

# 7<sup>th</sup> AICIF CERTIFICATE OF ACHIEVEMENT



PRESENTED TO:

**Atika Rukminastiti Masrifah**

FOR PARTICIPATION AS:  
**Paper Presenter**

7<sup>th</sup> ASEAN UNIVERSITIES

INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE 2019  
3-4 DECEMBER 2019 AT UNIVERSITY OF DARUSSALAM GONTOR

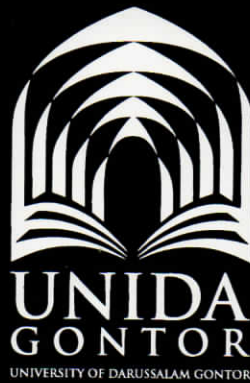
Rector

University of Darussalam Gontor



Prof. Dr. H. Amal Fathullah Zarkasyi, M.A





# AICIF

## PROCEEDINGS 7<sup>TH</sup> ASEAN UNIVERSITIES **International Conference on Islamic Finance**

Revival of Islamic Social Finance To Strengthen Economics  
Development Towards a Global Industrial Revolution

**Editors:**

Hartomi Maulana  
Atika Rukminastiti Masrifah

**Co Host:**



IIUM  
International Islamic  
University Malaysia



UIN SUKA  
Universitas Islam Negeri  
Sunan Kalijaga, Yogyakarta  
Indonesia



UNISSULA  
Universitas Islam  
Sultan Agung, Semarang,  
Indonesia



UNISSA  
University Islam  
Sultan Syarif Ali,  
Brunei Darussalam



Fathoni University  
Thailand



Mindanao State  
University of Philippines



STEI  
Tazkia University,  
Indonesia



SECRETARIAT  
International Council  
of Islamic Finance Educators

# CONTENTS

## PAPERS

### FULL PAPERS

Integrated Sukuk based Waqf in Pesantren: A Modified Model <i>Atika Rukminastiti Masrifah, Khoirul Umam and Setiawan Bin Lahuri</i>	5
The Efficient Fintech of Indonesian Zakat Institution based on Muzakki's Psychology <i>Farikha Amilahaq, Provita Wijayanti, Noor Emilina Mohd Nasir and Suraya Ahmad</i>	11
Analysis of Macroeconomics Factor Affecting Jakarta Islamic Index <i>Tri Wijayanti Septiarni, Muhamad Rifki Taufik, Mufti Afif and Atika Rukminastiti Masrifah</i>	19
Profiling the Competency of Nazhir Waqf: A Conceptual Paper <i>Yayan Firmansah, Lathiefa Rusli and Hartomi Maulana</i>	23
The Establishment of Islamic Finance and Its Impact in the Bangsamoro as Perceived by Select Ulama and Professionals in Lanao del Sur <i>Anwar M. Radiamoda</i>	28
Investigating the Level of Interest to Learn Islamic Economic Principles in Lanao Del Sur <i>Jawad Z. Salic and Shahid Q. Manalundong</i>	34
Achieving Islamic Social Finance Goals through Zakat, Waqf, and Sadaqa in Selected Countries: Issues and Challenges <i>Dzuljastri Abdul Razak and Qosdan Dawami</i>	38
The Influence of Monetary Instrument toward Money Demand M2 under Dual Banking System in Indonesia Period 2015-2018 <i>Imam Haryadi and Vinny Kurniati</i>	46
Social Activities Effect on Household Enterprise: A Descriptive Analysis Form East Indonesia <i>Riswanti Budi Sekaringsih</i>	52
Efficiency of Pesantren's Baitul Maal Wa Tamwil (BMT): An Effort towards Islamic Microfinance Institution <i>Atika Rukminastiti Masrifah and Hendri Tanjung</i>	59
Issues and Challenges in Islamic Estate Planning in Malaysia <i>Azi Haslin Abdul Rahman and Rusni Hassan</i>	67
Business Model in Islamic Microfinance: Case Study of Baitul Maal Wat Tamwil (BMT) La Tansa Gontor <i>Fajar Surya Ari Anggara and Roghiebah Jadwa Faradisi</i>	76
The Role of Islamic Corporate Governance in Preventing Fraud <i>Nunung Ghoniyah and Sri Hartono</i>	83
Shariah Audit for Islamic Finance Industry in Revolution Industry 4.0: A Part of Religious Confession <i>Abdurrahman Raden Aji Haqqi</i>	90
Issues and Challenges in Financing the Poor: Lessons Learned from Islamic Microfinance Institutions <i>Salina Kassim and Norizan Satar</i>	102



Islamic Political Economy and Sustainable Social Development Policies: An Analytical Study <i>Auwal Adam Sa'ad, Sayed Musa Alhabshi and Salina Kassim</i>	109
Do Bank Customers Prefer Profit Sharing Investment Accounts? A Proposed Conceptual Framework <i>Romzie Rosman, Isah Ya'u and Anwar Hasan Abdullah Othman</i>	115
An Analysis on the Changing Operational Nature of Baitul Maal Institutions in Indonesia <i>Adi Saifurrahman and Salina Kassim</i>	127
A Review of Zakat Practices of Islamic Financial Institutions in Malaysia <i>Moutaz Abojeib, Burhanuddin Lukman, Mezbah Uddin Ahmed and Mahadi Ahmad</i>	136
Critical Thinking Framework of Zakat Regulation to Support Tax Compliances: Comparison of Indonesia and Malaysia <i>Provita Wijayanti, Wahyu Setyawan, Dian Esa Nugrahini, Nurul Syuhada Baharuddin and Nur Raihana Mohd Sallem</i>	145
Achieving the Maqasid of Islamic Finance through Social Impact Bonds (SIB) and Sustainable and Responsible Investment (SRI) Sukuk <i>Syed Marwan, Aslam Haneef, Engku Rabiah Adawiah and Suhaiza Ismail</i>	152
Strategic Analysis of Home Industry Development based on Islamic Business Ethics Perspective <i>Fian Mahdy Akbar, Abdul Latif and Azidni Rofiqo</i>	160
Increasing the Acceptance of Zakat based on Zakat Literacy and Good Corporate Governance <i>Mochammad Tholib and Mutamimah</i>	165
The Influence of Islamic Economic Literacy on the Purchasing Power of Unida's Students in Unit Usaha Unida (U3) <i>Ahmad Lukman Nugraha, Arie Rachmat Soenjoto and Adib Susilo</i>	172
The Instrumentation of Shadaqah Funds as a Means of Mosque based Community Empowerment <i>Widiyanto Bin Mislan Cokrohadisumarto and Yuli Indah Sari</i>	178
Waqf Practices and Its Sustainability: The Case of Universiti Sains Islam Malaysia <i>Mariam Saidona Tagoranao, Alizaman D. Gamon and Lutfi Muhammad Zain</i>	186
Trading of Shares via Salam Contract: An Exploratory Study <i>Silmi Binti Mohamed Radzi</i>	193
Potential of Islamic Debt Sale-based Financing in a Form of Bai' Bithaman Ajil (BBA) and Murabahah in Reconstructing and Rebuilding Marawi City after the Siege <i>Minombao Ramos-Mayo, Salma Esmael and Abdulcader M. Ayo</i>	202
Zakah Execution and Its Influence on the Recipients as Perceived by the Fire Personnel of Lanao del Sur <i>Naim S. Noor and Monara M. Maruhom</i>	212
Social Enterprise and Waqf: An Alternative Sustainable Vehicle for Islamic Social Finance <i>Noor Suhaida Kasri and Siti Fariha Adilah Ismail</i>	218
Awareness on Islamic Accounting among First Year Accountancy Students in Marawi City, Philippines <i>Papala P. Masorong</i>	231
Sukuk Financing: A Viable Strategy to Finance the Recovery and Rebuilding of Marawi after the Siege <i>Abdulcader M. Ayo, Atty. Saaduddin M. Alauya Jr. and Minombao Ramos-Mayo</i>	240

Definition of Islamic Mutual Funds as an Indicator of the Economy of the Ummah <i>Ammar Syams Rizal Fahmi, May Shinta Retnowati and Muhammad Ilham Amrullah</i>	245
Analysis of Maqashid Sharia Index (MSI) against Consumer Behavior Patterns <i>Muhammad Huda, Achmad Fajaruddin, Arie Rachmat Sunjoto, Mufti Afif, Andi Triyawan and Ahmad Laksmi Nugraha</i>	251
Challenges Faced by Malaysian Islamic Banks in Treating Shariah Non-compliance Events <i>Sham Nafila Omar and Rusni Hassan</i>	256
AUTHOR INDEX	265

## PAPERS

# Analysis of Macroeconomics Factor Affecting Jakarta Islamic Index

Tri Wijayanti Septiarini<sup>1</sup>, Muhamad Rifki Taufik<sup>2</sup>, Mufti Afif<sup>1</sup> and Atika Rukminastiti Masrifah<sup>1</sup>

<sup>1</sup>*Department of Islamic Economics, University of Darussalam Gontor, Indonesia*

<sup>2</sup>*Department of Occupational, Safety and Health, University of Darussalam Gontor, Indonesia*

*atikamasrifah@unida.gontor.ac.id*

**Keywords:** Jakarta Islamic Index, Macroeconomics, Multiple Linear Regression.

**Abstract:** The goal of this study was to propose analyzing the influence of macroeconomics factor to Jakarta Islamic Index. The macroeconomics factors consist of inflation, BI rate, exchange rate IDR/USD, and Gross Domestic Product (GDP). The observation data concerned were obtained during April, 2016 to June, 2019 (in total 39 monthly observation data). The multiple linear regression model is applied to analyze the relation between independent variable (inflation, BI rate, exchange rate IDR/USD, and Gross Domestic Product) and dependent variable which is Jakarta Islamic Index (JII). The results explained that the independent variables are significant except inflation.

## 1 INTRODUCTION

### 1.1 Research Background

According to (Huang et al., 2008), there are two groups in economic theory which are microeconomics and macroeconomics. Macroeconomics focuses on wide combination of actions (population agents), instead of personal behaviour (a single agent). A macroeconomic variable is a guiding monetary, natural, or geopolitical event that give large impact in local or national economy. Macroeconomic factors give effect broadly to windrows of groups, rather than selected persons. The examples of macroeconomic factors are economic outputs, unemployment rates, and inflation. The governments, businesses and consumers attentively controlled the barometer of economic accomplishment. A macroeconomic factor contain the trend of a particular large-scale market. For example, fiscal policy and numerous regulations influence state and national economies, while powerful bring about broader international implications.

Based on (Masrizal, Mustofa and Herianingrum, 2019), Indonesia is the largest Muslim countries which represents prospect market for expanding sharia financial industry. Further, sharia investment has an crucial task to enhance the Islamic finance industry in Indonesia. Jakarta Islamic Index (JII) is the measuring instruments of performance for Sharia capital market in Indonesia which was established in

July 2000. According to (Sakti and Yousuf, 2013), Jakarta Stock Exchange Islamic Index (JII) is sharia stock market index which has companies members in the under provisions of Islamic stocks regulated by National Sharia Board. One of the most favored sectors of sharia investment is to invest in stocks belonging to the JII. The issue listed in JII conducts its business activities that are not contrary to the principles of sharia. Shares listed in the JII consist of 30 most liquid stocks selected from Islamic compliance shares. According to (Sakti and Yousuf, 2013), the dynamic linkage between macroeconomic factors and stock returns is well proposed theory in financial economics literature. As stated in the stock evaluation model, macroeconomic factors might have organized relationship on stock prices especially in influence on discounted future cash flows.

The aim of this paper is to analyse the influence further to the Jakarta Islamic Index and macroeconomic linkages for developing economies. The variables included are exchange rate, inflation, gross domestic product, and BI rate as being important in explaining Jakarta Islamic Index. Our analysis, hence, might be further collecting our understanding of the Indonesian Islamic equity market behavior and its relations with various components of macroeconomic variables. Therefore, this research attend to complete this gap by analyzing the influence of macroeconomic factors toward Islamic stock prices in Indonesia.

## 1.2 Objectives

The study aims at analyzing how macroeconomic variables influence the stock markets index by using Jakarta Islamic Index as a case study.

## 2 LITERATURE REVIEW

There are many methods that have been applied in examining macroeconomic indicators to stock market index. This section brings us to the adaptable literature for this study which were reviewed and based on the relevance of using any methods to examine macroeconomic indicators to stock market index.

According to (Ibrahim and Agbaje, 2018), it had been examined the relationships between stock returns (monthly data of the Nigerian Stock Exchange and Nigerian Consumers Price Index ) and Nigeria inflation. According to (Alam and Uddin, 2009), due to monthly data during January 1988 to March 2003, the study had conducted to explore the entity efficiency of share market efficiency and represent the relationship between stock index and interest rate for fifteen developed and developing countries.

According to (Galí and Gambetti, 2015), VAR is being as tool to predict the response of stock prices to monetary policy shocks. According to (Zhao, 2010), likelihood ratio statistic is used as tool to observe the cross-volatility effects between foreign exchange and stock markets. According to (Kurihara, 2006), this paper investigates the effect macroeconomic factors of stock prices. According to (Rjoub, Tuˆrsoy and Guˆnˆsel, 2009), the six pre-specified macroeconomic variables which are the term structure of interest rate, unanticipated inflation, risk premium, exchange rate and money supply had been analyzed in this study.

## 3 METHODOLOGY

### 3.1 Data

The observations data considered in this study is contained of Jakarta Islamic Index (JII) as showed in Figure 1, inflation as showed in Figure 2, BI rate as showed in Figure 3, exchange rate IDR/USD as showed in Figure 4, and Gross Domestic Product (GDP) as showed in Figure 5. All of data are collected during April, 2016 to June, 2019 (in total 39 monthly observation data).

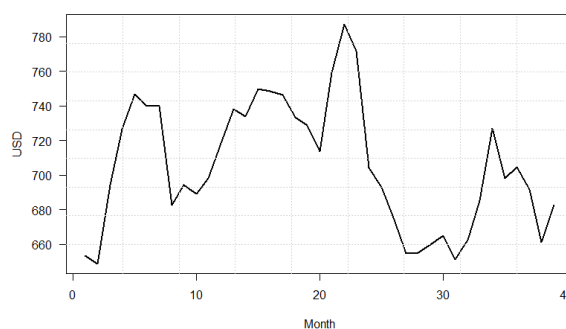


Figure 1: The Jakarta Islamic Index time series plot.

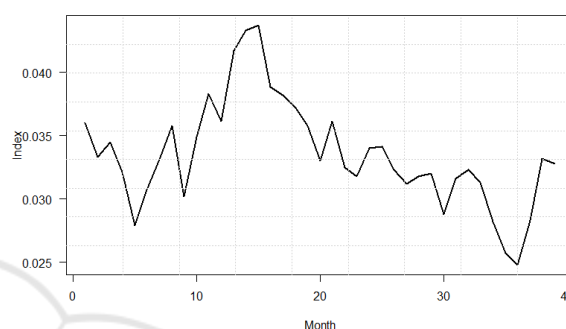


Figure 2: The inflation rate time series plot.

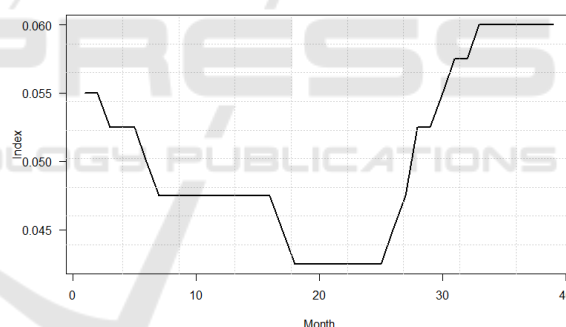


Figure 3: The BI rate time series plot.

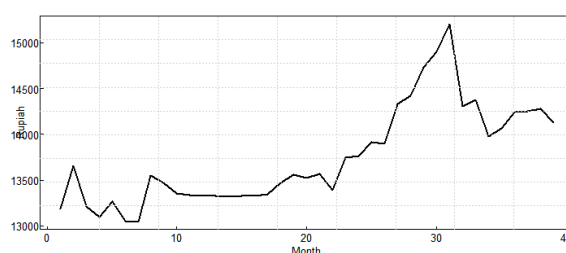


Figure 4: The exchange rate IDR/USD time series plot.



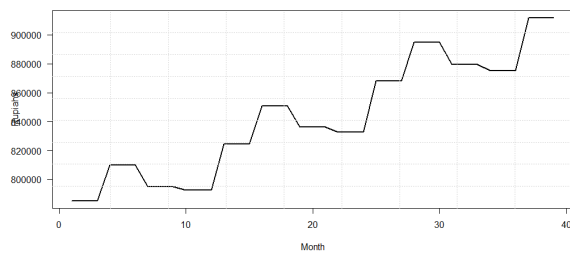


Figure 5: The Gross Domestic Product (GDP) time series plot.

### 3.2 Method of Estimation Technique

There are various research hypotheses considered in conditional relationship which is the effect between single predictor with other factors. Such relations are commonly evaluated as multiplicative interactions and can be tested in both fixed- and random-effects regression. The most common method for probing interactions is to test simple slopes at specific levels of the predictors for example multiple linear regression.

The purpose of multiple regression is to construct the relationship of the outcome with all of determinants. The multiple regression equation is constructed in equation (1) as follows

$$Y = b_0 + b_1X_1 + b_2X_2 + \dots + b_nX_n + e \quad (1)$$

where,

$Y$  is the outcome variable,

$b_0$  is the intercept,

$b_1, b_2, \dots, b_n$  are the regression coefficient in each independent variable,

$X_1, X_2, \dots, X_n$  are independent variables

$e$  is error term.

After fitting the linear model, the normality assumption of residuals is required for evaluating the goodness of fit the model.

## 4 RESULT AND ANALYSIS

The stepwise procedure of multiple linear regression to analyze macroeconomics factor affecting Jakarta Islamic Index (JII) is presented as:

1. Defining the dependent and independent variables

The path diagram is represented in Figure 6 which show the outcome and determinants. The outcome is Jakarta Islamic Index (JII) and multiple linear regression will be used to analyze

the correlation of all determinants with Jakarta Islamic Index (JII).

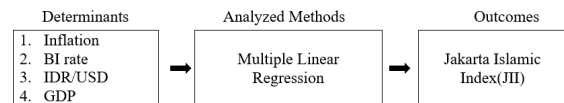


Figure 6: The study path diagram.

2. Checking the normality distribution  
Multiple linear regression has assumption that the dependent variable satisfied the normality distribution. Saphiro-Wilk normality test can be a tool to check the normality distribution. Since p-value  $0.1577 > 0.05$ , it means that the dependent variable fulfill the assumption of multiple linear regression.

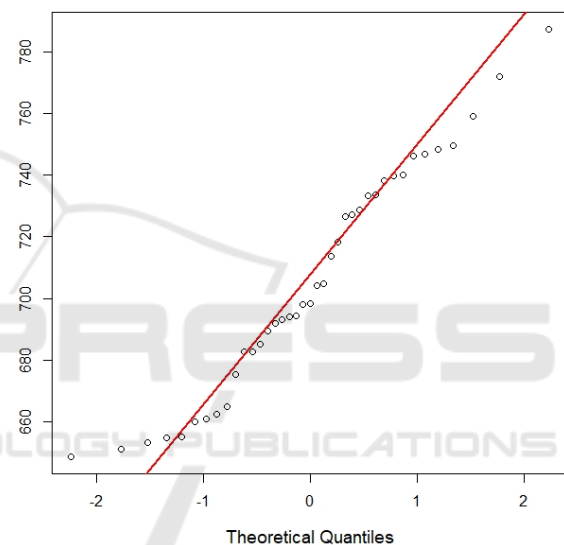


Figure 7: The Q-Q plot.

The Q-Q plot is being as a tool to check the normality distribution by visual. And Figure 7 shows the Q-Q plot, the dot group follow the red line so it indicate that the dependent variable is acceptable in normally distribution.

3. Building model

Multiple linear regression model of Jakarta Islamic Index (JII) was identified using four predictors where all were time series. The model were able to estimate JII up to 57% with very small p-value. Four time series data had vary performances since three of four determinants indicating high significances level precisely BI rate, PDB and exchange rate. Exchange rate seem negatively influenced JII more than others while exchange rate increased then JII would decreased where this effect was likely BI rate toward JII. Contrary with PDB, it had positive impact to JII.



Residuals:

	Min	1Q	Median	3Q	Max
	-47.246	-15.106	-2.561	17.549	52.350

Coefficients:

	Estimate	Std. Error	t value	Pr(> t )
(Intercept)	1.333e+03	1.435e+02	9.284	7.55e-11 ***
Inflation	-1.356e+03	1.206e+03	-1.124	0.26878
BI.Rate	-2.142e+03	8.380e+02	-2.556	0.01523 *
PDB	5.572e-04	1.782e-04	3.127	0.00361 **
IDR.USD	-6.861e-02	1.406e-02	-4.880	2.46e-05 ***

---  
Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 25.65 on 34 degrees of freedom  
Multiple R-squared: 0.575, Adjusted R-squared: 0.525  
F-statistic: 11.5 on 4 and 34 DF, p-value: 5.192e-06

Figure 8: The multiple linear regression results.

Based on model summary, the multiple linear regression model well fitted to JII with three significant predictors. Moreover, residual of model was depicted in Figure 9, where residuals fit to linear line depicted by Q-Q plot.

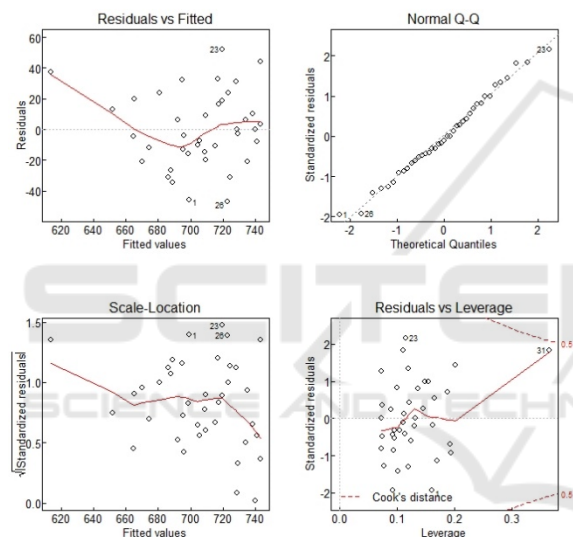


Figure 9: The model residuals plot.

## 5 CONCLUSIONS AND RECOMMENDATION

### 5.1 Conclusions

The aim of this study was to analyse the influence of macroeconomics factor to Jakarta Islamic Index. The multiple linear regression method is applied to analyse the relation between independent variable (inflation, BI rate, exchange rate IDR/USD, and Gross Domestic Product) and dependent variable which is Jakarta Islamic Index. The results explained that the independent variables are all significant except inflation. It means that BI rate, exchange rate

IDR/USD, and Gross Domestic Product has possibility to give influence on Jakarta Islamic Index.

### 5.2 Recommendation

In this study, it may consider the independent variables which are inflation, BI rate, exchange rate IDR/USD, and Gross Domestic Product. It also can be investigated to other macroeconomics factors, for example economic growth (index of industrial production), oil price, etc. Nowadays, there are various statistical which can be as tool to analyze for example Vector Auto Regression (VAR), multivariate co-integration, Autoregressive Distributed Lag (ARDL), etc.

## REFERENCES

- Alam, M. and Uddin, M. G. S. (2009) 'Relationship between Interest Rate and Stock Price: Empirical Evidence from Developed and Developing Countries Relationship between Interest Rate and Stock Price: Empirical Evidence from Developed and Developing Countries', 4(3), pp. 43–51.
- Gali, J. and Gambetti, L. (2015) 'The Effects of Monetary Policy  $\uparrow$  on Stock Market Bubbles: Some Evidence', 7(1), pp. 233–257.
- Huang, P. *et al.* (2008) 'Macroeconomics based Grid resource allocation', 24, pp. 694–700. doi: 10.1016/j.future.2008.03.003.
- Ibrahim, T. M. and Agbaje, O. M. (2018) 'The Relationship Between Stock Return and Inflation in Nigeria', (February 2013).
- Kurihara, Y. (2006) 'The Relationship between Exchange Rate and Stock Prices during the Quantitative Easing Policy in Japan', 11(4).
- Masrizal, Mustofa, M. U. Al and Herianingrum, S. (2019) 'Macroeconomic Determinants of Jakarta Islamic Index', 2019(2016), pp. 510–524. doi: 10.18502/kss.v3i13.4227.
- Rjoub, H., Tu'rsay, T. and Gu'n'sel, N. (2009) 'The effects of macroeconomic factors on stock returns: Istanbul Stock Market'. doi: 10.1108/10867370910946315.
- Sakti, M. R. P. and Yousuf, M. (2013) 'Relationship between Islamic Stock Prices and Macroeconomic Variables: Evidence from Jakarta Stock Exchange Islamic Index', 1(1), pp. 71–84.
- Zhao, H. (2010) 'Research in International Business and Finance Dynamic relationship between exchange rate and stock price: Evidence from China', *Research in International Business and Finance*. Elsevier B.V., 24(2), pp. 103–112. doi: 10.1016/j.ribaf.2009.09.001.