

## CHAPTER I

### INTRODUCTION

#### A. Research Background

Investing is an option for growing the money. The purpose of investing is to save money for future purposes, such as children's education. In other words, investing is a foundation for future profits despite sacrificing some assets. In addition, these assets are put into the capital market to function as a forum for various kinds of investments and financial instrument in the long term, one of which is mutual funds, which are defined in Chapter 1 paragraph 27 Law No. 8 of 1995, as a employed to gather funds from the investor community for investment in securities portfolios managed by the investment executive.<sup>1</sup>

Sharia mutual funds are a type of Sharia investment that can be used in addition to developing the stock market. where the principles of sharia mutual funds are relied on the Al-quran and hadith. So, they are free from usury, *maysir*, and *ghoror* and free from various misfortunes such as speculation, additional profit and unclear.<sup>2</sup> Sharia mutual funds, formulated in Number 20/DSNMUI/IV/2021 MUI National Sharia Council Fatwa, are mutual funds that carry out business activities following the pillars and requirements of Islamic sharia. This Mutual fund is built based on an agreement between the funder as the asset proprietor (Shohibul mal) and the investment executive as the steward of shahibul mal, and an agreement between the investment executiver and the investment client.

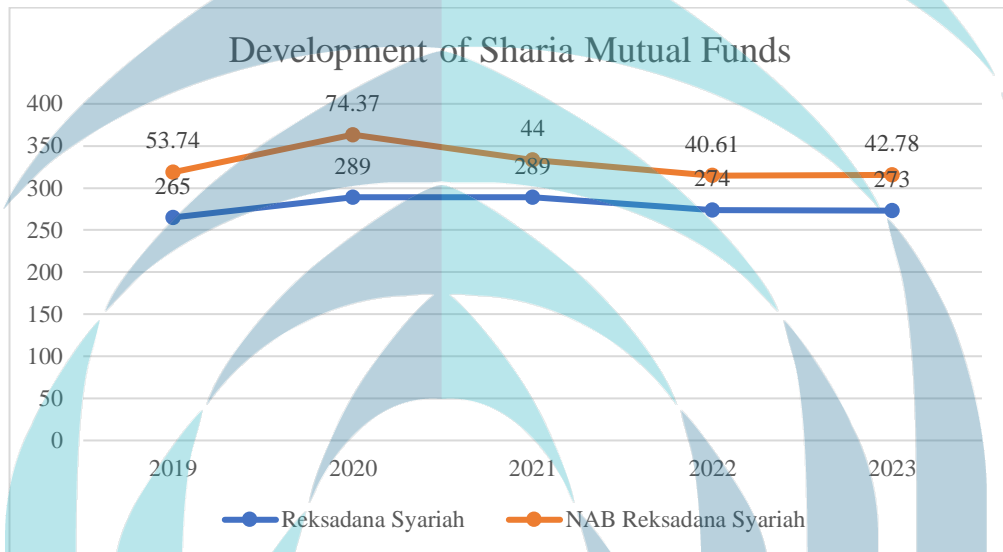
It's crucial to monitor the capital market before investing to gauge its performance and feasibility. In addition, one way to assess the effectiveness of a Sharia mutual fund is by inspecting its Net Asset Value (NAV). The NAV reflects the total amount of the mutual fund's assets after deducting all expenses. By using NAV, an investor can estimate whether a particular capital market product is worth

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<sup>1</sup> Fitria Andriani, "Investasi Reksadana Syariah Di Indonesia," *At-Tijarah*, Vol. 2 no. 1, Januari-Juni 2020, p. 46.

<sup>2</sup> Nana Sepdiana, "Kinerja Reksa Dana Syariah di Pasar Modal Indonesia," *JAS (Jurnal Akuntansi Syariah)*, vol. 3 no. 1, Juni 2019, p. 118.

investing in.<sup>3</sup> In its circulation flow form period to period, the NAV of Sharia mutual funds face fluctuations as shown in the table below:



**Figure 1 Circulation of Sharia Mutual Funds**

Source: Financial Service Authority (OJK)<sup>4</sup>

A decrease in the Net Asset Value (NAV) of Islamic mutual funds can be influenced by internal and external factors such as macroeconomic conditions. Fluctuations in interest rates, money supply, and inflation are some examples of external factors that can affect NAV. NAV itself is an indicator of the advantage of each mutual fund unit, which is directly proportional to the investment value of the unit holders.<sup>5</sup>

Based on consumer price index data, Indonesia has experienced an increase in the inflation rate since July 2022, with a projected sustained increase until 2023. This is characterized by a continued increase in domestic prices due to supply chain disruptions and monetary policy due to post-pandemic resulting in market volatility.

<sup>3</sup> Firman Setiawan and Qudziyah, "Analisis Jumlah Uang Beredar, Inflasi and Net Asset Value Reksadana Syariah," *JES (Jurnal Ekonomi Syariah)*, vol. 6 no. 2 2021, p. 141.

<sup>4</sup> Otoritas Jasa Keuangan, *Statistik Reksa Dana Syariah Januari 2024*, on 13 Maret 2024, <<https://www.ojk.go.id>> viewed on 5 Juli 2024.

<sup>5</sup> Yeny Fitriyani, Mariana Ratih Ratnani, and Natiq Al Aksar, "Pengaruh Variabel Makro Terhadap Net Asset Value (NAV) Reksadana Saham Syariah" vol. 6, no. 1 30 April 2020, p. 3.

This will affect the asset management of Sharia mutual fund assets which will also involve the net asset value of Sharia mutual funds.<sup>6</sup>

The monetary policy of developed countries post-pandemic due to global inflation also affects changes in currency exchange rates and foreign investment in Sharia mutual funds, at the same time exchange the value of assets held in foreign currencies, such as interest rate hikes by the Federal Reserve and geopolitical factors that resulted the rupiah exchange rate of the rupiah as opposed to the dollar becoming inconsistent. Currency exchange rates continue to rise, especially now that the rupiah exchange rate opposed to the US dollar (USD) has reached Rp. 16,160 IDR.<sup>7</sup>

The expansion of currency exchange rates has a negative impact on corporate performance, particularly in export and import activities. Currency devaluation can increase export competitiveness, but it can also increase production costs for companies that import a lot of raw materials affect the price of commodities that are the basic assets of mutual funds, and what needs to be considered in the context of sharia mutual funds is the destruction of exchange rates that will affect the achievement of mutual funds that have investment portfolios abroad.

The Consumer Price Index and currency exchange rates that fluctuate have a complex and non-linear consequences on the NAV of Islamic Mutual Funds, making investment managers have to be careful in managing their Islamic Mutual Fund portfolios. Global inflation that has spread to the domestic economy affects the production expenses and the charges of goods and services, thereby affecting the purchase and sale decisions by the asset manager of sharia mutual funds and concerning the NAV, as well as changing the value of offshore assets owned by sharia mutual funds.

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<sup>6</sup> Bank Indonesia, *Tinjauan Kebijakan Moneter November 2022*, on November 2022, <<https://www.bi.go.id/id/publikasi/laporan/Pages/Tinjauan-Kebijakan-Moneter-November-2022.aspx>> viewed on 3 Juli 2024, p. 2-3.

<sup>7</sup> Bank Indonesia *Kurs Transaksi BI. per Desember 2023*, <<https://www.bi.go.id/id/statistik/informasi-kurs/transaksi-bi/Default.aspx>> Viewed on 4 September 2024, 23. p. 45.

The 2019-2023 period encompasses several significant global and domestic economic events, including economic recovery efforts and changes in monetary policy. As such, it offers insight into the adaptation of Islamic mutual funds during times of economic crisis and recovery, providing a better understanding of market dynamics during periods of global economic upheaval.

Therefore, the author is interested in researching whether CPI and currency exchange rate can involve the NAV of Islamic Mutual Funds, so the author is curious to conduct research with the title "*THE EFFECT OF THE CONSUMER PRICE INDEX, AND EXCHANGE RATE ON THE NET ASSET VALUE OF SHARIA MUTUAL FUNDS IN 2019-2023.*"

### **1. Research Questions**

Based on the above background, the author formulates the following problem:

- a. What is the effect of the Consumer Price Index on the Net Asset Value of Sharia Mutual Funds in the short and long terms in 2019-2023?
- b. What is the effect of the Exchange Rate on the Net Asset Value of Sharia Mutual Funds in the short and long terms in 2019-2023?

### **2. Research Objectives**

Based on the above background exposure and the formulation of the problem, the objectives of this study are as follows: To determine the influence of the Consumer Price Index, and Exchange Rate on the Net Asset Value of Sharia Mutual Funds.

### **3. Research Benefits**

This study provides benefits in the world of practice and academia. The benefits of this research are:

- a. Practice Benefits

This research is a choice for investors to consider in making the right investment decisions, it is useful for making the right decisions for the government to establish the price of goods and make effective strategies to deal with market volatility, it can also design a more effective investment

strategy for managing Islamic mutual funds in continuous economic changes.

b. Academic Benefits

This research is projected to be a reference for furtherance research in the fields of CPI, currency exchange rates, and net asset value of Islamic mutual funds. So that this research can contribute and can be developed for future researchers, it can provide insight to academics in terms of daily life or learning.