Long Term for Macroeconomic and Shariah Banking With Cointegration

Suhono
Lecture at FEB Universitas Singaperbangsa, Jawa Barat, Indonesia

ABSTRACT

This study aims to see how the relationship between macroeconomic Indonesia that can affect the ratio of sharia banks indirectly, a case study on a syariah bank in Indonesia is the bank muamalat. in this study using descriptive statistical data analysis and cointegration test. In the result is not the long-term relationship for the variable in detail.

Keywords : IRF, FEVD, Macroeconomics, Financial Performance of Islamic Bank

I. INTRODUCTION

According to Karim Consulting Indonesia President Director Adiwarman A. Karim Syariah banking industry is expected to grow better in 2016. This is in line with the national economic growth in 2016 which has shown improvement compared to 2015 ago. "The year 2016 is a good year for sharia banking in Indonesia. Hopefully sharia banking can go forward. But now depends on the speed of Indonesia's economy. Nevertheless, he warned, that there are still challenges for the sharia banking industry in the future, one of them the risk of non-performing loans (NPL). Therefore, sharia banking is expected to maintain its credit quality. In the world of the Indonesian economy, to prepare sharia banking should be mature enough. And should be designed and planed better, because the risk is different, ". The risk will still shadow sharia banking in 2017. But on the other hand, the most severe challenges in sharia banks will happen next year. However, it can be resolved as long as the national macroeconomic condition improves. With this background, the author aims to conduct this research under the title "Long Term For Macroeconomic and Shariah Banking With Cointegration".

II. LITERATURE REVIEW

The current macroeconomic condition is indeed a cause for concern, Indonesia's macroeconomic indicators are currently declining. Based on the graph below, the value of the rupiah has depreciated since the middle of last year despite appreciating in October 2014. After that, the rupiah continued to weaken until Friday, March 20, 2015, which touched the number Rp 13,075.00 per dollar (Source: Bank Indonesia). The weakening of the rupiah against the US dollar is still ongoing until now that touches at the level of about 13,800 / USD coupled with the rise of a number of food commodities such as meat, sembako, and fuel oil because of the scarcity of supply adds to the inflation rate that further erodes the value of the rupiah to weaken purchasing power community. Here is a graph of inflation occurring from 2012 to 2014. By the end of 2014 Indonesia has reached the inflation rate of 8.36. Obviously this gives a significant influence on the banking in Indonesia in general and sharia banking in particular. The weakening rupiah exchange rate will greatly affect the smooth business of customers. If the value of the rupiah falls compared to foreign exchange and if the business is run using imported materials, it will hit the customer's business and can increase the ratio of non-performing

financing. While the effect of inflation changes on the NPF is high inflation will cause the decline in real income society so that people's living standards also fell. Before inflation, a debtor is still able to pay its credit installment, but after inflation occurs, the prices have increased quite high, while the debtor's income is not increased, then the debtor's ability in paying the installment becomes weakened because most or even all of his income has been used to meet household needs as a result of rising prices.

From the observation of financial statements of major syariah banks in Indonesia such as BSM, BNIS, BRIS, and Muamalat decreased profitability ratios. NPF nett all the banks almost touched the threshold of 5%. This indicates that there is a slowing growth of national banks, one of which is indicated from the aggregate rise in NPF value of national banks. Considering the main sectors of national banking financing is still concentrated in 3 sectors, namely households, processing industries, and trade, the impact of the declining purchasing power of the people here is evident from the rise of national banking NPF, most of which is concentrated in the consumption and retail sectors. Other effects will also affect the ROA, ROE, NIM which also participate decreased.

III. RESEARCH METHOD

For this study conducted by the authors in February 2018. This study consists of 3 economic variables and 3 variables of sharia banks. The shariah bank in the example is the Indonesian muamalat bank. In this research, there are several variables, which include BI RATE, BOPO, consumer price index, FDR, Indonesia inflation and ROA. For the report on bank financial ratios used in accordance with the financial statements of muamalat banks for fiscal year ending in 2010 to 2016. For data analysis in this study using cointegration and causality test.

IV. RESULT AND DISCUSSION

Sharia-based businesses not only contribute to economic growth alone, but also a more equitable distribution of the economy. The principle of business activity in sharia economy puts the economic benefit aspect and humanity aspect in balance, expected to create a financial system that is not merely oriented to profit, but also pay attention to humanity aspect. This ethical-based investment and financial management activity has also become a trend in several countries around the world. Such ethical investment spirits are related to the impact on the environment and society in line with the spirit embodied in this universal sharia economy. These values have long been embedded has become a noble tradition of the Indonesian nation.

Table 1. Result statistic descriptive model

	BI_RATE	BOPO	FDR	IHK	INF	ROA
Mean	6.836310	79.161 90	100.677 77	4.3216 67	5.8535 71	1.8351 19
Median	6.750000	79.055 00	100.475 0	4.3850 00	6.0700 00	1.9500 00
Maximum	7.750000	93.500 00	111.720 0	5.5200 00	8.7900 00	2.5200 00
Minimum	5.750000	70.430 00	87.1300 0	2.5500 00	3.3500 00	0.0800 00
Std. Dev.	0.703363	3.6710 45	6.57298 6	0.7147 46	1.4856 87	0.4833 75
Skewness	-0.398890	0.9869 82	-0.04652 1	-0.4896 09	-0.0700 69	-1.5229 74
Kurtosis	1.629288	6.2071 56	2.05872 5	2.6190 70	1.9093 67	5.5400 44
Jarque-Bera	8.803568	49.638 33	3.13129 2	3.8639 15	4.2319 16	55.053 69
Probability	0.012255	0.0000 00	0.20895 3	0.1448 64	0.1205 18	0.0000 00
Sum	574.2500	6649.6 00	8456.93 0	363.02 00	491.70 00	154.15 00
Sum Sq. Dev.	41.06176	1118.5 55	3585.94 4	42.401 57	183.20 31	19.393 10

Obser vations	84	84	84	84	84	84

Source : Process author with software STATA

Through the results of the test, it can be seen the general picture of data that can be the initial information of all research variables, such as Mean (Mean), Total (Sum), Maximum and Minimum.

Table 2. Result cointegraton model

Series: BI_RATE BOPO FDR IHK INF ROA				
Lags interval (in first differences): 1 to 2				
Hypothe sized		Trace	0.05	
No. of CE(s)	Eigenvalu e	Statistic	Critical Value	Prob.**
None *	0.438896	100.5461	95.75366	0.0224
At most 1	0.244778	53.74033	69.81889	0.4728
At most 2	0.171690	31.00006	47.85613	0.6665
At most 3	0.087611	15.74231	29.79707	0.7303
At most 4	0.077601	8.315539	15.49471	0.4323
At most 5	0.021646	1.772612	3.841466	0.1831
Trace test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Source : Process author with software STATA

The cointegration test was popularized by Engle and Granger (1987) (Damodar Gujarati, 2009). The cointegration approach is closely related to testing the possibility of a long-term equilibrium relationship between economic variables as required by economic theory. The cointegration approach can also be viewed as a theory test and is an important part of the formulation and estimation of a dynamic model (Engle and Granger, 1987). In the concept of cointegration, two or more time-stationary non-stationary variables will be cointegrated when the combination is linear as time goes on, although it can happen that each variable is not stationary.

V. CONCLUSION

The strengthening of the existence of sharia financial institutions domestically is seen as an opportunity for foreign investors who want to invest their capital in the form of sharia investment. Investment opportunities based on sharia principles as a diversified portfolio of capital sources from abroad that are useful to support the national development program. At this time the development of sharia investment instruments are increasingly developed internationally that has been able to be utilized well by the international community. However this is not in line with the results of the current author's research, which shows no significant relationship between macroeconomic variables and financial ratios of sharia banks.

VI. REFERENCES

[1]. Nopirin, 2000, Pengantar Ilmu Ekonomi Makro Dan Mikro, Ed. 1, Yogyakarta: BPFE Universitas Gadjah Mada.

[2]. Sahara, Ayu Yanita, 2013, Analisis Pengaruh Inflasi, Suku Bunga BI dan Produk Domestic Bruto Terhadap Return On Asset (ROA) Bank Syariah di Indonesia, Jurnal Ilmu Manajemen, Vol. 1, No. 1, Januari 2013.

[3]. Siamat, Dahlan. 2005. Manajemen Lembaga keuangan, Ed. 4, Jakarta: BP Fakultas Ekonomi Universitas Indonesia.

[4]. Srairi, Samir Abderrazek. 2009. "Factor Influencing the Profitability of Conventional and Islamic Commercial Banks in GCC Countries", Review of Islamic Economics, Vol. 13, No. 1, 2009.

[5]. Ouliaris, S. Pagan, A.R. and Restrepo, J. (2016) Quantitative Macroeconomic Modeling with Structural Vector Autoregressions An EViews Implementation, IMF Publications.

[6]. Wooldridge, Jeffrey (2013). Intr3oductory Econometrics, A modern approach. South-Western, Cengage learning. ISBN 978-1-111-53104-1.

[7]. Ouliaris, S. Pagan, A.R. and Restrepo, J. (2016) Quantitative Macroeconomic Modeling with Structural Vector Autoregressions An EViews Implementation, IMF Publications.