



Analysis of Inflation and Rupiah Exchange Rate on Mudharabah Savings at Sharia Commercial Banks

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A B S T R A C T

Inflation is one of the macroeconomic symptoms associated with a decline in the exchange rate (money). Inflation has always been a heated topic of discussion in various economic circles. This indicates that the effects of the economic crisis depend on the nature of each group's income and fortune. The condition is severe if the income is stable or rising but less than the inflation rate. Their material well-being improves if their income grows faster than the inflation rate. This study examines the impact of inflation and the rupiah exchange rate on Islamic banking Mudharabah savings. The data utilized are time series data from the Sharia Banking Statistics Report and the Central Statistics Agency (BPS) published by Bank Indonesia. This research method falls under the category of library research, namely searching for research data or information by reading scientific journals, reference books, published financial statements, and other library-accessible support materials for this paper. The findings of this study indicate that the variables Inflation and Exchange Rate have a significant effect on Mudharabah Savings simultaneously.

1. INTRODUCTION

Economic developments in macroeconomics that have always been a concern for the government are inflation rates [1]. Inflation is used to reflect the economic stability within the country.[2] A low and stable inflation rate will be a benchmark for economic growth. The turmoil that occurs in social, economic, and political societies, both at home and abroad, will be related to the problem of inflation.[3]

Banks, as financial institutions, are part of the driving factors of economic activity. The activities of institutions will determine whether or not a country's economy is good. In its development, banking services have experienced rapid progress. New competitors have entered the market with a wide range of product offerings and have their appeal.[4]

Inflation is a process of rising prices that prevail in an economy.[5] In other words, too much money is hunting for too few items. Inflation usually refers to consumer prices, but it can

also use other prices (large trade prices, wages, prices, assets, and so on).[6] Zulki Zulkifli Noor, "The effect of inflation, interest rates, and mo

Inflation is the tendency of prices to withdraw continuously.[7]. An increase in one or two types of goods alone cannot be called inflation unless the increase extends or causes a large increase in the price of other goods; seasonal price increases also cause inflation. Seasonal price increases, for example, before Eid, Christmas, and New Year, or just happening once and not having a further effect, are not considered some economic diseases that require special handling to overcome them.[8]

Controlling inflation is regulating the flow of money in Indonesia. The existing money circulation in Indonesia is influenced by the development of payment systems that change over time, which began with cash payments and have now been replaced by non-cash payment instruments.[9]

Rupiah Exchange Rate is a record (quotation) of the market price of foreign currency in domestic currency prices (domestic currency) or domestic currency in foreign currency [10].



Exchange Rate or more popularly known as the currency exchange rate, is a record (quotation) of the market price of foreign currency (foreign currency) in domestic currency prices (domestic currency), or domestic currency in foreign currency.[11] The exchange rate describes the level of exchange prices from one currency to another. It is used in various transactions, including international trade transactions or short-term money rules between countries that cross geographical or legal boundaries.[12]

Mudharabah is a cooperation agreement between the owner of capital (shahibul maal) and the manager (mudharib) to obtain income or profit. In this case, Islamic banks manage the funds invested by depositors productively, profitably and comply with Islamic Sharia principles. The profits will be distributed to savers and banks according to the mutually agreed profit-sharing ratio [13].

Around 70-80% of banking assets in Indonesia are formed from third-party funds, so the influence of macro variable conditions will also affect the amount of mudharabah savings. Macroeconomic conditions influence companies and communities to transact with banks, where when economic conditions improve, it will increase people's income, increasing mudharabah savings.[14]

The phenomenon in Indonesia is the increase in prices of goods and services in general and continuously within a certain period. Another factor that affects the amount of mudharabah savings is the value of the rupiah exchange rate against the US dollar. In general, if one item is exchanged for another, of course, exchange rates are compared between the two. The exchange rate is a kind of price within the exchange. Similarly, in exchange between two currencies, there will be a comparison of value or price between the two currencies. This value comparison is often referred to as the exchange rate; this is explained in research conducted by Zakaria Batubara and Eko Nopiandi [15]. The research conducted by Nandang Nazmudin and Isroyatul Mubarakah on the effect of profit-sharing inflation, exchange rates, and BI rate on the number of mudharabah deposits at Sharia commercial banks in Indonesia for the 2015-2019 period in this study said that inflation did not have a rapid impact on the number of mudharabah deposits.[16]

Indonesia is very capable of overcoming inflation that occurs. Because Indonesia has various kinds of natural resources which are very abundant, with these abundant resources, if they can be allocated properly and productively, they can greatly assist the government in overcoming the inflation rate.

But in fact, in Indonesia until now, there is still frequent inflation. Inflation usually occurs regarding staple raw materials that experience price increases while income or exchange rates are low. Another example that can cause inflation in Indonesia is increased fuel prices. As a result of the inflation that occurred greatly impacted the economy of people with low incomes, people with middle and lower economies experienced difficulties making ends meet.

And in research conducted by Princess Lorensa, etc. in the research stated that the exchange rate affects murabahah savings; this has reduced public demand from rising prices, making people's interest in shopping less so that more money has the potential to be saved and invested.[17]

In Islamic economics, the causes of inflation are divided into two major causes, namely natural inflation; this type of inflation is caused by natural causes, for example, too much money coming

in from abroad, famine, war, embargoes, and boycotts.[18] Human Error inflation is inflation caused by human error, for example, corruption and poor administration.[19]

This research must be carried out because of previous research's minimum limitations in discussing and observing the Analysis of Inflation and Rupiah Exchange Rate (*Exchange Rate*) of Mudharabah Savings at Sharia Commercial Banks. This research will reveal why inflation and exchange rates can affect mudharabah savings.

2. MATERIALS AND METHODS

This research method is included in the type of library research, namely by looking for research data or information through reading scientific journals, reference books, published financial statements, and publication materials available in the library as support in this writing. The data used are secondary data collected from various relevant literature. Based on the findings of the data and information collected, analysis and synthesis are carried out to answer research questions.

3. RESULT AND DISCUSSION

3.1. *Inflation against mudharabah savings*

Sharia Bank customers seem to be accustomed to the inflation rate in Indonesia, so the allocation of funds used for consumption, savings, and investment has been planned. Sharia Bank customers are not affected by fluctuations in the inflation rate in Indonesia. They can also be caused by rising inflation in Indonesia, making it difficult to choose investments other than deposits because investments elsewhere are likely to have higher risks.

3.2. *The exchange rate against Mudharabah savings*

If the rupiah exchange rate weakens against the dollar, it will decrease people's purchasing power so that they will withdraw money from banks to meet their consumption needs.[20] Islamic banking is vulnerable to changes in the rupiah exchange rate. If the rupiah weakens, Islamic banking deposits, including Mudharabah savings, will also decrease. This follows the theory that corporate and individual customers tend to withdraw their funds from Islamic banking if the rupiah exchange rate weakens.

Based on the theory and some previous research, Causality Theory shows that good economic growth will increase the number of Mudharabah. People experience an increase in welfare; income increases so that, according to theory, savings will also increase. In the event of inflation, the amount of Islamic banking deposits will decrease due to the withdrawal of funds by customers for consumption needs. [21] Inflation decreases the currency's purchasing power (the fall of purchasing power) so that more money is needed to consume the same goods. In this condition, withdrawing Islamic banking deposit funds can meet public consumption.[22]

It turns out that the behavior of bank customers in Indonesia is still partly influenced by monetary policy, including the effects of rising interest rates, inflation, and exchange rates affecting mudharabah deposits. Based on the results of this study, the three independent variables affect the dependent variable in Islamic banks, and the resulting regression is very good in explaining the influence of these variables, namely inflation, exchange rates, and SBI interest rates on mudharabah deposits. If inflation causes

people's purchasing power to decrease so that more money is needed to meet consumption needs, people will withdraw their funds from the bank.[23]

Likewise, the rupiah exchange rate (exchange rate) affects mudharabah deposits. [24] If the rupiah exchange rate weakens against the dollar, it will decrease people's purchasing power, so people will withdraw money from banks to meet their consumption needs. From the results of this study, it turns out that the exchange rate does not affect conventional bank deposits. People continue to save in banks, safer and not risky. As for Islamic banks, customer behavior in saving at Islamic banks is not only influenced by monetary and economic factors but also by non-economic factors.[23].

4. CONCLUSION

Rising inflation causes the price of goods to rise and the currency's value to fall, causing people's interest in saving or investing to decrease. This means that inflation harms people's interest in saving. If there is inflation which results in people's purchasing power decreasing so that the need for more money to meet consumption needs, the community will withdraw funds from the bank. In the condition of the weakening rupiah exchange rate, there is uncertainty in macroeconomic conditions, so investors prefer to use their money to invest in banks because investment is considered more profitable and less risky than investing in other business sectors with high risk in unfavorable economic conditions.

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