

Impact of Macroeconomy and Jakarta Islamic Index on Net Assets Value of Islamic Mixed Mutual Funds

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Abstract— Net Asset Value (NAV) of sharia mixed mutual funds has been decreasing since the last five years. It is related to macroeconomic factors and the condition of the Indonesian economy. In this paper the authors are trying to see the relevance of macroeconomic factors and Net Asset Value (NAV) of Islamic mixed mutual funds along the period 2014-2017. The variables used are Rupiah exchange and inflation which describe the condition of Indonesian economy in order to see performance benchmarks of Sharia stock investment of the Jakarta Islamic Index (JII). This research uses quantitative method with experimental research approach. The results showed that the variables of JII and Rupiah exchange rate had a significant effect on inverse relationship to Net Asset Value (NAV) of Sharia mixed mutual funds, whereas inflation showed a significant influence directly proportional towards Net Asset Value (NAV) of Sharia mixed mutual funds as well as the most dominant variable.

Keywords— *Islamic Mixed Mutual Funds, Macroeconomics, Jakarta Islamic Index*

I. INTRODUCTION

According to Central Statistics Agency (BPS), Indonesia economic growth tends to decline. In 2014 economic growth which initially reached 5.21% decreased to 4.79% in 2015. This automatically affected the condition of the Indonesian capital market including the growth of Islamic mutual funds. In the other hand, the table of mutual fund development published by the Financial Services Authority (OJK) shows that the number of sharia mutual funds has increased year by year. However, the comparison of NAV (Net Asset Value) in sharia mutual funds for the period 2013-2016 experienced ups and downs. In 2013-2015 the growth of sharia mutual funds experienced a continuous decline which was allegedly influenced by the condition of the Indonesian economy at that time was very weak compared to the previous year.

The growth of sharia mutual funds initially reached 4.90% in 2013 fell to 4.65% in 2014 and again dropped to 4.05% in 2015. Although growth in 2015-2016 tended to improve to 4.51% in the year 2016 there were many changes in the market share index of Islamic mutual funds according to their type. The most visible changes are sharia mixed mutual funds where at the beginning of 2015 the market share

of sharia mixed mutual funds reached 15.4% with a total AUM (Asset Under Management) 1,827.92 billion which then declined in early 2016 to 14.6% with a total AUM (Asset Under Management) 1,626.89 Billions of rupiah and continued to experience a drastic decline in early 2017 to 6.68% with a total of AUM (Asset Under Management) 1,092.87 billion rupiah.

Some macroeconomic instruments that are thought to have influence are the rupiah exchange rate and inflation. Whereas the Islamic Index, namely the Jakarta Islamic Index is used as an independent variable because it is thought to have an influence on the development of the net asset value (NAV) of Islamic mixed mutual funds. The purpose of this research was to determine how much influence the macroeconomic instruments as well as Jakarta Islamic index (JII) on the growth of net asset value (NAV) of Islamic mixed mutual funds.

II. LITERATURE REVIEW

A. *Islamic Mutual Funds*

Sharia mutual funds are the facility used to raise funds from the investor community, which is then invested by investment managers in securities portfolios that are in accordance with sharia principles. Investment managers are parties who manage changes in investment portfolios with the aim of providing the best return. As for the profits that can be obtained by investors in the form of an increase in the investment value of the investment community over the investment period.

According to the Sharia National Council (DSN) fatwa Number: 20 / DSN-MUI / IX / 2000 concerning guidelines for the implementation of investment for sharia mutual funds are mutual funds that operate according to Islamic sharia principles in the form of a contract between investors as property owners (shahib al-mal / rabb al- maal) with investment managers as vice shahib al-mal with investment users. Based on this condition, the boundary of products that can be used as portfolios for Islamic mutual funds are investment products that are in accordance with Islamic teachings. Based on the type of investment, mutual funds are

divided into six categories, including: a. Money market mutual funds; b. Fixed income mutual funds; c. Stock mutual funds; d. Mixed Mutual Funds; e. Index Mutual Funds; and f. Protected Mutual Funds.

B. Net Asset Value (NAV)

In mutual funds, to find out how large the level of mutual fund investment, the investors can notice and observe historical data displayed from the past to the present. Historical data that can be easily observed are Net Asset Value (NAV) per unit of mutual Fund participation. NAV is calculated by summing the total net assets of all funds in mutual funds divided by the total number of units in circulation. Total net assets themselves come from the market value of each type of investment asset such as stocks, bonds, money market securities and deposits, plus stock dividends and bond coupons, then deducting the operating costs of mutual funds such as Investment Managers, Custodian Bank fees and others. Mutual funds are called net assets if they have been reduced by various costs.

C. Jakarta Islamic Index (JII)

Jakarta Islamic Index (JII) is a stock index on the Indonesian stock exchange based on sharia principles. This stock index was introduced by IDX and Danareksa Investment Management (DIM) on July 3, 2000. JII consisting of 30 shares selected from shares in accordance with Islamic sharia. Determining the criteria for stock selection in the Jakarta Islamic Index involves the Sharia National Council (DSN). Jakarta Islamic Index (JII) is a benchmark of the performance of the Islamic stock index, which is the dominant product choice in investment in Islamic mutual funds. This benchmarking have been commonly used to assess the performance of investment managers in managing funds.

D. Rupiah Exchange Rate

Currency rates show how the value of money is against foreign currencies. The exchange rate between one country and another tends to vary. This change is caused by the difference between the demand and availability of the currency demanded by a country in conducting relations with other countries. The relationship can be in the form of borrowing activities, or investment activities or provision of loans.

E. Inflation

The definition of inflation is the tendency of an increase in prices of goods and services in general continuously. The price increase of one or two items cannot be called inflation unless the price increase extends everywhere. The effect of inflation in general is the decline in people's purchasing power as well as declining of the income. Rising inflation will also force Bank Indonesia (BI) to raise interest rates sharply.

III. RESULTS AND DISCUSSION

The following are the results of data processing in research conducted by the authors to find out how much influence the Jakarta Islamic index (JII), the rupiah exchange rate (exchange rate), and inflation on the net asset value of

Islamic mixed mutual funds. The analysis technique used is the experimental research design model. Hypothesis testing is done by using multiple regression analysis method using Eviews9 program.

The results of the tests that have been conducted show that the variable X_1 , namely the Jakarta Islamic Index (JII) has a significant effect on the NAV of Islamic Mixed Mutual Funds because the probability value of 0.0076 shows a value smaller than 0.05 so that H_0 is rejected and H_a is accepted. And it is known that the regression coefficient X_1 is 742298.2, which means that when the Jakarta Islamic Index (JII) increases by 1%, it will reduce the NAV of the Islamic mixed mutual fund by Rp. 742,298.2.

While the results of the X_2 variable test results, namely the rupiah exchange rate (exchange rate) shows that there is a significant effect on the Sharia mixed mutual fund Net Asset Value (NAV). This is shown by the probability value of 0.0315 indicating a value smaller than 0.05. It can be said that H_0 is rejected and H_a is accepted. It is known that the regression coefficient value X_2 is 103009736.9 which means that when the rupiah exchange rate increases by 1% it will reduce the Islamic mixed mutual fund NAV by Rp. 103,009,736. The regression test results on the independent variable X_3 or inflation on the dependent variable, namely the NAV of the Islamic mixed mutual fund shows that there is a significant influence between inflation on the value of Islamic mixed mutual funds (NAV). This is shown based on the results of the calculation of the data obtained, where the significance value is 0.0315 which means it is smaller than 0.05.

The hypothesis in this research shows that H_0 is rejected and H_a is accepted. It is known that the regression coefficient of X_3 is 98950113365.7, which means that when inflation increases by 1%, it will increase the NAV of the sharia mixed mutual funds by 0.099%. While variables that have a more dominant influence on significance for the growth of net asset value (NAV) of sharia mixed mutual funds are Inflation. This means that Inflation has the most significant influence on the increase or decrease in net asset value (NAV) of sharia mixed mutual funds. in the R-square analysis shows that the R-square coefficient or $R^2 = 0.705127$. so it can be concluded that the value of 0.705127 (or 70.5127%) shows that the regression equation model is capable of explaining the relationship between independent and independent variables by 70.51% and 29.41% influenced by other variables outside the research variable.

IV. CONCLUSION

Based on the results of the research and discussion described in the previous chapter, the following conclusions can be drawn. The Jakarta Islamic Index (JII) is known to have a significant influence in the direction of a negative relationship to the Sharia mixed Mutual Fund Net Asset Value (NAV) during the period January 2014 to December 2016. Rupiah Exchange Rate (Exchange Rate) is known to have a significant influence in the direction of the negative relationship to the Sharia mixed Mutual Fund Net Asset Value

(NAB) for the period January 2014 to December 2017. Inflation is known to have a significant effect in the direction of a positive relationship to the Net Sharia Mutual Fund Net Asset Value (NAV) for the period January 2014 to December 2017. Variables that have dominant influence on Net Asset Value (NAV) of Sharia mixed Mutual Funds are Inflation. This means that Inflation has the most significant influence on the increase or decrease in net asset value (NAB) of sharia mixed mutual funds.

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