

TABLE OF CONTENTS

Indonesian Abstract.....	iv
English Abstract.....	v
Approval of Supervisor.....	vi
Certification	vii
Decision of the Team	viii
Declaration.....	ix
Dedication.....	x
Mottoes	xi
Acknowledgement	xii
Transliteration Guidance.....	xvi
Table of Contents	xvii

CHAPTER I: INTRODUCTION

A. Background of Study	1
B. Problem Formulation.....	4
C. Research Objectives	5
D. Purposes of Research	5

CHAPTER II: PREVIOUS STUDY, LITERATURE REVIEW, AND THEORETICAL FRAMEWORK

A. Literature Reviews	7
B. Theoretical Framework	15
1. Theory of Inflation	15
a. The Quantity Theory.....	16
b. The Monetarism's Theory	17
c. The Keynes's Theory	18
d. The Classical Theory	19
e. The Structuralism's Theory	19
2. Classification of Inflation	20

3. The Concept of Inflation According to Islam	21
4. The Inflation Determinant Model	22
5. The Relation Between External Debt and Inflation	24
6. The Relation Between Money Supply and Inflation.....	26
7. The Relation Between Exchange Rate and Inflation	27
8. The Relation Between Export, Import and Inflation.....	29
9. Islamic Scholar's View on Inflation (Al-Ghazali and Al-Maqrizi).....	30

CHAPTER III: RESEARCH METHODOLOGY

A. Type of Research.....	37
B. Type and Sources of Data.....	37
C. Data Collection Method	38
D. Definitions of Operational Variables.....	38
E. VAR/VECM.....	39
1. Stationary Data Test	41
2. Test Correlation	42
3. Test The Stability of The VAR Model	43
4. Lag Optimal Test	43
5. Cointegration Test	43
6. Vector Error Correction Model (VECM)	44
7. Output.....	44

CHAPTER IV: RESULT AND ANALYSIS

A. Result	47
1. Stationary Data Test	47
2. Stability Test of VAR.....	48
3. Lag Optimum Test.....	48
4. Cointegration Test	49
5. Vector Error Correction Model (VECM)	50
6. Impulse Response Function.....	53
7. Forecast Error Variance Decomposition (FEVD).....	53

B. Analysis and Discussion.....	55
1. Based on VAR/VECM Result	55
2. Based on Islamic Scholar View.....	58
CHAPTER V: CLOSING	
A. Conclusion	65
B. Suggestions.....	66
BIBLIOGRAPHY	67
APPENDIX.....	76

CONTENT OF TABLE

Table 4.1 Stationary Data Test	47
Table 4.2 Stability Test of VAR	48
Table 4.3 Lag Optimum Test.....	49
Table 4.4 Cointegration Test	50
Table 4.5 VECM in Inflation Equation.....	51

CONTENT OF FIGURE

Figure 1.1 External Debt Graph.....	1
Figure 1.2 Exchange Rate Graph.....	2
Figure 2.1 Inflationary Gap Curve's	18
Figure 3.1 Processing Method and Data Analysis of VAR/VECM	41
Figure 4.1 Graph Inflation against Variables	53
Figure 4.2 Graph Inflation in FEVD.....	55