Normality test aims to test whether the regression models between the dependent variable and independent variables have normal distribution or not. Good regression model is the model that has normal or near normal data distribution. Normality test results indicate that the significance value resulted from all variables included in this study, such as inflation rate, interest rates, exchange rates, liquidity, profitability, and stock investment risk, is 0.215, in which the value is greater than 0.05. It can be said that the data have been normally distributed.

After analyzing the normality test and classical assumption on the data used in this study, it can be seen that the data used in the analysis have been normally distributed and met the requirements of classical assumption. Therefore, the equation obtained from the results of the regression analysis is feasible for use.

Based on the results of F test on the multiple linear regression analysis (Table 1), it is found that the value of F count is 2.753 with the significance value of 0.032. Since the significance value is smaller than 0.05, it can be concluded that the variables of inflation sensitivity (X1), interest rate sensitivity (X2), exchange rate sensitivity (X3), liquidity (X4), and profitability (X5) simultaneously have significant effect on investment risk (Y).

Variable of X_1 (Inflation), t < sig. or -0.594 < 0.556. The coefficient of t test result of inflation rate variable indicates a significance level of 0.556, or greater than 0.05. So it can be concluded that inflation variable does not have significant effect on investment risk.

Variable of X_2 (Interest Rate), t < sig. or -2.163 < 0.037. The coefficient of t test result of inflation rate variable indicates a significance level of 0.037, or smaller than 0.05. So it can be concluded that interest rate variable has significant effect on investment risk.

Variable of X_3 (Exchange Rate), t < sig. or -0.426 < 0.573. The coefficient of t test result of inflation rate variable indicates a significance level of 0.573, or greater than 0.05. So it can be concluded that exchange rate variable does not have significant effect on investment risk.

Variable of X_4 (Liquidity, t > sig. or 1.061 > 0.295. The coefficient of t test result of inflation rate variable indicates a significance level of 0.295, or greater than 0.05. So it can be concluded that liquidity variable does not have significant effect on investment risk.

Variable X_5 (Profitability), t > sig. or 2.221 > 0.032. The coefficient of t test result of inflation rate variable indicates a significance level of 0.032, or smaller than 0.05. So it can be concluded that profitability variable has significant effect on investment risk.

The Effect of Inflation Rate on Investment Risk
The result of t test of inflation variable is --0.594 with a significance level of 0.556. The coefficient of t test result of inflation variable shows a significance level of 0.556, or greater than 0.05. Therefore, it can be concluded that the inflation variable has no significant effect on stock investment risk. Statistical result indicates that inflation has a negative value. In addition, the negative value indicates that the relationship is not unidirectional or opposite. In which an increase in the independent variable will result in a decrease in the dependent variable. Otherwise, a decrease in the independent variable will result in an increase in the dependent variable. These results are supported by the previous study conducted by Komariyah (2010) which states that inflation does not affect the stock investment risk in manufacturing companies. In addition, the result indicates that the relationship between the variable of inflation and stock investment risk is negative.

Theoretically, the relationship between infla-

tion and stock market performance is negative or inversely proportional. If the inflation rate increases, it will result in the decrease in stock market and, vice versa, if the inflation decreases, it will result in the increase in stock market. If it is associated with the investment concept, which states that "High Return High Risk, Low Return Low Risk", it can be said that if the inflation rate increases, it will result in a decrease in the stock price, and if the stock price decreases, the return received by investors are reduced. Low return will result in the low stock investment risk.

The inflation rate indicates the risk of stock investment. The risk of stock investment in the capital market is more influenced by the performance of the company. If an investor or stock player has excellent analysis capabilities including in analyzing the monetary situation in a country, he can reduce and even avoid the risk of stock investment (Komariyah 2010).

The inaccuracy of significant influence between the variables of the inflation rate in the sample of companies, which are active in the Jakarta Islamic Index (JII) during the observation period, can not be counted towards the formation of stock investment risk. This is because investors do not assume that the rate of inflation which shows the consumer price index as elements that influence the risk of stock investment. Investors take the decision to invest in companies listed on the Jakarta Islamic Index (JII) solely because the companies have been filtered based on Islamic syariah principles, so that they give less attention to the inflation rate data at Bank Indonesia in conducting an assessment of the stock.

The Effect of Interest Rate on Investment Risk
The result of t test indicates that the significance level of interest rate is 0.037, or the probability is below 0.05. Then H0 is rejected, or the interest rate significantly affects the investment risk. Then the regression coefficient of X is -1 106, stating that any increase in interest rates will reduce investment risk. On the contrary, if the interest rate decreases, it will increase the investment risk. The above statement indicates conformity with the concept of investment risk where risk is divided into two, namely systematic risk and unsystematic risk.

Systematic risk is the risk that can not be diversified and this risk is influenced by macro factors. In this case, the macro factor is the interest rate. These results are supported by the previous research conducted by Haryanto and Riyatno (2003) which states that the interest rate of SBI (BI Certifi-

cates) proved to have an effect on systemic risk of the stocks of nonmanufacturing companies. In addition, the results indicate that the relationship between the BI Certificates interest rate and systematic risk of stocks is negative. The interest rate of Bank Indonesia Certificates is often associated with a risk-free assets, or assets that have zero or the smallest risk. The lower the interest rates of Bank Indonesia, the greater the systematic risk of the stock. The interest rate of Bank Indonesia is a benchmark in determining the amount of interest on lending and savings. High SBI rate does not develop businesses because it results in the interest rate of other banks is also high. Therefore, that low interest rate of SBI has the risk of economic slump. This results in a high risk of investing in the stock market.

Theoretically, the relationship between interest rate and stock market performance is negative or inversely proportional. If the interest rate increases, it will result in the decrease in stock market and, vice versa, if the interest rate decreases, it will result in the increase in stock market. If it is associated with the investment concept, which states that "High Return High Risk, Low Return Low Risk", it can be said that if the interest rate increases, it will result in a decrease in the stock price, and if the stock price decreases, the return received by the investors is reduced. Low return will result in the low stock investment risk.

Changes in interest rates could affect the variability of return of an investment. If the interest rate increases, the stock price will decrease, and vice versa. The reason is if the interest rate is higher than the rate of return on stock investments, investors will be more interested to invest their wealth in the form deposits. Investing funds on the stock at the time of high interest rate would eliminate the opportunity to earn higher profits. Conversely, if the interest rate decreased to the lowest interest rate limit, the investors tend to invest on the stocks in the capital market sacrificing the opportunity to get interest return. Therefore, deposit is an alternative investment to stock investment by investors. The existence of significant contribution of this variable indicates the involvement of information about the changes in interest rate variable on the investment risk, or it can be said that investors pay attention to the interest rate in determining the risk of stock investment.

The Effect of Exchange Rate on Investment Risk
Exchange rate sensitivity hypothesis states that the exchange rate has negative and not significant ef-

fect on the investment risk. The higher the value of IDR against the dollar (exchange rate) does not indicate a high risk of the investment on the shares of companies listed on the Jakarta Islamic Index (JII). The results show that the beta coefficient of exchange rate value of -0.021 does not prove to have positive effect on systematic risk. These results are not in accordance with previous estimates and also not in accordance with the argument of investment theory. However, the test results are consistent with the results of research conducted by Siti (2004) which resulted in the coefficient value of beta interest rate is negative towards beta syariah stock.

The result of statistical test indicates that the variable of exchange rate has significance level of 1% (th = -0.426; with the value of sig-t = 0.673). So, based on the statistical test, exchange rate has negative and no significant effect on the systematic risk. Therefore, it can be concluded that the hypothesis 3 (H3) is rejected. The results of this study do not support the research of Robiatul and Ardi (2006) stating that exchange rate has negative and significant effect on beta stocks. However, the results of this study support the research results of Lady (2004) stating that exchange rate has negative but no significant effect on beta syariah stock.

The results of this study provide empirical understanding to the management that if the exchange rate of IDR against the dollar increased; this does not mean that the investment risk decreased. This condition shows that the management of the observing companies has not successful in maintaining the stability of their profits through earnings management policy, so if the value of IDR is high, it will generate unstable profits. Consequently, the instability of the company performance results in the uncertainty in investment risk. The differences in inflation and interest rates between two countries will affect the changes in exchange rate. As well as inflation and interest rates, the changes in exchange rate also affect the performance of the stock market. The relationship among inflation, interest rates and exchange rates can be described as follows: High and erratic exchange rate fluctuations will have an impact on the uncertainty of return on investment in the capital markets. As a result, the performance of the stock market decline. In addition, the decline in stock market performance will have an impact on the uncertainty of the stock market price and the Stock Market and IDX Composite

The Effect of Liquidity on Investment Risk
After the t test, the significance level of company's liquidity is 0.295, or the probability is above 0.05. Then H is accepted, or the level of liquidity has no significant effect on the investment frisk. The regression coefficient of X is 0.065, indicating that every 1% increase in the company's liquidity will increase investment risk of 0.065. But on the contrary, if the company's liquidity decreases 1%, the investment risk is also predicted to decrease by 0.065.

The statement above shows the discrepancy with the concept of investment risk where the investment risk is divided into two, namely systematic risk and unsystematic risk. Unsystematic risk is the risk that can be diversified and influenced by micro factor. The micro factor in this study is the company's liquidity as measured by the current ratio. It is supported by previous research conducted by Auliyah and Hamzah (2006) who tried to test the effect of the independent variable, characteristics of companies, one of which is measured by the current ratio, on stock returns and beta syariah stock. The research results showed that there is no significant effect of the current ratio on the return and beta syariah stock.

The absence of a significant relationship between the variable of level of company's liquidity and the investment risk indicates that the liquidity in the sample of companies, which are active in the JII during the observation period, cannot be counted towards the establishment of stock investment risk. The possibilities of this occurrence due to the fact investors do not consider that the level of liquidity of the company, which shows the company's ability to repay its short-term liabilities as an element that influences the investment, risk. Investors take decision to invest in companies listed on JII simply because the companies have been filtered based on Islamic syariah principles, so that they give less attention to the financial ratio in assessing the stocks.

This condition is in accordance with the opinion of Weston (1995: 200) stating that although financial ratio is a very useful tool, but not in spite of some limitations and should be used cautiously. Financial ratio analysis is an important part of the assessment process, but financial ratio itself is not a direct answer to the questions about the achievements of a company.

These results contrast with the previous study conducted by Ulupui (2004). His research result concluded that the current ratio variable has a positive and significant effect on stock returns one period forward. This indicates that investors will obtain a higher return if the ability of the company to

meet its short-term obligations is higher. If it is associated with an investment concept, which states that "High Risk High Return, Low Return Low Risk", it can be concluded that if the level of liquidity increases, it will make the company's stock price increases, and if the stock price increases, it will make the return, received by the investors, increases. The high return will result in the high risk.

The Effect of Profitability on Investment Risk
In theory, changes in the value of ROA have a positive effect on the value of stock returns and investment risk. The increase in the value of ROA will contribute to the increase in the value of syariah stock return, or otherwise, the decrease in the value of ROA will contribute to the decrease in the value of syariah stock return. This study is consistent with the research conducted by Nor Isnaini (2013) stating that the better the performance of companies, indicated by high value of ROA, the higher the risk of investment.

The results of this study indicate a positive coefficient. This is because investors assess that if the level of company's profitability is high, the company will have a better future prospects. Investors will be interested in stocks that have good prospects, then the stock price will go up, and this will be followed by an increase in return and investment risk.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS
Based on the analysis, it can be concluded as follows:
1. Overall, the testing of macro and micro variables on the investment risk indicates that the variables of interest rate sensitivity and profitability significantly affect the investment risk in companies listed on the Jakarta Islamic Index (JII). While the variables of inflation sensitivity, exchange rate sensitivity, and liquidity do not significantly affect the investment risk in companies listed on the Jakarta Islamic Index (JII). This shows that the research hypothesis is rejected.
2. The multiple linear regression models indicate that the regression models fit the research data. The amount of the contribution of macro and micro factors is known from the adjusted R of 0.166, meaning that the variables of macro and micro have an effect of 16.6% on the investment risk in companies listed on the Jakarta Islamic Index (JII).

The limitation of this study is that this study

eliminates the year of 2010 because the variable of monthly interest rate in 2010 showed the same value in a row, or 6.50.
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