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The Effect of Macroeconomic, Microeconomic, and Systematic Risk on Firm Value in the Jakarta Islamic Index 30 (JII30)

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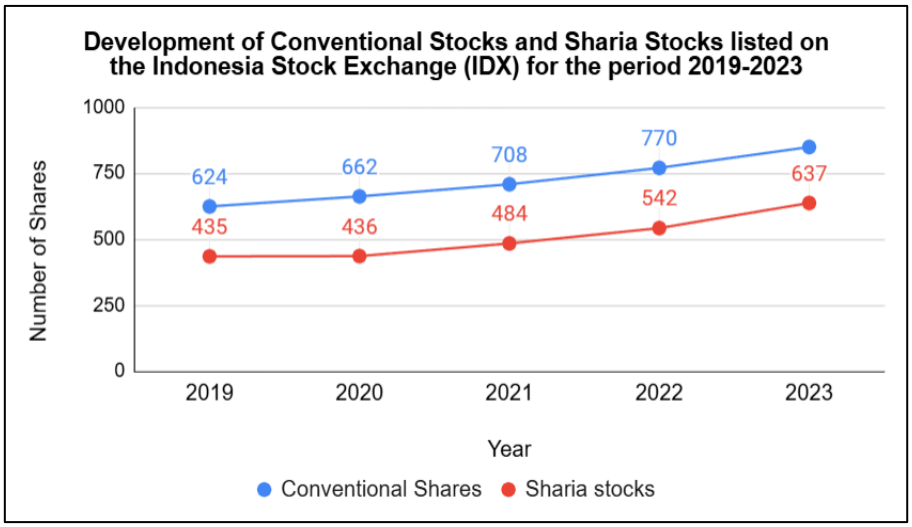
ABSTRACT: This research examines the influence of macroeconomic, microeconomic, and systematic risk factors on firm value inside the Jakarta Islamic Index 30 (JII30) from 2019 to 2023. The imperative is to comprehend investor perception in Sharia-compliant capital markets, where investment choices are influenced by ethical standards and a long-term perspective. This study analyzes inflation and interest rates (macroeconomic factors), ROE and TATO (microeconomic indicators), and beta (systematic risk), chosen for their significance in indicating corporate performance and investor appeal. The population comprises 52 companies listed in the JII30 during 2019–2023. Using purposive sampling, 21 firms were selected, producing 105 observations. Data were analyzed through panel data regression with the Random Effect Model (REM), determined by the Chow, Hausman, and Lagrange Multiplier tests. Results show that all variables simultaneously have a significant effect on firm value, while only ROE and TATO individually have a significant positive influence. Inflation, interest rates, and beta are insignificant. These findings indicate that Sharia investors focus more on internal performance, such as profitability and asset efficiency, rather than reacting to short-term macroeconomic changes. Practically, management should prioritize strategies that enhance efficiency and profitability, while regulators can encourage transparent disclosure of internal performance indicators to sustain investor trust and support long-term market stability.

Keywords: Firm Value, Inflation, Interest Rates, ROE, TATO, Systematic Risk.

INTRODUCTION

The capital market plays an important role in connecting investors with issuers and reflecting the condition of the national economy. Global economic fluctuations, monetary policy, and company performance are factors that affect investment dynamics. The Indonesia Stock Exchange (IDX) is pivotal in disseminating information and enabling trading activities, serving as a fundamental component of the capital market's operation. One of the instruments traded on the IDX is equity, which is categorized into two primary types: conventional equity and sharia equity.

Figure 1. Development of Conventional Stocks and Sharia Stocks listed on the Indonesia Stock Exchange (IDX) for the period 2019-2023.



Source: BEI (Data reprocessed, 2025)

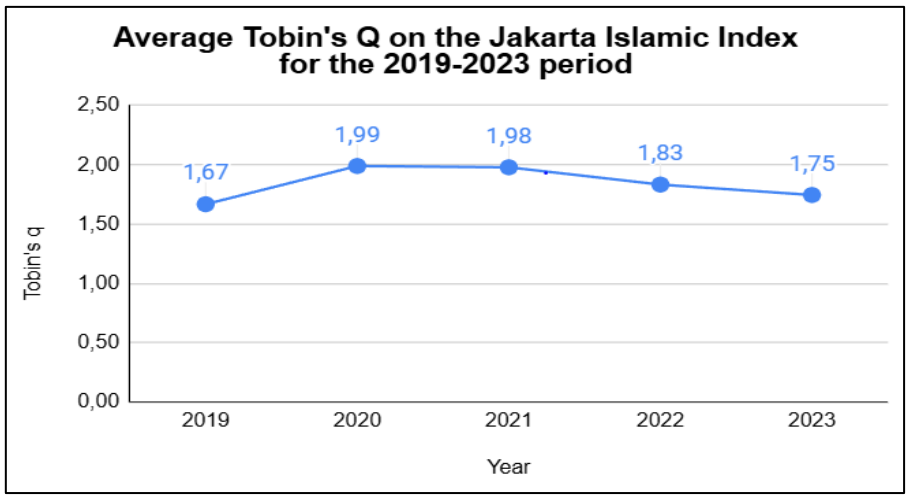
Figure 1 shows that although the number of conventional shares remains higher, the growth of Sharia shares demonstrates a more stable and consistent trend. This stability is crucial, as it reflects sustained investor confidence in Sharia-compliant investments, which underpins the resilience and long-term potential of the Islamic capital market. Such consistency strengthens the urgency of examining how internal and external factors influence firm value within this distinct investment landscape.

Despite this progress, limited empirical research has examined the determinants of firm value in Indonesia's Islamic capital market. Most studies focus on conventional markets, leaving a gap on how macroeconomic factors (inflation, interest rates), microeconomic indicators (ROE, TATO), and systematic risk (beta) affect Sharia-compliant firms. This study addresses the gap by analyzing Jakarta Islamic Index (JII30) companies, considering their ethical investment rules and long-term investor base.

The Sharia capital market comprises many Sharia stock indexes, including the Sharia Stock Index (ISSI), Jakarta Islamic Index (JII), JII 70, IDX-MES BUMN 17, and IDX Sharia Growth. One notable index is the Jakarta Islamic Index (JII), comprising 30 large-cap and liquid Sharia-compliant equities. This attribute renders JII a suitable subject for evaluating the impact of economic variables on business value.

A crucial metric for evaluating a company's performance and investment appeal is its firm value. This research use Tobin's Q ratio as the measure of business value. Tobin's Q ratio is regarded as an excellent measuring tool as it offers clearer insights into corporate activities, including diversification and investment (Reny & Wendy, 2023).

Figure 2. Average Tobin's Q on the Jakarta Islamic Index

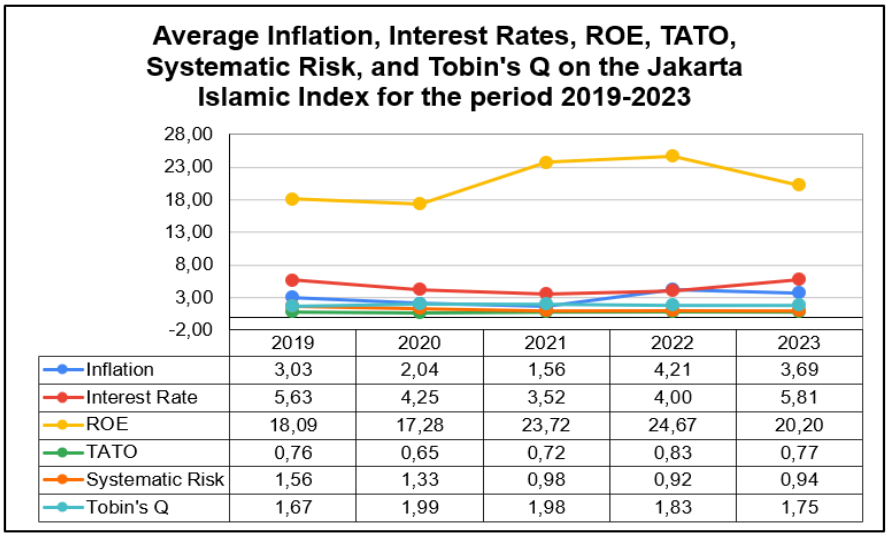


Source: BEI (Data reprocessed, 2025)

Figure 2 illustrates the average Tobin's Q ratio trend for Jakarta Islamic Index (JII) companies during 2019–2023. Overall, this ratio has remained relatively stable with minor fluctuations: 1.67 in 2019, rising to 1.99 in 2020, slightly declining to 1.98 in 2021, then decreasing to 1.83 in 2022 and 1.75 in 2023. This movement reflects investors' responses to economic conditions and expectations of firm value over the past five years.

In this study, changes in firm value are shaped by macroeconomic elements including inflation and interest rates, as well as micro factors such as ROE and TATO, including systematic risk (beta). Figure 3 shows the average research variables throughout 2019–2023, including inflation, interest rates, ROE, TATO, Beta, and Tobin's Q.

Figure 3. Average Inflation, Interest Rates, ROE, TATO, Systematic Risk, and Tobin's Q among Jakarta Islamic Index constituents spanning 2019-2023



	2019	2020	2021	2022	2023
Inflation	3,03	2,04	1,56	4,21	3,69
Interest Rate	5,63	4,25	3,52	4,00	5,81
ROE	18,09	17,28	23,72	24,67	20,20
TATO	0,76	0,65	0,72	0,83	0,77
Systematic Risk	1,56	1,33	0,98	0,92	0,94
Tobin's Q	1,67	1,99	1,98	1,83	1,75

Source: BEI (Data reprocessed, 2025)

Inflation fluctuations showed a phenomenon that contradicted theory during the periods of 2020–2021 and 2022–2023. In 2020 to 2021, inflation decreased from 2.04 to 1.56, while Tobin's Q also decreased slightly from 1.99 to 1.98. In 2022 to 2023, inflation decreased from 4.21 to 3.69, and

Tobin's Q decreased from 1.83 to 1.75. This contradicts the theory that high inflation should suppress consumer purchasing power, reduce demand, income, and profits, and increase operational costs (Nurmiati, 2024). This has the potential to reduce financial performance, investor perception, stock prices, and ultimately company value ((Permana & Rahyuda, 2019).

Interest rate dynamics during the 2019–2023 period showed a phenomenon that was not in line with theory. In 2020–2021, when interest rates fell from 4.25 to 3.52, Tobin's Q actually decreased from 1.99 to 1.98. However, theory suggests that an increase in interest rates makes deposits and bonds more attractive due to their low risk and guaranteed returns. Conversely, interest in stocks typically declines, leading investors to withdraw funds from the stock market. This decrease in stock demand impacts stock prices and company valuations in the market (Marbun et al., 2023; Sukmawardini & Ardiansari, 2018).

The movement of ROE during the 2019–2023 period shows a phenomenon that contradicts theory during the 2020–2021 and 2021–2022 periods. From 2019 to 2020, there was a decrease from 18.09 to 17.28, while Tobin's Q rose from 1.67 to 1.99. From 2020 to 2021, the value increased from 17.28 to 23.72, while Tobin's Q decreased slightly from 1.99 to 1.98. From 2021 to 2022, the value increased from 23.72 to 24.67, while Tobin's Q decreased from 1.98 to 1.83. This contradicts the theory that high ROE reflects profit efficiency and good business prospects, which is a beneficial indication for capital market participants, leading to an uptick in demand and a rise in stock quotations, resulting in an appreciation of company value (Akbar & Fahmi, 2022; Dhovairy, 2022).

Fluctuations in TATO during the 2019–2023 period indicate a phenomenon that contradicts theory, occurring in the 2020–2021 and 2021–2022 periods. From 2019 to 2020, there was a decrease from 0.76 to 0.65, while Tobin's Q increased from 1.67 to 1.99. From 2020 to 2021, the TATO rose from 0.65 to 0.72, while Tobin's Q decreased slightly from 1.99 to 1.98. From 2021 to 2022, TATO increased from 0.72 to 0.83, while Tobin's Q decreased from 1.98 to 1.83. This contradicts the theory that a high TATO reflects efficient asset utilisation for sales, which should increase revenue and financial performance. This efficiency sends as a positive signal for investors and drives an increase in company value (Arum et al., 2017; Utami & Prasetiono, 2016).

Beta movement during 2019–2023 showed a fluctuating pattern, with phenomena in 2020–2021, 2021–2022, and 2022–2023 that contradicted the theory. During 2020–2021 and 2021–2022, Beta decreased from 1.33 to 0.98 and then to 0.92, while Tobin's Q also declined from 1.99 to 1.98 and then to 1.83. Meanwhile, in 2022–2023, Beta increased from 0.92 to 0.94, but Tobin's Q continued to decline from 1.83 to 1.75. This contradicts the theory stating that systematic risk (Beta) has a negative impact on firm value. A decrease in risk should increase investor interest and boost company value, while an increase in risk should decrease company value (Adnyana, 2020; Rumianti, 2023; Sakdiah, 2019; Tandelilin, 2017).

The research by (Dewi Sartika et al., 2019) found that inflation negatively affects firm value. This finding is supported by (GWP & Cipta, 2024). However, this differs from the findings of (Ardana & Wahyuni, 2024) and (Pujiati & Hadiani, 2020), who stated that inflation has a null effect on firm value.

A research conducted by (Zuhro & Irsad, 2022) found a fact about interest rates negatively affects firm value. This result is consistent with (Ardana & Wahyuni, 2024). However, this differs from the results of (Amin & Rahmawati, 2023), and (Yahya et al., 2022), who showed company value is unaffeacted by interest rates.

The study investigated by (Lestari et al., 2023) shows ROE positively affects a company value. This finding is reinforced by (Febriyanti et al., 2023). However, this differs from the results of (Suyanto & Risqi, 2022), and (Jufrizen & Al Fatin, 2020), which indicate that ROE does not affect company value.

The research by (Ulfah & Abbas, 2020) found that TATO positively affects a company value. Similar results were also shown by (Farid & Akhmadi, 2023). However, this differs from (Anggraini & Widhiastuti, 2020), and (Sahyu & Maharani, 2023), who stated that TATO is unrelated to company value.

Moreover, the research done by (Holly et al., 2022) shows that systematic risk has a negative impact on company value. This finding is supported by (Wibowo, 2012). However, this differs from (Muthi'ah & Chang, 2023), and (Mulyana & Rini, 2017), who found that systematic risk does not affect company value.

Signaling Theory

(Spence, 1973) introduced signaling theory, which states that company managers may convey information about a firm's condition to external parties to guide investor decisions. These signals are often communicated through actions or disclosures that reflect managerial commitment and corporate performance. In this study, ROE and TATO act as internal signals of profitability and efficiency, inflation and interest rates serve as external economic signals, while beta represents market risk. These indicators help investors evaluate firm value, particularly in Sharia-based markets that emphasize long-term fundamentals.

Firm Value

Company value signifies investors' assessments of a company's effectiveness in resource management and is generally associated with share price (Naufal & Suwaidi, 2021). The principal objective of a corporation is to increase its value, as this affects shareholder welfare through share price growth, earnings stability, and improved opportunities for expansion and competitiveness. This research assesses corporate value utilizing Tobin's Q ratio, computed based on the formula devised by (Chung & Pruitt, 1994).

$$\text{Tobin's Q} = \frac{\text{MVS} + \text{Debt}}{\text{Total Asset}}$$

Inflation

Inflation is characterized as a pervasive and sustained rise in prices (Simanungkalit, 2020). Inflation is a crucial indicator that reflects the stability of consumer purchasing power and underlying economic conditions. Fluctuations in inflation can influence purchasing power, operational expenses for companies, and investment choices in the capital market. The formula for determining inflation is as follows (Ekawarna & Muslim, 2008).

$$\text{Inflation} = \frac{\text{IHK}_t - \text{IHK}_{t-1}}{\text{IHK}_{t-1}} \text{x } 100\%$$

Interest Rate

The interest rate is the cost or return associated with the utilization of funds over a specified duration, typically stated as a percentage (%) (Andrianto et al., 2019). This study measures the interest rate using the BI Rate, the policy interest rate that indicates the direction of Bank Indonesia's monetary policy and is publicly reported. The formula for calculating the interest rate is articulated as follows (DSta Bank Indonesia, 2016).

$$\text{Interest Rate} = \frac{(\text{vol1 x rate1}) + (\text{vol2 x rate2}) \ldots + (\text{volN x rateN})}{\text{Total Volume}}$$

Return on Equity (ROE)

Return on Equity (ROE) represents a financial ratio used to evaluate how effectively a company utilizes its equity to generate net income after tax. This metric indicates the level of capital efficiency within the firm (Kasmir, 2019). The following formula serves to quantify it (Kasmir, 2019).

$$\text{ROE} = \frac{\text{EAT}}{\text{Equity}}$$

Total Asset Turnover (TATO)

Total Asset Turnover (TATO) quantifies the efficiency of a company in using all its resources to yield revenue (Kasmir, 2019). This ratio is important for creditors, owners, and management because it indicates the ability of assets to support income and serves as a benchmark for evaluating operational efficiency. TATO can be calculated using the following formula (Kasmir, 2019).

$$\text{TATO} = \frac{\text{Sales}}{\text{Average Total Asset}}$$

Systematic Risk

Systematic risk or market risk is the only risk that can be accepted by investors (Sahupala & Andayani, 2021). This risk is related to overall market fluctuations and diversification offers no protection against it. In this study, systematic risk is measured using the Beta value. Beta is used to measure the volatility of a security or portfolio's return relative to the market return (Hartono, 2019). The formula for calculating beta is as follows (Hartono, 2019).

$$\beta_i = \frac{\alpha_i M}{\alpha^2 M}$$

Based on the literature review above, the research paradigm is outlined as follows:

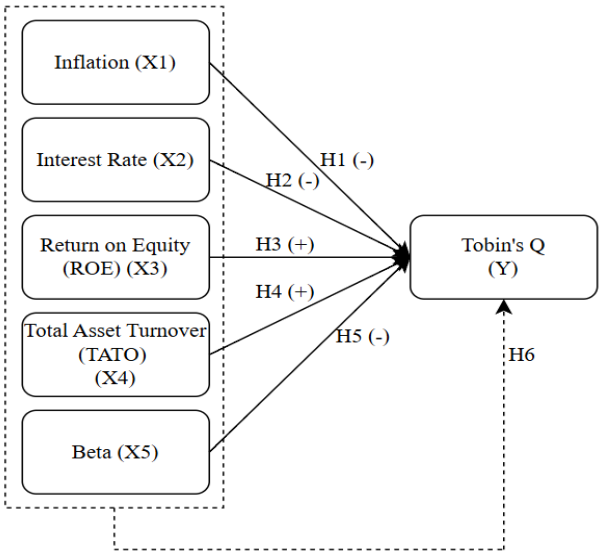


Figure 4. Research paradigm

The Effect of Inflation on Tobin's Q

A period of high inflation results in reduced purchasing power for individuals, stemming from the rising cost of goods and services, which has an impact on sales, revenue, and company profits. In addition, operating costs such as raw materials and labour also increase, causing profit margins to decline (Nurmiati, 2024). This condition lowers the company's prospects in the eyes of investors, causing share prices to fall and ultimately causing a drop in firm value (Permana & Rahyuda, 2019). Research conducted by (Dewi Sartika et al., 2019) and (GWP & Cipta, 2024) shows that inflation erodes firm value.
H1: Inflation has a negative effect on firm value.

The Effect of Interest Rates on Tobin's Q

An increase in interest rates makes instruments such as deposits and bonds more attractive because they are low risk and offer higher returns (Marbun et al., 2023). Conversely, stocks become less attractive because their returns are uncertain and the risks are higher, so investors tend to shift their funds to fixed income instruments. This reduces the demand for shares in the market, while the supply remains constant, which causes a decline in share prices and firm value (Sukmawardini & Ardiansari, 2018). Research findings by (Zuhro & Irsad, 2022) and (Ardana & Wahyuni, 2024)show the negative effect of interest rates on firm value.
H2 : Interest rates have a negative effect on firm value.

The Effect of Return on Equity (ROE) on Tobin's Q

A high ROE indicates a company's ability to manage equity to generate profits efficiently (Dhovairy, 2022). An increase in ROE illustrates higher profit potential for the company, which can reflect good business prospects and be a positive signal for investors. Thus, investors who are looking to purchase the company's equity will drive up the share price, thereby enhancing firm

value (Akbar & Fahmi, 2022). The results of studies by (Febriyanti et al., 2023) and (Lestari et al., 2023) support the positive effect of ROE on firm value.
H3 : ROE has a positive effect on firm value

The Effect of Total Asset Turnover (TATO) on Tobin's Q

TATO measures how efficiently a company generates sales from its total assets. A high TATO reflects the effectiveness of asset utilisation in operations, which has an impact on increasing revenue and financial performance (Utami & Prasetiono, 2016). This operational efficiency sends a positive signal to investors regarding the potential for future profits. Thus, investors tend to be more interested in the shares of efficient companies, which increases demand for shares and share prices, thereby increasing firm value (Arum et al., 2017; Ira Monicasari & Subardjo, 2022). The findings of (Ulfah & Abbas, 2020) and (Farid & Akhmadi, 2023) also show that TATO has a positive effect on firm value.
H4 : TATO has a positive effect on firm value

The Effect of Systematic Risk on Tobin's Q

A high beta value value points to a higher responsiveness of a company's stock returns to market fluctuations (Rumianti, 2023). This makes stocks more vulnerable to external risks. In investment, the higher the risk taken, the higher the expected return (Adnyana, 2020). With high market risk, investors demand higher returns, thereby increasing the cost of equity. The escalation in the cost of equity makes a company's shares less attractive compared to lower-risk shares, leading to decreased investor interest and a decline in stock prices. This decline in share prices reflects a decline in the firm's market value (Sakdiah, 2019). Research by (Holly et al., 2022) and (Wibowo, 2012) shows that systematic risk has a negative effect on firm value.
H5 : Beta has a negative effect on firm value

METHOD

This research employs a quantitative framework utilizing both descriptive and causal methodologies, leveraging panel data sourced from corporate annual reports, IDX financial reports, OJK, and other official publications gathered through documentation and literature reviews. The research population consists of 52 companies ranked in the JII 30 from 2019 to 2023. Purposive sampling was utilized, leading to the removal of 31 organizations that were not consistently listed within the specified period, with no instances of losses or incomplete data. The final sample comprised 21 companies, resulting in 105 observations (5 years × 21 companies). The chosen timeframe illustrates notable economic modifications in Indonesia, characterized by variable interest rates, low inflation, and changing investor inclinations towards Sharia-compliant investments. The Random Effect Model (REM) was selected based on the Chow, Hausman, and Lagrange Multiplier tests, alongside theoretical considerations acknowledging uncorrelated individual effects and structural heterogeneity among the JII 30 enterprises. The data analysis utilized a quantitative methodology executed with E-Views 13.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 1. Results of Descriptive Statistical Analysis

	TOBIN'S Q (Y)	INFLATION (X1)	INTEREST RATE (X2)	ROE (X3)	TATO (X4)	BETA (X5)
Mean	1.843125	2.903333	4.641667	20.78981	0.747923	1.224664
Median	1.113809	3.029167	4.250000	11.90000	0.616229	1.005547
Maximum	15.32100	4.205833	5.812500	140.2000	2.207478	4.782995
Minimum	0.153205	1.560000	3.520833	-8.960000	0.006760	-1.782348
Std. Dev.	2.196755	0.992843	0.916427	29.28865	0.488474	1.287722
Observations	105	105	105	105	105	105

Source: Results of data processing with Eviews13, 2025

Table 2 presents the descriptive statistics for 105 firms within the Jakarta Islamic Index 30, spanning the years 2019 to 2023, indicating that each variable exhibits distinct distribution features. The firm's value, as assessed by Tobin's Q, averages 1.8431 with a standard deviation of 2.1968, signifying variability and an uneven data distribution among companies, hence highlighting the heterogeneity of firm value within the sample. The inflation variable exhibits an average of 2.9033 and a standard deviation of 0.9928, suggesting that inflation during the study period was very stable and uniformly distributed. The average interest rate is 4.6417, with a standard deviation of 0.9164, suggesting that swings in interest rates are generally minor and consistent over time. The Return on Equity (ROE) variable exhibits an average of 20.7898 and a substantial standard deviation of 29.2887, signifying considerable disparities in profitability among enterprises, from very profitable to loss-incurring. Meanwhile, the Total Asset Turnover (TATO) averages 0.7479 with a standard deviation of 0.4885, signifying very consistent asset utilization efficiency and favorable data dispersion. The average beta value, indicative of systematic risk, is 1.2247 with a standard deviation of 1.2877, demonstrating considerable variations in market risk levels among companies, ranging from stable to highly volatile.

Panel Data Regression Selection

Table 2. Results of Regression Model Selection Test for Panel Data

Uji Chow			
	ϱ-Value	**Hasil**	**Keterangan**
Cross-section F	0.0000	**FEM**	ϱ-Value < 0.05
Uji Hausman			
	ϱ-Value	**Hasil**	**Keterangan**
Cross-section Random	1.0000	**REM**	ϱ-Value > 0.05
Uji Lagrange Multiplier			
	ϱ-Value	**Hasil**	**Keterangan**
Prob. Breusch-pagan	0.0000	**REM**	ϱ-Value < 0.05

Source: Results of data processing with Eviews13, 2025

Based on Table 3, the Chow test yielded a p-value of 0.0000 ($p < 0.05$), signifying that the Fixed Effect Model (FEM) is more suitable than the Common Effect Model (CEM). The Hausman test indicated a p-value of 1.0000 ($p > 0.05$), signifying that the Random Effect Model (REM) is more suitable than the Fixed Effect Model (FEM). The Lagrange Multiplier Test produces a p-value of 0.0000 ($p < 0.05$), indicating that REM is superior to CEM. Consequently, the Random Effect Model (REM) constitutes the most suitable model for this analysis. As REM is estimated via Generalized Least Squares (GLS), the model equation is deemed to satisfy classical assumptions, rendering classical assumption checks unnecessary (Gujarati & Porter, 2017).

Panel Data Regression Test

Table 3. Panel Data Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.792679	0.653915	1.212206	0.2283
INFLASI	-0.171751	0.117450	-1.462331	0.1468
SUKU_BUNGA	0.000591	0.125794	0.004701	0.9963
ROE	0.027473	0.008681	3.164682	0.0021
TATO	1.295690	0.558893	2.318316	0.0225
BETA	0.004995	0.103321	0.048348	0.9615

Source: Results of data processing with Eviews13, 2025

The regression equation based on the results of the panel data regression test, as follows:

Tobin's Q = 0.792679 - 0.171751 Inflation + 0.000591 Interest Rate + 0.027473 ROE + 1.295690 TATO + 0.004995 Beta.

Based on the regression results, the constant value of 0.792679 indicates that if all independent variables, namely inflation, interest rates, ROE, TATO, and beta, are zero or assumed to be constant, the firm value measured by Tobin's Q is estimated at 0.792679. Furthermore, the inflation coefficient value of -0.171751 implies that a 1% increment in inflation will trigger a 0.171751 decrease in firm value, assuming other variables remain constant. The interest rate coefficient of 0.000591 indicates that a 1% increase in interest rates will increase the firm value by 0.000591, as long as other variables remain unchanged. Meanwhile, the ROE coefficient of 0.027473 indicates that every 1% increase in ROE will increase the firm value by 0.027473, assuming that other variables remain constant.

Hypothesis Testing

Partial Test (T-test)

Table 4. Partial Test Results (T-test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.792679	0.653915	1.212206	0.2283
INFLASI	-0.171751	0.117450	-1.462331	0.1468
SUKU_BUNGA	0.000591	0.125794	0.004701	0.9963
ROE	0.027473	0.008681	3.164682	**0.0021**
TATO	1.295690	0.558893	2.318316	**0.0225**
BETA	0.004995	0.103321	0.048348	0.9615

Source: Results of data processing with Eviews13, 2025

The following are partial test results referred to in Table 5 above:

1. H1 states that inflation erodes Tobin's Q. The negative coefficient for -0.171751 and probability of 0.1466 > 0.05 indicate that H0 is accepted. This means that Tobin's Q is not affected by inflation.
2. H2 states that interest rates have a negative effect on Tobin's Q. The positive coefficient value of 0.000591 and the probability of 0.9963 > 0.05 indicate that H0 is accepted. This means that Tobin's Q is not influenced by interest rates.
3. H3 states that ROE has a positive effect on Tobin's Q. The positive coefficient value of 0.027473 and the probability of 0.0021 < 0.05 indicate that Ha is accepted. This means that Tobin's Q is positively influenced by ROE.
4. H4 states that TATO has a positive effect on Tobin's Q. The positive coefficient value of 1.295690 and the probability of 0.0225 < 0.05 indicate that Ha is accepted. This means that Tobin's Q is positively influenced by TATO.
5. H5 states that Beta (systematic risk) has a negative effect on Tobin's Q. The positive coefficient value of 0.004995 and the probability of 0.9615 > 0.05 indicate that H0 is accepted. This means that Tobin's Q is not influenced by Beta.

Simultaneous Test (F Test)

Table 5. Simultaneous Results (F Test)

F-statistic	**7.301700**
Prob(F-statistic)	**0.000007**

Source: Results of data processing with Eviews13, 2025

The results of the study indicate that the F-statistic value is 7.301700, while the F-table value is 2.29. Given that the F-statistic value is larger than the F-table value (7.30 > 2.29) and the probability value is 0.000007 < 0.05, H6 is accepted. This means that inflation, interest rates, ROE, TATO, and Beta simultaneously have a significant effect on Tobin's Q of companies listed in the Jakarta Islamic Index 30 during the period 2019–2023.

Determination Coefficient Test

Table 6. Determination Coefficient Results

Adjusted R-squared	0.232520

Source: Results of data processing with Eviews13, 2025

As per the regression findings, the Adjusted R-squared value obtained was 0.232520, indicating that 23.25% of the variation in firm value (Tobin's Q) can be explained by the variables of Inflation, Interest Rate, ROE, TATO, and Beta in this model. The remaining 76.75% is influenced by other variables outside the model that were not studied. This Adjusted R^2 value indicates that the model has sufficient explanatory power even though there are other more dominant external factors.

The Effect of Inflation on Tobin's Q

The hypothesis asserts that inflation adversely influences Tobin's Q; however, the results indicate no such effect. Elevated inflation can diminish purchasing power, increase operational expenses, and constrict profit margins, which typically depresses investor sentiment, decreases stock valuations, and diminishes corporate worth. The lack of this effect in JII enterprises signifies their capacity to respond via measures including price modifications, cost optimization, and product diversification. Price modifications shift elevated input expenses to customers, whilst cost efficiency diminishes expenditures via streamlined operations and enhanced supplier chains. Diversifying products mitigates risk by distributing it over several revenue streams, while the involvement of long-term, stability-oriented investors in the Islamic capital market diminishes susceptibility to short-term inflationary fluctuations.

The results obtained in this study correspond to the findings Ardana and Wahyuni (2024), which state that inflation has no bearing on firm value. High inflation in 2022 was accompanied by a significant decline in firm value. Although inflation declined in 2023, this did not immediately increase firm value because inflation was still high in the initial part of the year and only improved in the final part of the year. Therefore, the impact of inflation on firm value was less significant, especially since most companies already had strategies to anticipate inflation fluctuations. The findings of this study were reinforced by (Pujiati & Hadiani, 2020), who found that inflation had no effect on firm value.

These results differ from the findings of (Dewi Sartika et al., 2019), which show that inflation adversely influences firm value. Inflation increases a company's operating costs, which, if not offset

by an increase in revenue, can reduce profitability. This condition makes investors reluctant to invest, thereby affecting stock prices and firm value. This finding is reinforced by (GWP & Cipta, 2024), who show that inflation has a negative effect on firm value.

The Effect of Interest Rates on Tobin's Q

The hypothesis posits that interest rates negatively impact Tobin's Q. However, the results show that interest rates do not have a significant effect on firm value. In theory, rising interest rates increase borrowing costs and shift investor preferences toward fixed-income instruments, thereby reducing stock demand and firm valuation. In the context of Sharia-compliant firms listed in the Jakarta Islamic Index 30, this relationship appears less relevant. These companies typically maintain low reliance on interest-based financing in adherence to Islamic principles, resulting in minimal sensitivity to interest rate fluctuations. Moreover, during the observation period, the BI Rate remained relatively stable, limiting its influence on corporate investment behavior. On the investor side, participants in the Islamic capital market tend to adopt long-term perspectives and prioritize business fundamentals, rendering short-term interest rate movements less influential. These institutional and behavioral characteristics collectively reduce the impact of interest rates on firm value within the Sharia market context.

The conclusions of this study align with those of (Amin & Rahmawati, 2023), who asserted that interest rates do not influence firm value. Elevated interest rates will consequently lead to increased costs that enterprises must incur. The rise in interest expenses will adversely affect the company's profit generation. The decline in profitability will adversely affect the company's cash flow available to investors, resulting in diminished interest in the company. The findings of this study align with those of (Yahya et al., 2022), indicating that interest rates do not influence business value.

This study's conclusions contradict the findings of (Zuhro & Irsad, 2022), which indicate that interest rates adversely affect firm value. An escalation in interest rates leads to a depreciation in property values, as investors prefer to allocate their capital to banks instead of equities, hence diminishing business value. This aligns with the research findings of (Ardana & Wahyuni, 2024), indicating that interest rates adversely affect firm value.

The Effect of Return on Equity on Tobin's Q

The study hypothesized that ROE enhances Tobin's Q, and the data supports this positive correlation. This means that the higher a company's ROE, the higher the company's value in the eyes of investors. High ROE indicates that a company is able to manage its own capital effectively to generate optimal net income. This condition sends an encouraging sign to the market reflecting the company's robust profitability, high management efficiency, and bright growth prospects. Investors consider companies with high ROE to have more potential to provide promising dividends and capital gains, so that demand for shares increases, share prices rise, and ultimately the firm value increases.

The results of this study align with the findings of (Lestari et al., 2023), indicating that ROE positively influences firm value. A greater ROE indicates more effective and efficient asset

management, hence enhancing corporate value. The findings of (Febriyanti et al., 2023) further establish that ROE positively influences firm value.

This study's conclusions contradict the research conducted by (Suyanto & Risqi, 2022), which indicated that ROE does not influence firm value. A high return on equity (ROE) does not inherently result in an enhancement of firm value. This phenomenon may arise due to the predominance of investors prioritizing technical analysis above the fundamental characteristics of the company. Investors utilize historical stock price fluctuations to forecast future price movements, resulting in stock prices generally adhering to established trends. The findings of (Jufrizen & Al Fatin, 2020), substantiate that ROE does not influence firm value.

The Effect of Total Asset Turnover on Tobin's Q

The hypothesis states that TATO has a positive effect on Tobin's Q. The results show that TATO has a positive effect on Tobin's Q, which means that the higher a company's TATO, the higher the company's value in the eyes of investors. A high TATO reflects a company's ability to use its total assets to generate income efficiently. This efficiency is a positive signal that the company's management is able to manage resources optimally, minimise idle assets, and increase revenue. Investors tend to be attracted to companies with high asset turnover rates because they indicate that operational activities are running well and there is high profit potential. This drives demand for shares, raises share prices, and ultimately increases firm value.

This research's outcomes also match the findings of (Ulfah & Abbas, 2020), indicating that TATO positively influences firm value. A high TATO number signifies that the organization is efficiently utilizing its entire assets to produce profits from sales. Effective asset management can enhance corporate value. Similar results were obtained by (Farid & Akhmadi, 2023), demonstrating that TATO positively influences firm value.

These findings are inconsistent with the results of the study conducted by (Sahyu & Maharani, 2023). The activity ratio does not influence firm value. Neither high nor low asset turnover conveys favorable signals to investors. Investors typically prioritize the rate of return on capital produced by a corporation over the efficiency of asset turnover optimization. The findings of a study by (Anggraini & Widhiastuti, 2020) corroborate this, indicating that TATO does not influence firm value.

The Effect of Beta on Tobin's Q

The hypothesis states that Beta has a negative effect on Tobin's Q. The results show that Beta has no effect on Tobin's Q. A high Beta indicates high market risk, so investors will demand higher returns, which increases equity costs and depresses firm value. However, the insignificant effect of Beta in this study may be attributed to the characteristics of companies listed in the JII30, which generally operate with relatively low leverage, stable earnings, and business models that are less sensitive to market fluctuations. These firms tend to prioritize long-term performance and compliance with Sharia principles, which discourages excessive speculative exposure. Furthermore, investors in the Islamic capital market often focus more on financial sustainability,

business ethics, and fundamental performance than on short-term market volatility, which may reduce the influence of systematic risk on firm value.

The findings of this study align with the research undertaken by Mulyana and Rini (2017). The systemic risk associated with automotive industry enterprises has not influenced firm value. This indicates that companies in the automotive sector lack fundamental risks that could diminish firm value. Research conducted by Muthi'ah and Chang (2023) indicates that systematic risk does not influence firm value.
This study's conclusions contrast with the findings of (Holly et al., 2022), which indicate that systematic risk adversely affects firm value. Elevated market risk leads to a deterioration in corporate performance, therefore leading in a decrease in market prices, which further causes a reduction in firm value. This conclusion is corroborated by (Wibowo, 2012), indicating that systematic risk adversely impacts business value.

CONCLUSION

This study concludes that internal performance factors specifically Total Asset Turnover (TATO) and Return on Equity (ROE) have a significant positive effect on firm value in the Islamic capital market, while external macroeconomic variables such as inflation, interest rates, and systematic risk (beta) do not show significant influence. These results indicate that Sharia-based investors tend to focus more on company fundamentals, such as efficiency and profitability, rather than reacting to short-term market fluctuations or monetary changes. Practically, this implies that management in Islamic-based firms should prioritize improving internal performance through effective resource utilization and consistent profitability to attract and retain long-term investors. Regulators may also support this by encouraging transparent reporting of key internal metrics that reflect company value in accordance with Sharia principles. For investors, the findings highlight the importance of evaluating firm fundamentals rather than relying solely on external economic indicators. To enhance future research, it is recommended to include additional variables such as ESG performance, capital structure, or managerial ownership. Methodologically, the use of dynamic panel data models or mixed-method approaches across different industry sectors and periods may provide deeper insights into the determinants of firm value in the Islamic capital market.

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