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# Exchange Rate, Dividend Policy, and Capital Structure: Their Impact on Stock Returns in Jakarta Islamic Index Companies (2019–2023)

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**Abstract:** This study aims to analyze the impact of exchange rates, dividend policies, and capital structures on stock returns of JII-listed companies from 2019-2023, considering unique characteristics and adherence to Sharia principles. This study uses a qualitative method, employing purposive sampling techniques to determine the sample and then analyzing it using multiple linear regression with the SPSS 25.0 application. The sample in this study consists of 23 companies listed on the IDX that are included in the JII index and are non-bank companies. The results of this study found that the exchange rate has a positive effect on stock return. Dividend policy, measured using the dividend payout ratio (DPR), has a negative and significant effect on stock return. Capital structure, measured using the debt to equity ratio (DER), has a negative and significant effect on stock return. Meanwhile, simultaneously, the variables of exchange rates, dividend policies, and capital structures have a significant effect on stock return. The findings provide valuable insights for investors and companies seeking to make informed investment decisions and develop effective financial strategies aligned with Sharia principles. The study contributes academically to sharia-based finance literature and offers practical implications for market participants in the Islamic capital market.

**Keyword:** Sharia Capital Market, Jakarta Islamic Index, Exchange Rate, Dividend Policy, Capital Structure, Stock Return

## INTRODUCTION

The capital market plays a strategic role in a country's economy, functioning as a link between those who need funds (issuers) and those who have excess funds (investor) (Saputra, 2023). In Indonesia, the development of the sharia capital market has shown significant progress in line with the increasing demand for investments based on sharia principles (Anggraini, 2018). For the Indonesian population, which is predominantly Muslim, there are

still many who question the investment activities in this sharia-compliant capital market (Pantas, 2017). The sharia capital market is considered to have great potential. The Indonesia Stock Exchange (IDX) records that the number of investors continues to increase every year (Risqi & Suyanto, 2022). Therefore, investment choices will certainly be more relevant to the sharia index, namely the Jakarta Islamic Index (JII). This index is designed as a guide for investors who want to allocate their funds in accordance with sharia, by avoiding activities that are contrary to Islamic principles, such as riba, speculation, and gharar (Wahyuni & Sovita, 2024).

Investing in stocks through the Jakarta Islamic Index (JII) has its own appeal, considering that the stocks included in this index are the most liquid sharia-compliant stocks with large market capitalization (Beik & Fatmawati, 2015). However, like the stock market in general, the stock returns in the JII are influenced by various factors, both external (macroeconomic) and internal (microeconomic) (Pantas, 2017). Stock returns, which reflect the rate of return on investment, become one of the key indicators in investment decision-making (Fadli et al., 2023). For investors, return not only represents potential profit but also reflects the risks that must be borne (Wilda, 2023).

One of the macroeconomic factors that often draws attention is the exchange rate. Fluctuations in the exchange rate of the rupiah against foreign currencies, particularly the US dollar, can affect company performance, especially those reliant on international trade (Amri & Ramdani, 2020). A weakening exchange rate tends to increase import costs, reduce the purchasing power of companies, and impact stock performance negatively (Ananda & Santoso, 2022). Unstable exchange rate fluctuations can reduce foreign investor confidence in the Indonesian economy. Moreover, there is a fear of capital of flow (Akomeah et al., 2018). Conversely, a stable or strengthening exchange rate can send positive signals to investors (Jabar & Cahyadi, 2020).

The positive relationship between the exchange rate and stock returns is when the domestic currency depreciates, exporters tend to benefit because their products become more competitive in the international market (Jabar & Cahyadi, 2020). This increase in competitiveness can drive higher sales volumes and revenues in foreign currencies, which are then converted into domestic currencies at a higher value (Riskiyani & Dewi, 2023). The improvement in the company's financial performance can drive an increase in stock prices and generate higher returns for investors (Andriyanto et al., 2021). Depreciation of the exchange rate can also attract foreign investors to invest in the domestic stock market. A weaker currency makes domestic stock prices relatively cheaper for foreign investors, thereby increasing the flow of investment into the capital market. The rise in demand for stocks from foreign investors can drive up stock prices and have a positive impact on stock returns (Arif et al., 2024).

Although currency depreciation is often seen as a sign of economic instability, in some cases, currency weakening can reflect a country's strategy to enhance export competitiveness. Investors who understand this context tend to view currency weakening as an opportunity to achieve higher returns from stocks of export-based companies or companies oriented towards international markets (Basuki & Yusuf, 2018). Previous research has found that exchange rates have a positive influence on stock returns, especially for companies that rely on exports. For example, a study by Ananda & Santoso (2022) showed that currency depreciation can increase stock returns for exporting companies due to the increase in revenue converted into the domestic currency. Additionally, Kurani et al. (2023) found that, partially, the exchange rate has a significantly positive impact on stock returns in the context of the sharia market.

**H1: Exchange Rate has a positive effect on Stock Return.**

In addition, microeconomic factors such as dividend policy also become an important focus in capital market research. Dividend policy, which regulates the distribution of profits to shareholders, often serves as a signal of confidence in the company's financial stability (Saputra, 2023). Dividend policy is a strategic decision by the company regarding the distribution of profits to shareholders compared to retained earnings for reinvestment. The dividend payout ratio, often measured by the Dividend Payout Ratio (DPR), reflects the proportion of profits distributed to shareholders in the form of dividends (Lestari et al., 2021). In general, dividend policy provides important signals to investors regarding the financial stability of the company.

However, in some situations, a high dividend policy can actually have a negative impact on stock returns, as explained through several theories and studies. Tax Preference Theory, according to this theory, investors often prefer capital gains over dividends, especially due to differences in tax treatment (Tanushev, 2016). In many jurisdictions, taxes on capital gains are usually lower than taxes on dividends (Kanta et al., 2021). When a company pays high dividends, investors have to pay higher taxes compared to if the company retained earnings to increase the stock value through reinvestment (Dang et al., 2020). As a result, high dividends can reduce the attractiveness of the stock in the eyes of certain investors, which in turn can put pressure on the stock price and returns.

Reduction of funds for growth investments, high dividend payments reduce retained earnings, which should be used to finance the company's productive investments. Suboptimal investments can limit future revenue growth, thereby reducing market expectations of the company's ability to generate high returns (Amri & Ramdani, 2020). In the long term, this can negatively affect the stock value. The negative signaling effect (theory signal) for company growth, while dividend policy is often used as a signal of stability, in some cases, high dividends can signal that the company has few investment opportunities with high returns (Fajaria, 2018). Growth-oriented investors tend to avoid companies with high dividends because they are more focused on companies that can reinvest profits to generate greater market capitalization growth (Sefti, 2021).

Previous research also shows results that support this hypothesis. For example, several studies have found that growth-oriented investors prefer companies with low dividend ratios because they are considered to have greater potential for capital gains in the future (Lumopa et al., 2023). Additionally, the Dividend Irrelevance theory proposed by Miller & Modigliani (1961) adds that investors can create their own dividends by selling part of their portfolio, so dividend policy is not always relevant in influencing stock value.

**H2: Dividend Policy has a negative effect on Stock Return.**

On the other hand, capital structure is one of the important microeconomic factors in determining a company's financial performance. Capital structure is usually measured by the debt-to-equity ratio (Debt to Equity Ratio/DER), which indicates the extent to which a company uses debt as a source of financing (Muslikin & Alim, 2023). In the Trade-Off theory of financial management, the use of debt in the capital structure can provide benefits in the form of a tax shield, where interest on the debt can reduce the company's tax burden (Umdiana & Claudia, 2020). However, an increase in debt also brings greater financial risk, especially if the company faces difficulties in meeting its obligations (Setiawati & Putra, 2015).

According to financial theory, a significant increase in DER can negatively impact stock returns. This is due to several reasons, namely: (1) Increased financial risk, a high DER ratio indicates that the company is more reliant on debt to finance its operations. This can increase the default risk, especially if market conditions are unfavorable or if the company is unable to generate sufficient profits to pay interest and principal on the debt (Jao et al., 2024). Investors

tend to respond negatively to this risk, which can lead to a decrease in stock prices and returns. (2) The increase in the cost of capital, with the rising use of debt, can lead to an increase in the company's cost of capital because investors and creditors will demand a higher return to compensate for the additional risk (Fathihani et al., 2023). As a result, the company's profitability decreases, which impacts the decline in stock returns. (3) Negative signal effect, a high DER is often considered a signal that the company may be facing financial problems or difficulties in obtaining equity funding. This can damage investor confidence and affect market expectations regarding the company's future performance (Pandaya et al., 2020).

Previous research shows varied results regarding the impact of capital structure on stock returns. Some studies, such as those conducted by Agustin & Taswan (2017) and Kholifah & Retnani (2021), found that a high Debt-to-Equity Ratio (DER) significantly negatively affects stock returns. These results indicate that an increase in debt tends to add to the company's risk, thereby reducing the attractiveness of the stock to investors.

**H3: Capital Structure has a negative effect on Stock Return.**

Although many studies have been conducted to understand the influence of exchange rates, dividend policies, and capital structure on stock returns, most of the research is still focused on conventional stock markets. Specific research addressing the Islamic capital market, particularly on companies listed in the JII, is still relatively limited. However, companies that are part of the JII have unique characteristics, such as adherence to Sharia principles, which can affect the relationship between these variables and stock returns. This aspect also represents a novelty in this research.

This study aims to fill that gap by analyzing the impact of exchange rates, dividend policies, and capital structure on stock returns of companies listed on the JII during the period 2019-2023. This period encompasses significant economic dynamics, including the impact of the COVID-19 pandemic, which presents new challenges and opportunities for companies. This research is expected to provide a clearer picture of how these factors influence stock returns in the context of the sharia capital market.

The results of this research are expected to not only contribute academically to the literature on sharia-based finance but also provide practical implications for investors and companies. For investors, this research can serve as a reference in making investment decisions. Meanwhile, for companies, this research can help in designing more effective financial strategies to enhance investment appeal and market performance in accordance with Sharia principles.

## METHOD

This research uses a quantitative approach to analyze the relationship between independent variables (exchange rate, dividend policy, and capital structure) and the dependent variable (stock return) in companies listed on the Jakarta Islamic Index (JII) during the period 2019-2023. The quantitative approach was chosen because this research focuses on testing causal relationships between variables based on numerical data and statistical techniques. The population in this study consists of all companies listed on the JII during the research period of 2019-2023. The determination of the sample was conducted using purposive sampling technique, which is a sampling method based on specific criteria. The criteria used in this study include:

**Table 1. Criteria Sample**

| Criteria Sample | Sample Size |
|---|---|
| The number of companies listed on the Jakarta Islamic Index (JII) from 2019-2023 | 30 |
| Companies not listed on the Jakarta Islamic Index (JII) consecutively from | (7) |

| | |
|---|---|
| 2019-2023 | |
| Number of observations (23 x 5 tahun) | 115 |

Source: Secondary data, processed 2024

From Table 1 above, it is known that there are 23 samples of non-bank companies listed on the IDX with the Jakarta Islamic Index (JII). Thus, a total of 115 research samples were obtained. The companies included in the sample are as follows:

**Table 2. List of companies that fulfil the criteria**

| No | Code | Companies |
|---|---|---|
| 1 | ACES | PT. Ace Hardware Indonessia Tbk |
| 2 | ADRO | PT. Adaro Energy Indonesia Tbk |
| 3 | AKRA | PT. AKR Corporindo Tbk |
| 4 | ANTM | PT. Aneka Tambang Tbk |
| 5 | BPRT | PT. Barito Pacific Tbk |
| 6 | CPIN | PT. Charoen Pokphand Indonesia Tbk |
| 7 | EXCL | PT. XL Axiata Tbk |
| 8 | ICBP | PT. Indofood CBP Sukses Makmur Tbk |
| 9 | INCO | PT. Vale Indonesia Tbk |
| 10 | INDF | PT. Indofood Sukses Makmur Tbk |
| 11 | INKP | PT. Indah Kiat Pulp & Paper Tbk |
| 12 | INTP | PT. Indocement Tunggal Prakarsa Tbk |
| 13 | ITMG | PT. Indo Tambangraya Megah Tbk |
| 14 | KLBF | PT. Kalbe Farma Tbk |
| 15 | PGAS | PT. Perusahaan Gas Negara Tbk |
| 16 | PTBA | PT. Bukit Asam Tbk |
| 17 | SCMA | PT. Surya Citra Media Tbk |
| 18 | SIDO | PT. Industri Jamu dan Farmasi Sido Muncul Tbk |
| 19 | SMGR | PT. Semen Indonesia (Persero) Tbk |
| 20 | TLKM | PT. Telkom Indonesia (Persero) Tbk |
| 21 | TPIA | PT. Chandra Asri Petrochemical Tbk |
| 22 | UNTR | PT. United Tractors Tbk |
| 23 | UNVR | PT. Unilever Indonesia Tbk |

Source: Secondary data, processed 2024

The research was conducted over the period 2023-2024, covering data collection, processing, and analysis. Data were taken from companies listed on the JII, the Bank Indonesia website, and the Indonesia Stock Exchange. The data analysis in this study includes descriptive statistical analysis, classical assumptions, and multiple linear analysis to determine the relationship between the dependent variable and the independent variable. Hypothesis testing includes the T-test (partial), F-test (simultaneous), and the Coefficient of Determination or R2 test. The results will show whether the independent variables significantly affect the dependent variable either partially or simultaneously.

## RESULTS AND DISCUSSION

### Classical Assumption Test

The classical assumption tests include normality tests, multicollinearity tests, autocorrelation tests, and heteroscedasticity tests. The findings are as follows:

**Table 3. Normality Test**

| | | Unstandardized Residual |
|---|---|---|
| N | | 46 |
| Normal Parameters[a,b] | Mean | .0000000 |
| | Std. Deviation | 1.28286680 |
| Most Extreme Differences | Absolute | .083 |
| | Positive | .053 |

| | | |
|---|---|---|
| | Negative | -.083 |
| Test Statistic | | .083 |
| Asymp. Sig. (2-tailed) | | .200[c,d] |
| **a. Test distribution is Normal.** | | |
| **b. Calculated from data.** | | |
| **c. Lilliefors Significance Correction.** | | |
| **d. This is a lower bound of the true significance.** | | |

Source: Secondary data, processed 2024

In table 3 above, it is known that the result of the normality test is a significance value of 0.200 > 0.05, so it can be concluded that the data is normally distributed.

**Table 3. Multicollinearity Test**

| Model | | Collinearity Statistics | |
|---|---|---|---|
| | | Tolerance | VIF |
| 1 | X1_KURS | .987 | 1.013 |
| | X2_DPR | .994 | 1.006 |
| | X3_DER | .992 | 1.008 |
| **a. Dependent Variable: Y_RS** | | | |

Source: Secondary data, processed 2024

Based on the multicollinearity test that has been carried out, the test results in table 3 show the tolerance value of all independent variables > 0.10 and the VIF value of all independent variables < 10, so it can be concluded that there is no multicollinearity in the variables in this study (Sugiyono, 2019).

**Table 4. Autocorrelation Test**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .602[a] | .362 | .345 | 34.75825 | 1.906 |
| **a. Predictors: (Constant), DER, DPR, KURS** | | | | | |
| **b. Dependent Variable: Y_RS** | | | | | |

Source: Secondary data, processed 2024

Then, the autocorrelation test is used to see if the regression model has a correlation between residuals in period t and before (t-1). In this study, autocorrelation symptoms were tested using the Durbin Watson (DW) test with the criteria if it is between -2 and +2 or -2 < DW < +2 then the data does not loccur autocorrelation (Sugiyono, 2018).
Based on the autocorrelation test that has been carried out using the Durbin Watson (DW) test, the test results in table 4 show a DW value of 1.906, which is greater than the value of -2 and less than +2 so it can be concluded that there is no autocorrelation in this study.

**Table 5. Heteroscedasticity Test**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | -395.035 | 425.991 | | -.927 | .356 |
| | X1_KURS | 45.901 | 29.074 | .148 | 1.579 | .117 |
| | X2_DPR | -.005 | .010 | -.049 | -.523 | .602 |
| | X3_DER | -.022 | .013 | -.154 | -1.655 | .101 |
| **a. Dependent Variable: ABS_RES** | | | | | | |

Source: Secondary data, processed 2024

Based on the results from table 5, it can be concluded that the significance values of variables X1, X2, and X3 are greater than 0.05, indicating that the data is free from heteroscedasticity.

## Multiple Linear Regression Analysis

Multiple linear regression explains the relationship between independent variables and the dependent variable. This analysis shows whether the independent variables have a positive or negative effect on the dependent variable (Ghozali, 2018). Here are the results of the multiple linear regression analysis.

**Table 6. Multiple Linear Analysis**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | -250.252 | 64.436 | | -3.884 | .000 |
| | X1_KURS | 17.708 | 4.398 | .307 | 4.027 | .000 |
| | X2_DPR | -.008 | .002 | -.394 | -5.182 | .000 |
| | X3_DER | -.010 | .002 | -.397 | -5.213 | .000 |
| **a. Dependent Variable: Y_RS** | | | | | | |

Source: Secondary data, processed 2024

Based on Table 6 above, here is the multiple regression analysis according to the regression formula that has been prepared:

$$\mathbf{Y = -250,252 + 0,307KURS - 0,394DPR - 0,397DER + e}$$

The multiple linear regression results above can be explained as follows:

1. The constant coefficient value (α) is -250,252, which means that if the exchange rate, dividend policy, capital structure, and stock return are constant, the company value will be -250,252.
2. The regression coefficient value (β1) of the exchange rate variable of 17,708 shows a positive value. It can be concluded that exchange rate has a positive effect on stock return. If there is an increase in the value of exchange rate, the stock return will also increase by 17,708.
3. The regression coefficient value (β2) of the dividend policy of -0,008 shows a negative value. It can be concluded that dividend policy has a negative effect on stock return. If there is an increase in the value of dividend policy, there will be a decrease in the stock return of -0,008.
4. The regression coefficient value β3) of the capital structure variable of -0,010 shows a negative value. It can be concluded that company size has a nagative effect on stock return. If there is an increase in the value of capital structure, the stock return will also decrease by -0,010.

## Hypothesis Test

The T-test is used to ascertain the significance of the individual effects of independent factors on the dependent variable. This research will investigate the impact of currency rates (X1), dividend policy (X2), and capital structure (X3) on stock returns. The criteria for assessing partial significance using the t-test, predicated on the significance value, are as follows: H0 is approved when the significance value exceeds 0.05 (>0.05) and is rejected when the significance value is less than 0.05 (<0.05). The findings of the partial significance test in this research are shown below:

**Table 7. t Test or Partial Significance Test**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | -250.252 | 64.436 | | -3.884 | .000 |
| | X1_KURS | 17.708 | 4.398 | .307 | 4.027 | .000 |
| | X2_DPR | -.008 | .002 | -.394 | -5.182 | .000 |

| | | | | | |
|---|---|---|---|---|---|
| X3_DER | -.010 | .002 | -.397 | -5.213 | .000 |
| **a. Dependent Variable: Y_RS** | | | | | |

Source: Secondary data, processed 2024

The conclusions drawn from the study of the partial significant (t) test, as shown in table 7, are as follows:

1. In the exchange rate variable (X1), the significance is 0.000. The significance value of 0.000 < 0.05, therefore indicating that exchange rate (X1) significantly influences stock return.
2. In the dividend policy variable (X2), the significance is 0.000. The significance value of 0.000 < 0.05, thus indicating that leverage (X2) significantly affects stock return.
3. In the capital structure variable (X3), the significance level is 0.000. The significance value of 0.000 < 0.05, thus indicating that capital structure(X3) significantly affects stock return.

The F test is used to determine the significance of the independent factors in the research that collectively influence the dependent variable. This research concurrently analyzes the exchange rate (X1), dividend policy (X2), and capital structure (X3) in relation to business value. The concurrent effect of the independent variable on the dependent variable is established if the significance value is below 0.05. This research presents the outcomes of the concurrent significant test.

**Table 8. F Test or Simultaneous Significance Test**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 76162.853 | 3 | 25387.618 | 21.014 | .000[b] |
| | Residual | 134103.114 | 111 | 1208.136 | | |
| | Total | 210265.967 | 114 | | | |
| a. Dependent Variable: Y_RS | | | | | | |
| b. Predictors: (Constant), DER, DPR, KURS | | | | | | |

Source: Secondary data, processed 2024

The simultaneous significant test (F test) conducted reveals a significance value of 0.000, as shown in the findings presented in table 8. This indicates that the independent factors may collectively affect the dependent variable, with a significance value of 0.000, which is less than 0.05. It may be inferred that exchange rate, dividend policy, and capital structure all influence stock return.

The coefficient of determination test is conducted to quantify the impact of the independent variable on the dependent variable as a percentage. The R-Square value is between 0 to 1, indicating the extent to which the independent variable affects the dependent variable.

**Table 9. Coefficient of Determination Test**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .602[a] | .362 | .345 | 34.75825 |

Source: Secondary data, processed 2024

The coefficient of determination test results presented in Table 9 indicate an adjusted R Square value of 0.345 (34.5%), signifying that the independent variables of exchange rate, dividend policy, and capital structure moderately influence the dependent variable namely stock return, by 34.5%, while the remaining 65.5% is attributable to external factors not examined in this study.

## Discussion of Research Results

The overall level of influence of the independent variable on the dependent variable can be observed through the use of multiple linear regression approaches, both partially and simultaneously. This is accomplished by displaying the results of whether the hypothesis that has been previously established is accepted or rejected.

This study examines the effect of exchange rate, dividend policy, and capital structure on stock return both partially and simultaneously. The first hypothesis states that exchange rate has a positive influence on stock return. The statistical test results show t count of 4.027 with a significance value of 0.000, indicating that exchange rate can increase stock return. This finding is consistent with the argument that the depreciation of the domestic currency can enhance the competitiveness of export products, allowing exporting companies to earn higher revenues in foreign currencies, as explained by Ananda & Santoso (2022). This increased revenue positively impacts the company's profit, which in turn boosts stock prices and returns for investors. Although currency depreciation in the economy is considered economic instability, it serves as a positive signal for foreign investors. Therefore, it can be concluded that the first hypothesis can be accepted.

The second hypothesis states that dividend policy has a negative influence on stock return. The statistical test results show t count of -5.182 with a significance value of 0.000, indicating that dividend policy can decrease stock return. The higher the amount of dividends distributed by the company, the lower the stock returns received by investors. This is in accordance with the tax differential theory, which states that investors prefer to receive higher capital gains compared to dividends because it allows them to defer tax payments. Additionally, investors prefer capital gains because dividends tend to be taxed at a higher rate than capital gains. Therefore, companies are better off setting a low dividend payout ratio to minimize the cost of capital and maximize capital gains. Therefore, it can be concluded that the second hypothesis can be accepted.

The third hypothesis states that capital structure has a negative influence on stock return. The statistical test results show t count of -5.213 with a significance value of 0.000, indicating that capital structure can decrease stock return. These findings support the Trade-Off Theory, which states that although debt can provide benefits through a tax shield, excessive use of debt increases the risk of default and bankruptcy costs. (bankruptcy costs). In the context of sharia capital markets such as JII, a high dependence on debt can send negative signals to investors regarding the company's financial stability, considering the sharia principle that emphasizes caution in risk management. In addition, companies that are overly reliant on debt demonstrate a lack of internal funding, which is often interpreted as a sign of weakness in financial management. This reduces the attractiveness of the stock in the eyes of investors and suppresses stock returns. Therefore, the company needs to maintain a balance between debt and equity to minimize financial risk and enhance competitiveness in the sharia capital market. Therefore, it can be concluded that the third hypothesis can be accepted.

## CONCLUSION

The conclude of this study indicate that exchange rate, dividend policy, and capital structure have a significant impact on stock returns for companies listed on the IDX and part of the Jakarta Islamic Index (JII) Non-Bank sector during the period of 2019-2023. The exchange rate has a positive and significant impact on stock returns. Dividend policy has a negative and significant impact on stock returns. Capital structure also has a negative and significant impact on stock returns. The implications of this study strengthen financial theories such as Trade-Off Theory, Bird in Hand Theory, Signal Theory, Dividend Irrelevance, and Tax Preference within the context of the Islamic capital market, particularly for companies listed on the Jakarta Islamic Index (JII). Practically, these findings provide guidance for investors to be more selective in choosing stocks by considering the effects of exchange rates, dividend

policies, and capital structures on stock returns. Companies are also expected to manage their capital structure efficiently and design dividend policies that can enhance stock appeal without sacrificing long-term growth.

Suggestions for future research could expand the variables analyzed to include factors such as inflation, interest rates, and Environmental, Social, and Governance (ESG) factors to provide a more comprehensive view of the determinants of stock returns. For the Financial Services Authority (OJK), the findings of this study can serve as a basis for improving financial literacy among Sharia investors and for promoting the importance of understanding the macroeconomic and microeconomic variables affecting stock performance.

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