

**THE EFFECT OF MACROECONOMIC VARIABLES AND
THE GLOBAL FINANCIAL CRISIS ON INDONESIA'S
SHARIA STOCK INDEX DURING 2008 - 2021**



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**PENGARUH VARIABEL MAKROEKONOMI DAN *GLOBAL FINANCIAL CRISIS* TERHADAP INDEKS SAHAM SYARIAH
DI INDONESIA PERIODE 2008 - 2021**



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Thus this statement letter so that it can be understood.

Yogyakarta, 30 December 2022



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Assalamualaikum Wr. Wb.

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We hereby hope that your thesis can be published soon. Thank you for your attention.

Wassalamualaikum Wr. Wb.

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MOTTO

“If you fail to plan, you are planning to fail”

“We need to withstand momentary pleasures to achieve success in the future”

DEDICATIONS

I dedicate this Final Project to:

For Father (Bandi Santoso) and Mother (Kunarti) and siblings (Bagus Saputra and Titin Aliyatus Sa'adah) who always pray for and support the writer's struggles while in college.

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Yogyakarta, 30 December 2022

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A handwritten signature in black ink, appearing to be 'Dhony Kalingga Jati', written in a cursive style.

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis variabel makroekonomi dan krisis keuangan global terhadap *Jakarta Islamic Index* (JII). Variabel makroekonomi yang digunakan dalam penelitian ini antara lain: Suku bunga Bank Indonesia (*BI Rate*), Suku bunga The Fed (*Fed Rate*), dan nilai tukar IDR/USD (kurs), sedangkan *Global Financial Crisis*(GFC) sebagai variabel *dummy*. Data yang digunakan dalam penelitian ini berupa data *time series* dari Januari 2008 sampai Desember 2021. Penelitian ini menggunakan metode regresi *Autoregressive Distributed Lag* (ARDL) dengan bantuan *software* Eviews 10.

Hasil penelitian menjelaskan bahwa suku bunga BI berpengaruh negatif signifikan terhadap JII dalam jangka pendek maupun jangka panjang. Suku bunga The Fed dalam jangka pendek berpengaruh positif signifikan, sedangkan dalam jangka panjang menunjukkan hubungan positif tidak signifikan terhadap JII. Kurs dalam jangka pendek berpengaruh negatif signifikan terhadap JII, sedangkan dalam jangka panjang berpengaruh positif signifikan terhadap JII. *Global Financial Crisis* (GFC) dalam jangka pendek berpengaruh negatif signifikan terhadap JII, namun dalam jangka panjang berpengaruh positif signifikan terhadap JII.

Kata Kunci: *Jakarta Islamic Index* (JII), *BI Rate*, *Fed Rate*, Kurs, *Global Financial Crisis* (GFC).

ABSTRACT

This study aims to analyze macroeconomic variables and the global financial crisis on the Jakarta Islamic Index (JII). The macroeconomic variables used in this study include: Bank Indonesia interest rates (BI Rate), The Fed Rate (Fed Rate), and the IDR/USD exchange rate, while the Global Financial Crisis (GFC) is a dummy variable. The data used in this research is time series data from January 2008 to December 2021. This research uses the Autoregressive Distributed Lag (ARDL) regression method with the help of Eviews 10 software.

The results of the study explain that the BI rate has a significant negative effect on JII in the short and long term. The Fed's rate in the short term has a significant positive effect, whereas in the long term it shows an insignificant positive relationship to JII. The exchange rate in the short term has a significant negative effect on JII, while in the long term it has a significant positive effect on JII. The Global Financial Crisis (GFC) in the short term has a significant negative effect on JII, but in the long term it has a significant positive effect on JII.

Keywords: *Jakarta Islamic Index (JII), BI Rate, Fed Rate, exchange rate, and Global Financial Crisis (GFC)*

CHAPTER I

INTRODUCTION

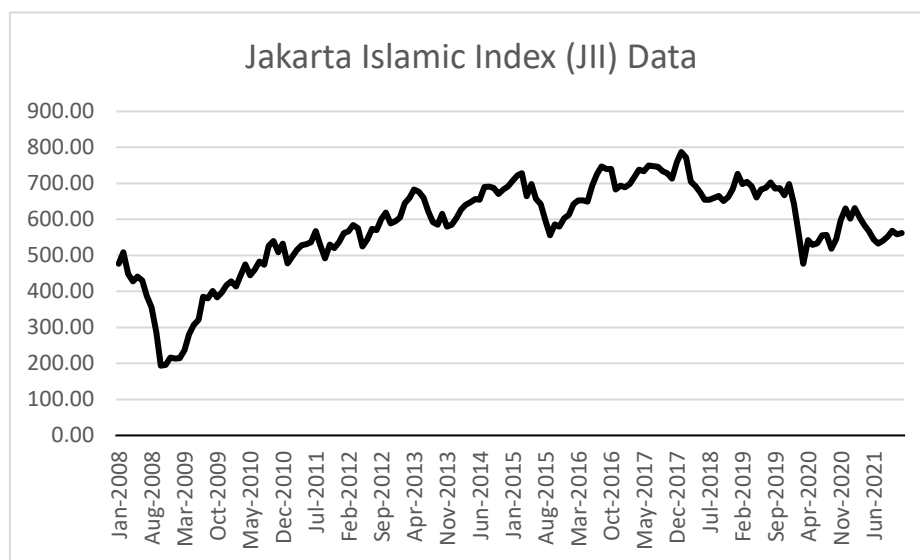
A. Background

Islam is one of the world's largest religion. The total Muslim population is estimated to reach 1.93 billion, equivalent to 22% of the world's total population and is in second place after Christianity. Indonesia occupies the position as the country with the largest Muslim population, reaching 231 million people which is equivalent to 11.92% of the total world Muslim population. With many Muslim resident, comes the need for sharia-based financial services. The capital market itself is a means of raising funds or capital from the general public to support financing and investment facilities (Maya & Martalena, 2011). In addition, the capital market is also an indicator of the condition of companies in a country, because almost all large companies that act as a driving force for a country's economy enter the capital market. The capital market has a fluctuating movement, there are times when it experiences an increase (bullish) or decreases (bearish) which is illustrated by the movement of the stock index.

The Indonesia market recognize two types of capital markets, namely the conventional capital market and the Islamic capital market. The Islamic capital market is a capital market that uses sharia principles based on the Al-Qur'an, hadith, ijma', and qiyas (Abdalloh, 2019). Basically, according to the principles of fiqh, all forms of trading are permissible as long as there is no evidence that forbids it (Nur Wulan, 2020). In practice, there is a stock index

that can inform stock price movements and serve as an indicator to determine stock return or risk. The Jakarta Islamic Index (JII) is a stock index consisting of the 30 most liquid Islamic stocks listed on the Indonesia Stock Exchange. JII is also an Islamic stock index which was first launched on the Indonesian Islamic capital market on July 3, 2000 by IDX in collaboration with PT. Investment Fund Management. Stock reviews that are incorporated in JII are carried out by the IDX every 6 months, adjusting to the issuance period of DES by Bapepam & LK or currently known as the Financial Services Authority (OJK) (Rahmiyanti & Fianto, 2020).

JII has several differences from the Indonesian Sharia Stock Index (ISSI). Share issuers included in JII members are sharia shares that have passed or met the requirements of sharia shares. JII consists of 30 issuers of Islamic stocks with very good levels of liquidity and finance, so that it can be said that companies whose shares are included in JII issuers are companies with good financial conditions. JII often experiences quite good and positive growth along its journey, but it is not uncommon for JII to fluctuate (Figure 1). According to Syahrir, the stock index can be influenced by several factors, one of which is macroeconomic factors (Nasir et al., 2016). Thus, good macroeconomic conditions can reduce the systematic risk of the stock market, and vice versa (Junaidi et al., 2021). Several macroeconomic variables that can affect the movement of the stock index include exchange rates, inflation, systematic risk, and interest rates (Abdul Jabar & Cahyadi, 2020).



Picture 1. 1 Graphic of the JII Stock Price Index for the 2008-2021 period

Source: finance.yahoo.com (processed data)

The global financial crisis that occurred in 2008 was triggered by bad loans that hit the United States financial sector. The United States Central Bank, also known as the Fed, adopted a policy known as the Fed Fund Rate (FFR) or The Fed's interest rate. This policy directly affected the trend of stock prices on Wall Street. The United States has considerable influence in the global market. The policies taken by the USA will certainly have an impact on other countries, because the value of the US Dollar is used in almost all corners of the world. Reporting from AntaraNews.com, the Fed's interest rates have increased since the beginning of the year by 25 bps in March and 50 bps in May due to US inflation which has not decreased significantly, triggering financial market shocks in Indonesia. The increase in the Fed's interest rate resulted in the outflow of foreign capital (Capital Outflow) which had an impact on the decline in the rupiah exchange rate as investors shifted from risky assets to financial

instruments in safe haven countries¹. Research conducted by Misgayanti & Zuhroh (2009), Parulian & Mahendra (2021), states that The Fed's interest rate has an effect on the JCI. However, the results of research conducted by Wijayaningsih et al. (2016), Wicaksono & Yasa (2017), state that the FED Rate has no effect on the JCI. The research by Mawarni & Widiasmara (2018), Rahmawati & Baini (2020), states that the FED Rate has no significant effect on ISSI.

In responding to the conditions of the global financial crisis, Bank Indonesia as the Central Bank in Indonesia implemented monetary policy to maintain the stability of the value of the rupiah as reflected in a low and stable inflation rate. The main policy instrument taken by Bank Indonesia to achieve the expected inflation target is to set the BI-7 Day Reverse Repo Rate (BI7DRR) policy interest rate, which was originally called the BI Rate. Where BI7DRR is the main instrument for influencing economic activities aimed at maintaining a stable inflation rate. Changes in Bank Indonesia interest rates can affect the exchange rate, which will trigger an increase in the interest rate difference between domestic interest rates and foreign interest rates. This will encourage foreign investors to invest in the financial sector in Indonesia with the hope of getting a higher return. This inflow of foreign capital will encourage the strengthening of the rupiah exchange rate and will reduce inflation. Research conducted by Abdul Jabar & Cahyadi (2020), yulianto (2019), states that the BI

¹ [Mencermati dampak kenaikan suku bunga Fed ke Indonesia - ANTARA News](#) accessed on 17th June 2022, 22.44 Western Indonesian Time

rate has a negative effect on Islamic stock returns on the Jakarta Islamic Index (JII). Different findings were found in research Karyatun et al. (2021), which stated that the BI rate did not affect the Islamic stock index.

Information regarding Bank Indonesia interest rates and The Fed interest rates needs to be considered by an investor in making investment decisions. Apart from these two factors, investors also need to pay attention to currency exchange rates, especially the rupiah exchange rate against the US dollar. The exchange rate needs to be considered because it greatly influences the prices of goods produced domestically that will be exported abroad and the costs required to import goods produced from abroad. This is because the demand and supply in the global market affect the exchange rate. Foreign investors are more likely to choose investments in US dollars compared to investing in the Indonesian stock market when the value of the US dollar rises and the value of the rupiah falls. However, when the rupiah strengthens and the US dollar weakens, investors tend to invest in the stock market. An increase in the amount of investment in the stock market results in a change in share prices on the IDX as indicated by the Jakarta Composite Index (IHSG) (Wijayaningsih et al., 2016). Research conducted by Junaidi et al. (2021), Mawarni and Widiasmara (2018), Rahmawati and Baini (2020), states that in the long run the exchange rate has a negative effect on ISSI. However, research by Sanusi et al. (2020), stated different results, where in the long term the exchange rate has a positive effect on ISSI.

According to Wahyudi and Sani (2014), apart from the macroeconomic variables mentioned above, economic shocks experienced by one country can also affect the economic conditions of other countries which are interrelated. This can be proven by the significant decline in the JII stock index in September 2008. At that time there was a global financial crisis triggered by the bankruptcy of Lehman Brothers in the United States. So that the financial market is not only influenced by domestic macroeconomic conditions, but also influenced by foreign macroeconomic conditions (Rahmiyanti & Fianto, 2020).

Macroeconomic variables do have a big influence and a very important role in financial economics. However, in reality there are extraordinary events that can affect the financial economy, such as the global financial crisis in 2008/09. Based on the explanation of phenomena, data, and differences in the results obtained from previous research, the authors intend to further examine the effect of macroeconomic variables on Islamic stock indexes by adding the Global Financial Crisis variable as a dummy variable and using the ARDL analysis method as a differentiator from previous studies. As for this research entitled **“The Effect of Macroeconomic Variables and The Global Financial Crisis on Indonesia’s Sharia Stock Index During 2008 - 2021”**. Where the Indonesian financial sector has improved and was able to weather the global financial crisis at the end of 2014 (Boediono, 2016).

B. Research Problems

Departing from the background above, several problems can be formulated as follows:

1. How does the BI interest rate affect the Jakarta Islamic Index (JII) for the 2008 – 2021 period?
2. How does the Fed Fund Rate (FFR) affect the Jakarta Islamic Index (JII) for the period 2008 – 2021?
3. How does the exchange rate affect the Jakarta Islamic Index (JII) for the period 2008 – 2021?
4. How does the Global Financial Crisis affect the Jakarta Islamic Index (JII) for the period 2008 – 2021?

C. Research Objectives

Based on the formulation of the problem above several objectives that can be obtained include:

1. To analyze whether there is an influence of the BI interest rate on the Jakarta Islamic Index (JII) for the period 2008 – 2021
2. To analyze whether there is an effect of the Fed Fund Rate (FFR) on the Jakarta Islamic Index (JII) for the period 2008 – 2021
3. Analyzing whether there is an influence of exchange rates on the Jakarta Islamic Index (JII) for the period 2008 – 2021
4. To analyze whether there is an effect of the Global Financial Crisis on the Jakarta Islamic Index (JII) for the period 2008 – 2021

D. Significance of Research

The benefits of this research include:

1. For researchers, it is hoped that the results of this study can provide scientific insight regarding the factors that influence the Islamic stock market and the impact of macroeconomic policies.
2. For investors, the results of this study are expected to be a reference for investors who wish to invest in the Islamic capital market, especially Islamic stocks.
3. For the government, it is hoped that the results of this research can provide additional information for the government in setting macroeconomic and monetary regulations or policies that can affect the financial sector such as Islamic stocks.
4. For academics, it is hoped that the results of this study can be used as a reference in conducting further research on macroeconomics and Islamic stocks.

E. Systematics of Discussion

In this study, the systematics discussion is divided into five parts including:

1. **CHAPTER I Introduction** which contains background, problem formulation, objectives, research benefits, and discussion systematics. This chapter will explain the description and the basic reasons for conducting this research which are complemented by data, theory, and previous research.

2. **CHAPTER II Theoretical Basis** which contains the theoretical basis, literature review, hypothesis development, and the framework of thought is also explained. This chapter describes the theory underlying the relationship between variables and is supported by the results of previous studies that are in accordance with the research topic taken. The development of hypotheses and frameworks form the basis of research topics.
3. **CHAPTER III Research Methods** contains research objects such as data sources, types of research, analytical tools used, and stages of data analysis. This chapter also describes the description of the independent and dependent variables in the study.
4. **CHAPTER IV Research Results and Discussion** contains an explanation of the results of data processing and interpretations related to the results of these calculations. This chapter is also the answer to the questions that arise in the problem formulation.
5. **CHAPTER V Closing** contains conclusions on the results of the discussion and answers to research questions. This chapter also contains suggestions for parties with an interest in this research. The researcher also conveyed the shortcomings in conducting this research as material for future analysis.

CHAPTER V

CLOSING

A. Conclusion

Based on the results of testing the ARDL model that has been described previously, the conclusions obtained are as follows:

1. The BI interest rate has a significant negative effect on the Jakarta Islamic Index (JII), both in the short and long term. The conclusion that can be drawn is that **in the short or long term, H1 is accepted = Bank Indonesia's interest rate has a negative effect on the Jakarta Islamic Index (JII).**
2. The Fed's interest rate in the short term has a significant positive effect on the Jakarta Islamic Index (JII), while in the long term it shows a positive but not significant relationship to the Jakarta Islamic Index (JII). The conclusion that can be drawn is that **in the short term or long term, H2 is rejected = the Fed Funds Rate (FFR) has a negative effect on the Jakarta Islamic Index (JII).**
3. Exchange rates in the short term have a negative and significant effect on the Jakarta Islamic Index (JII). Unlike the long-term test which shows that the exchange rate variable has a positive and significant effect on the JII stock index. The conclusion that can be drawn is that **in the short term H3 is accepted = Exchange rate has a negative effect on the Jakarta Islamic Index (JII).** Whereas **in the long term H3 is rejected**

= the exchange rate has a negative effect on the Jakarta Islamic Index (JII).

4. The Global Financial Crisis (GFC) in the short term has a significant negative effect on the Jakarta Islamic Index (JII), but in the long term it shows the opposite result, which has a significant positive effect on the Jakarta Islamic Index (JII). The conclusion that can be drawn is that **in the short term H4 is accepted = Global Financial Crisis (GFC) has a negative effect on the Jakarta Islamic Index (JII).** Meanwhile, **in the long term H4 is rejected = Global Financial Crisis (GFC) has a negative effect on the Jakarta Islamic Index (JII).**

B. Suggestions

Based on the results of this study, there are several suggestions that the author wants to convey, namely:

1. The government should be very careful in determining monetary policy, because macroeconomic policies are of great concern to investors in the stock market, especially during periods of crisis.
2. For Investors, it is hoped that this can be a consideration in determining investment decisions, especially for Muslim investors. Islamic stock indexes can be used as one of the safer options for investing because they are more resistant to shocks arising from crises.
3. For future researchers, it is hoped that they will be able to develop this research with several research models around macroeconomics, stock indexes, and the global financial crisis.

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