Jurnal Masharif al-Syariah: Jurnal Ekonomi dan Perbankan Syariah
ISSN: 2527 - 6344 (Printed), ISSN: 2580 - 5800 (Online)
Accredited No. 30/E/KPT/2019
DOI: https://doi.org/10.30651/jms.v8i2.19850
Volume 8, No. 2, 2023 (1508-1526)

THE EFFECT OF EXCHANGE RATE VOLATILITY, BI 7 DRR (REVERSE), AND ISLAMIC CAPITAL MARKET ON INDONESIA'S ECONOMIC GROWTH WITH INFLATION AS AN INTERVENING VARIABLE

Raja Zainal Abidin Harahap, Ikhwanuddin Harahap, Rukiah
State Islamic University Sheikh Ali Hasan Ahmad Addary Padangsidimpuan
Jalan T. Rizal Nurdin Km. 4.5 Sihitang, Padangsidimpuan
Email:raja.harahapzainal1997@gmail.com, ikhwanuddinharahap@iainpadangsidimpuan.ac.id, rukiahlubis@uinsyahada.ac.id

Abstract

This research is motivated by a phenomenon, namely Indonesia's economic growth which is quite significant, especially after being hit by the Covid-19 storm that occurred in 2020. In some literature and theories, it is stated that one of the things that can increase economic growth again is investment, be it through exchange rate volatility, BI 7 DRR (Reverse) policy and also the Islamic capital market, but in fact this investment does not have a significant impact on economic growth. So, the purpose of this study is to find out how the actual influence between exchange rate volatility, BI 7 DRR (Reverse) policy and also the Islamic capital market on economic growth both directly and indirectly through inflation. The discussion of this research is related to macroeconomics and the factors that influence it, besides that researcher need to see how the trend of Indonesia's gross domestic product from year to year. So that the approach taken is theories related to GDP, inflation rates, changes in exchange rate volatility, BI 7 DRR (Reverse) and Islamic capital markets. This research is quantitative research. The sample of this study was 84 samples. The data collection instrument was carried out by looking at the Indonesian economic growth report published on the website www.bi.go.id. Data analysis uses classical assumption test, t test, F test, path analysis, and sobel test. Based on the results of the study, it is known that there is an influence of the BI 7 DRR (Reverse) variable on inflation (4.338> 1.663). There is an influence of Islamic capital market variables on Indonesia's economic growth (6.003 > 1.663). There is an influence of the intervening variable of inflation on Indonesia's economic growth (9.696 > 1.663). The effect of exchange rate volatility variables, BI 7 DRR (Reverse) and Islamic capital markets on the intervening variable

(inflation) is 21 percent while 79 percent is influenced by other variables outside this study. The value of the influence between the variables of exchange rate volatility, BI 7 DRR (Reverse), Islamic capital markets and intervening variables (inflation) on Indonesia's economic growth is 72 percent while 28 percent is influenced by other variables outside this study.
Keywords: Economic Growth, Inflation, Exchange Rate Volatility, BI 7 DRR, Islamic Capital Market.

A. Introduction

Economy is one of the important factors in a country, one of which is Indonesia. The economic objectives based on Pancasila and the 1945 Constitution are to increase equitable prosperity and high economic growth characterized by strong and advanced industries and optimal utilization of natural resources. Either by investing by placing assets, both in the form of assets and funds in something that is expected or will provide income or will increase its value in the future. (Dwi Suwiknyo, 2009)

Economic development can be defined as economic growth plus change. This means that whether or not there is economic development in a country in a certain year is not only measured by the increase in production of goods and services that apply from year to year but also needs to be measured from other changes that apply in various aspects of economic activity.(Dwi Suwiknyo, 2009) Economic growth is defined as the development of activities in the economy that cause goods and services produced to increase and prosperity to increase. High and sustainable economic growth is a prerequisite for economic development. Likewise, there are several theories and schools that explain economic growth.

The classical school of economics places more emphasis on the supply of labor, capital stock, and technological change in the process of economic growth. This approach is based on the assumption that the market can allocate resources efficiently, while the Keynesian school emphasizes the aggregate demand factor. According to Adam Smith, capital stock is one of the driving factors of the national economy, thus according to Adam Smith, the problems of economic growth are broadly the ability of humans to save more and invest their capital.(Sukirno, 2011)

Harrod and Domar, meanwhile, emphasized the importance of (long-term) investment in the process of economic growth because the investment aspect has a dual role. Then the Neo-Classical economic growth theory Solow Swan model was developed by R.M Solow where he emphasized three important factors in increasing economic growth, namely by increasing the quantity and quality of labor, savings, and technology.(Said Sa'ad Marthon, 2004)

Economic issues are part of the teachings of Islam where development must be accompanied by knowledge of classical and modern development concepts, as well as the experience of countries that have succeeded in carrying out development efforts. According to Nurcholis Madjid, development is the fulfillment of the function of the human caliphate on earth which will be accounted for later before God. The elaboration of the fulfillment of the function of the caliphate is very important, so that humans understand exactly how to play their role. This explanation requires a reinterpretation of various development concepts. Dawam Rahardjo said "development is the fulfillment of the function of the caliphate, by realizing the sibghah of Allah in realizing ummatan wasathan".(Tira Nur Fitria, 2016)

Economic growth can be influenced by various factors including investment, capital, and savings when looking at the classical economic theory put forward by Adam Smith. While the theory of economic growth according to Harrod and Domar also emphasizes if long-term investment is a factor that affects the economic growth of a country. While the latter theory was put forward by Solow Swan where there are three important factors in increasing economic growth including an increase in the quantity and quality of labor, savings, and exogenous technological progress.(Said Sa'ad Marthon, 2004) Where this is also a form of responsibility in controlling, controlling and also planning future development.

To see how national income based on gross domestic product can be seen in the table below:

Table 1. National Income by Product Gross Domestic (Billion)

No.	Year	Indonesia's GDP in (percent)

1.	2016	5.02 percent
2.	2017	5.07 percent
3.	2018	5.17 percent
4.	2019	5.02 percent
5.	2020	-2.07 percent
6.	2021	5.02 percent

Source: www.bps.go.idhttp://www.idx.co.id/

It can be seen that Indonesia's Gross Domestic Product by expenditure component at current prices from 2017 to 2020 is sourced from the Central Bureau of Statistics. The lowest income was in 2019, which amounted to 5.07 percent and the highest income was in 2018, which amounted to 5.17 percent, while the 2020 data decreased by minus 2.07 percent. And back up in 2021, namely 5.02 percent. This decline was due to the covid-19 pandemic which began to emerge at the end of 2019 and destabilized the economy of the entire world. So it is necessary to see what can hinder a country's economic growth, one of which is inflation.

Concluded from several theories put forward above, it can be seen that the factors that affect national economic growth include the value of export-import, investment, savings, labor quality and technological progress. So that from this theory the author concludes several variables related to export-import, namely exchange rate volatility, exchange rate volatility is the rise and fall of the exchange rate in the money market that occurs in a country's currency against the currencies of other countries. Then related to savings the author uses the variable BI 7 DRR (Reverse), BI 7 DRR (Reverse) is a monetary policy conducted by Bank Indonesia to increase or decrease the benchmark interest rate. In investment the author uses the variable sharia capital market as an influencing variable, the Islamic capital market is all activities in the capital market that do not conflict with Islamic principles. While placing the inflation variable as an intervening variable because inflation is one of the factors that can hinder and free up a country's economic growth.

B. Theoretical Review

1. Classical Economic Growth Theory

Classical economists emphasize the importance of natural law in economic matters. Where everyone is given the freedom to determine and choose for their own activities and interests. This means that there is no intervention from the government in the process and marketing of the production obtained. Equilibrium will also automatically maximize national welfare.(Sadono Sukirno, 2006) As for achieving economic welfare, there are four things that must be considered including:

a. The importance of division of labor. The division of labor will result in high work productivity.
b. Another factor that is considered quite important in economic growth is capital formation. Before the distribution of working capital is carried out, capital fertilization is first carried out. Where according to Adam Smith, capital stock is one of the driving factors of the national economy, thus according to Adam Smith, the problems of economic growth are broadly the ability of humans to save more and invest their capital.
c. Agents of growth also play a very important role in the process of economic development. Farmers, entrepreneurs, producers, are agents of economic progress and growth. Free trade is a requirement for economic agents to expand markets which in turn contributes to broader economic development. Specialization and technological progress. Market expansion and economic expansion will allow for specialization in economic activities. Specialization will encourage technological development and increased productivity.

2. Keynes' Theory of Economic Growth

There are different perspectives on classical economic growth and Keynes economic growth. In classical economic theory, economic development is viewed from the supply side, while Keynes' economic theory leans more on the demand side where effective demand determines the equilibrium level and national income. Expenditures made in the household, business, and government sectors as well as the foreign sector can stimulate aggregate demand and national income.

Keynes also argued that unemployment requires government intervention to increase a country's economic growth.(Sukirno, 2011) Keynes also analyzed how the impact of government fiscal policy in regulating economic activity can be seen from three approaches, including;

a. The approach to the magnitude of the multiplier when depicted in graphical form is often referred to as Keynesian crossover analysis.
b. Effects of fiscal policy changes on interest rate and investment through IS-LM analysis, and
c. The effect of changes in government policy on the price level and aggregate demand through the AD and AS curves. It can be concluded that Keynes' economic growth process that economic growth occurs through the multiplier process of C, I, G, X, and M.

From the explanation above, it can be concluded that the demand side must be controlled by the government. In controlling the economy in accordance with what is expected by the government, the government must also be able to influence C, I, G, X, and also M through macro policy instruments. Where in macroeconomic growth, goods and services are a meeting between demand and supply. This means that government calculations in the form of social benefits are not included in the calculation of government consumption. Therefore, PD statistics are always smaller than the government budget (state budget expenditure).

3. Harrod-Domar Theory of Economic Growth *(Post-Keynesian)*

Harrod and Domar, emphasized the importance of (long-term) investment in the process of economic growth because the investment aspect has a dual role. (Rahardja, 2014) namely;

a. Investment creates income.
b. Investment enlarges the economy's production capacity by increasing the capital stock.

In a longer time perspective, investment (I) adds to the capital stock such as buildings, laboratories, factories, roads, bridges and so on, so that I=sK where K=capital stock in society which means an increase in

production capacity. According to Harrod-Domar, any increase in capital stock will increase the ability of society to produce output (Y).(Prathama Rahardja, 2008)

4. Neo-Classical Growth Theory (*Solow-Swan*, 1956)

The Neo-Classical economic growth theory *Solow Swan* model was developed by R.M Solow where he emphasized three important factors in increasing economic growth, namely: an increase in the quantity and quality of labor, savings, and exogenous technological progress. Solow also built a model of economic growth as a refinement of the Harrrod-Domar way of thinking. Where according to Solow he wants to answer a fairly important question why there are differences in living standards, especially in real income between countries in the world.(Prathama Rahardja, 2008)

In Solow's theory, he explains that savings, population growth, and technological progress are considered quite important in advancing a country's economy. But it is assumed that savings and technological progress are exogenous. If savings increase, investment increases, which means the capital stock increases. With the increase in capital stock, output increases. However, output growth caused by savings is only temporary. This is justified because of the additional declining returns as a result of additional capital. Thus, it is only technological progress that causes output growth in the long run.(Prathama Rahardja, 2008)

5. Islamic Economic Growth Theory

The most fundamental difference between conventional economic growth and Islamic economic growth is the principle used where the Islamic economy prioritizes the spiritual element (religion) to be the top priority. Religion here is manifested in the Qur'an and also the sunnah of the Apostle. Although the principle of economic growth in Islam is based on the Qur'an and Hadith, but not found in detail that explains economic growth globally both the main instructions, rules, principles and important branches that are specific, because economic issues include

humanitarian issues that can undergo changes in accordance with the environment and the times, while problems that are technical are resolved through human efforts (ijtihad) according to environmental conditions and times. (Zuhdi, 2011)

Muslim economists explain that inflation will be bad for the economy because it causes disruption to the function of money, especially the function of savings (saving value), the function of prepayment, and the function of the unit of calculation, as a result of the burden of inflation, individuals must disengage from money and financial assets. Inflation will lead to inflation again, or in other words 'self feeding inflation will reduce the spirit and attitude of the community towards saving (the decline in the Marginal Propensity to Save) increase the tendency to shop for non-primary goods and luxury goods (the increase in the Marginal Propensity to Consume) Increase non-productive investment in the nature of wealth accumulation (hoarding) such as: land, buildings, precious metals, foreign currency at the expense of investment in productive directions such as: agriculture, industry, trade, transportation, and others.(Karim, 2010)

Economic growth is indicated as an effort to increase the level of income in society and also individuals in the long term accompanied by minimizing the level of poverty and avoiding damage to the distribution of wealth in society. To realize economic growth for the community, the objectives and facilities used must be in accordance with the values and principles of sharia based on the Al-Quran and Sunnah. The concept of conventional economic growth is not denied as long as it does not conflict with sharia principles.(Said Sa'ad Marthon, 2004).

C. Research Method

1. Type of Research

The type of research used in this study is descriptive quantitative research. Quantitative research is one of the research methods used to test a theory. (M. Subana Sudrajat, 2011)

2. Location and Time of Research

This research was conducted on economic growth data from 2016 to 2022 in the form of monthly data. This research was conducted from August 2022 to February 2023.

3. Research Sample

The sample in this study is 2016 to 2022, namely 7 years where 1 year = 12 months so 7 x 12 = 84 samples which are time series data.

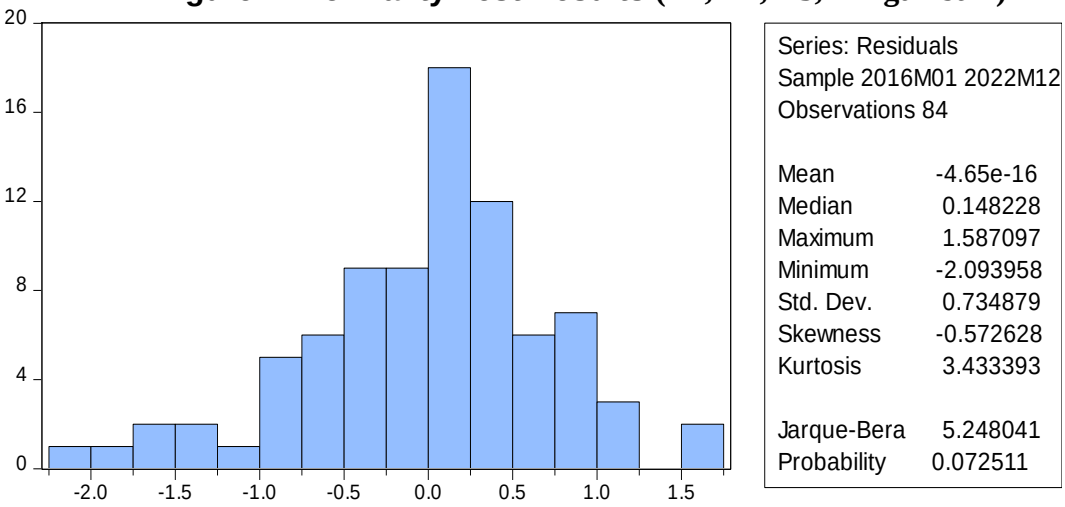
4. Data Analysis Techniques

The results of this study were processed using the Eviews9 application, while the data analysis used was the classic assumption test, t test, F test, path analysis, and the sobel test.

D. Research Results

1. Normality Test Results

Figure 1. Normality Test Results (X1, X2, X3, Z Against Y)



Source: Data processed by researchers in 2022

The JB normality test can be seen from the amount of the JB Probability value. If the JB Probability value ≥ 0.05 and the probability value> 0.05 then the data is normally distributed. Based on the normality test results above, it shows that the JB probability value is 5.248041 because the JB probability value ≥ 0.05 and the probability value of 0.072511> 0.05, the residuals in this study are normally distributed.

2. Multicollinearity Test Results

Table 2. Multicollinearity Test Results (X1, X2, X3, Z Against Y)

Variance Inflation Factors Date: 12/30/22 Time: 08:03

Sample: 2016M01 2022M12 Included observations: 84			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0,256441	37,96500	NA
X1	0,004430	1,295181	1,246693
X2	0,013113	41,97569	1,279891
X3	0,000811	2,503500	1,197819
Z	5,80E-12	10,69509	1,268196

Source: Data processed by researchers in 2022

It is concluded that there is no multicollinearity because the centered VIF value between each variable is smaller than 10.

3. Heteroscedasticity Test Results

Table 3. Heteroscedasticity Test Results (X1, X2, X3, Z Against Y)

Heteroskedasticity Test: Glejser				
F-statistic	3,084151	Prob, F(4,79)		0,0205
Obs*R-squared	11,34567	Prob, Chi-Square(4)		0,0229
Scaled explained SS	11,87563	Prob, Chi-Square(4)		0,0183
Test Equation:				
Dependent Variable: ARESID				
Method: Least Squares				
Date: 12/30/22 Time: 11:32				
Sample: 2016M01 2022M12				
Included observations: 84				
Variable	Coefficient	Std, Error	t-Statistic	Prob,
C	0,766117	0,299506	2,557939	0,0124
X1	-0,028903	0,039365	-0,734230	0,4650
X2	-0,038596	0,067726	-0,569880	0,5704
X3	0,046703	0,016847	2,772186	0,0769
Z	-1,79E-06	1,42E-06	-1,256281	0,2127
R-squared	0,135067	Mean dependent var		0,563745
Adjusted R-squared	0,091273	S,D, dependent var		0,467343
S,E, of regression	0,445505	Akaike info criterion		1,278463
Sum squared resid	15,67951	Schwarz criterion		1,423154
Log likelihood	-48,69544	Hannan-Quinn criter,		1,336628
F-statistic	3,084151	Durbin-Watson stat		1,331302
Prob(F-statistic)	0,020538			

Source: Data processed by researchers in 2022

It can be seen the Prob value. > 0.05. So it can be concluded that there is no heteroscedasticity in this study.

4. Autocorrelation Test Results

Table 4. Autocorrelation Test Results (X1, X2, X3, Z Against Y)

Dependent Variable: Y				
Method: Least Squares				
Date: 12/30/22 Time: 8:30 am				
Sample: 2016M01 2022M12				
Included observations: 84				
Variable	Coefficient	Std, Error	t-Statistic	Prob,

C	1,588100	0,506400	3,136058	0,0024
X1	-0,029564	0,066558	-0,444188	0,6581
X2	0,177427	0,114511	1,549433	0,1253
X3	-0,171002	0,028485	-6,003244	0,0000
Z	2,33E-05	2,41E-06	9,696058	0,0000
R-squared	0,721547	Mean dependent var		4,291429
Adjusted R-squared	0,707448	S,D, dependent var		1,392644
S,E, of regression	0,753254	Akaike info criterion		2,328851
Sum squared resid	44,82395	Schwarz criterion		2,473542
Log likelihood	-92,81172	Hannan-Quinn criter,		2,387015
F-statistic	51,17763	Durbin-Watson stat		0,801584
Prob(F-statistic)	0,000000			

Source: Data processed by researchers in 2022

It is known that the DW value is 0.801584, it can be concluded that there is no autocorrelation in this study seen from the DW value between -2 and +2 (-2 < 0.80154 < +2).

5. Determination Coefficient Test Results

Table 5. Test Results of the Coefficient of Determination X1, X2, X3, Z Against Y)

R-squared	0,721547	Mean dependent var	4,291429
Adjusted R-squared	0,707448	S,D, dependent var	1,392644
S,E, of regression	0,753254	Akaike info criterion	2,328851
Sum squared resid	44,82395	Schwarz criterion	2,473542
Log likelihood	-92,81172	Hannan-Quinn criter,	2,387015
F-statistic	51,17763	Durbin-Watson stat	0,801584
Prob(F-statistic)	0,000000		

Source: Data processed by researchers in 2022

The R square value of 0.721547 is obtained, which means that the effect of the independent variable (X) and the intervening variable on the dependent variable (Y) is 72 percent, while 28 percent is influenced by other variables outside this study.

6. The result of t test (Partial Test)

Table 6. The results of the t test (X1, X2, X3, Z against Y)

Dependent Variable: Y				
Method: Least Squares				
Date: 12/30/22 Time: 09:38				
Sample: 2016M01 2022M12				
Included observations: 84				
Variable	Coefficient	Std, Error	t-Statistic	Prob,
C	1,588100	0,506400	3,136058	0,0024
X1	-0,029564	0,066558	-0,444188	0,6581

X2	0,177427	0,114511	1,549433	0,1253
X3	-0,171002	0,028485	-6,003244	0,0000
Z	2,33	2,41	9,696058	0,0000

Source: Data processed by researchers in 2022

It can be seen that the t-count value for exchange rate volatility is -0.444, and the BI 7 DRR (Reverse) variable is 1.549, and the Islamic capital market is -6.003 and Inflation is 9.696. While t_{tabel} with df = n-2 or 84-2 = 82 so as to obtain t_{tabel} = 1.663 For more details can be seen in the table below:

Table 7. Description of t-test results

Variables	thitung	t_{tabel}	Description
Exchange rate volatility (X1) => Economic Growth (Y)	-0,444	**T_{table} = 1.663 with (df = 82), and a significance level of 0.5**	There is no effect
BI 7 DRR *(Reverse)* (X2) => Economic Growth (Y)	1,549		No Effect
Islamic Capital Market (X3) => Economic Growth (Y)	-6,003		There is a Negative Effect
Inflation => Economic Growth (Y)	9,696		There is an Influence

Source: Data processed by researchers in 2022

7. Simultaneous Test Results (F Test)

Table 8. Simultaneous Test Results (F)

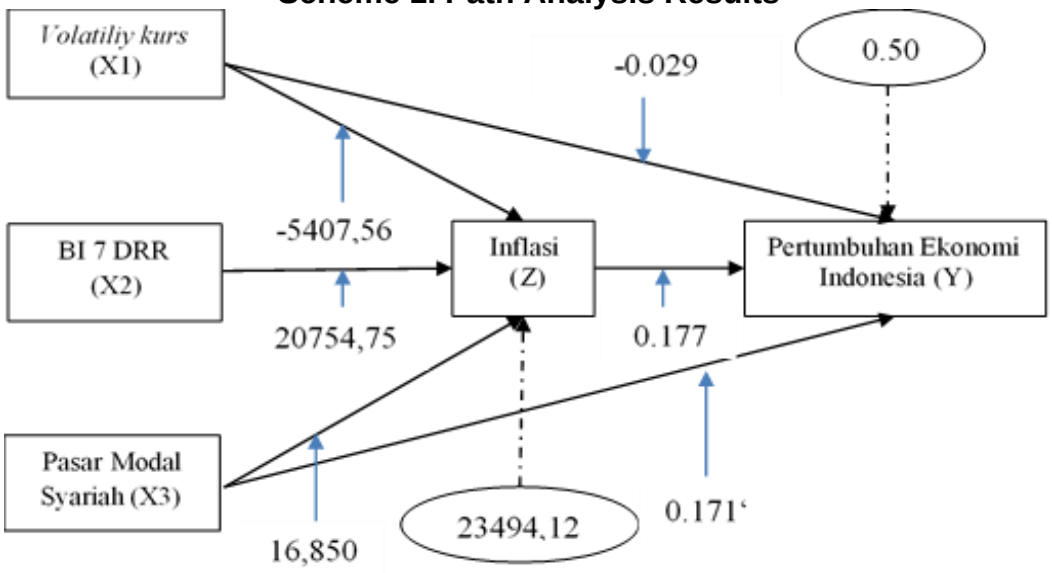
R-squared	0,721547	Mean dependent var	4,291429
Adjusted R-squared	0,707448	S,D, dependent var	1,392644
S,E, of regression	0,753254	Akaike info criterion	2,328851
Sum squared resid	44,82395	Schwarz criterion	2,473542
Log likelihood	-92,81172	Hannan-Quinn criter,	2,387015
F-statistic	51,17763	Durbin-Watson stat	0,801584
Prob(F-statistic)	0,000000		

Source: Data processed by researchers in 2022

It can be seen that the F_{count} for the variable volatility of exchange rates, BI 7 DRR (Reverse), Islamic capital markets and inflation (Z) is 51.17763. While F_{tabel} with df (N1) = k-1 or 3-1 = 2 and df (N2) = n-k or 83-3 = 80 so that Ftabel = 3.11 is obtained. From the test results of the F statistical test (F test) it can be concluded that Fcount> F_{tabel} (51.17763> 3.11) which means that there is an influence of volatile exchange rates, BI7 DRR (Reverse), Islamic capital markets and intervening variables inflation (Z) on economic growth (Y).

8. Path Analysis Results

Scheme 1. Path Analysis Results



Equation

Y = 1.5880995049 - 0.0295643983771*X1 + 0.177426939316*X2 - 0.17100157533*X3 + 2.33480706262e-05*Z

a. A constant of 1.588 means that if the variables of exchange rate volatility, BI 7 DRR (Reverse), Islamic capital market and inflation (Z) are considered constant or 0, economic growth (Y) is 1.588.
b. The regression coefficient of the exchange rate volatility variable is -0.029, meaning that if the exchange rate volatility variable increases by 1 percent, economic growth (Y) will decrease by -0.029 percent, assuming other variables remain constant. The negative coefficient means that there is a negative relationship between exchange rate volatility and economic growth (Y).
c. The BI 7 DRR (Reverse) variable regression coefficient of 0.177 means that if the BI 7 DRR (Reverse) variable increases by 1 percent, economic growth (Y) will increase by 0.177 percent, assuming other variables remain constant. The coefficient is positive, meaning that there is a positive relationship between BI 7 DRR (Reverse) and economic growth (Y).
d. The regression coefficient of the Islamic capital market variable -0.171 means that if the Islamic capital market variable increases by 1 percent, then economic growth (Y) will decrease by -0.171 percent assuming

other variables remain constant. The negative coefficient means that there is a negative relationship between the Islamic capital market and economic growth (Y).

e. The regression coefficient of the inflation intervening variable (Z) 2.334 means that if the inflation intervening variable (Z) increases by 1 percent, then economic growth (Y) will increase by 2.334 percent assuming other variables remain. The coefficient is positive, meaning that there is a positive relationship between the intervening variable inflation (Z) and economic growth (Y).

9. Sobel Test Results (Effect of X1 on Y through Z)

Table 9. Sobel Test Results

The Effect of Exchange *Rate Volatiliy* (X1) On Economic Growth through Inflation (Z)

Equation	a	a^2	SEa	Sea^2	b	b^2	SEb	SEb^2
Formula	-5407,57	29241813,3	3030,59	9184475,748	2,33	5,4289	2,41	5,8081
ab	-12599,638							
b^2*SEa^2	49861600							
a^2*SEb^2	169839376							
(b^2*SEa^2)+(a^2*SEb^2)	219700976							
√ (b^2*SEa^2)+ (a^2*SEb^2)	14822,313							
T (count) *Exchange rate volatility* (X1)	-0,8500453							

Source: Data processed by researchers in 2022

It can be seen if the t-count value of the independent variable exchange rate volatility (X1) on economic growth (Y) through inflation (Z) is -0.8500453. So it can be seen if titung < 1.96 or (-0.8500453 < 1.96). So it can be concluded if there is no effect of exchange rate volatility (X1) on economic growth (Y) through inflation (Z).

10. Sobel Test Results (Effect of X2 on Y through Z)

Table 10. Sobel Test Results

The Effect of BI 7 DRR (Reverse) (X2) Against Economic Growth through Inflation (Z)

Equation	a	a^2	SEa	Sea^2	b	b^2	SEb	SEb^2
Formula	20754,75	430759647,6	4783,648	22883288,19	2,33	5,4289	2,41	5,8081
ab	48358,568							
b^2*SEa^2	124231083							
a^2*SEb^2	2,502E+09							
(b^2*SEa^2)+(a^2*SEb^2)	2,626E+09							

√ (b^2*SEa^2)+ (a^2*SEb^2)	51245,743							
T (calculated) BI 7 DRR (Reverse) (X2)	0,9436602							

Source: Data processed by researchers in 2022

It can be seen that the t_{count} value of the independent variable BI 7 DRR (Reverse) (X2) on economic growth (Y) through inflation (Z) is 0.9436602. So it can be seen if t_{itung} < 1.96 or (0.9436602 < 1.96). So it can be concluded that there is no effect of BI 7 DRR (Reverse) (X2) on economic growth (Y) through inflation (Z).

11. Sobel Test Results (Effect of X3 on Y through Z)

Table 11. Sobel Test Results

Equation	a	a^2	SEa	Sea^2	b	b^2	SEb	SEb^2
Formula	16,85078	283,9487866	1322,552	1749143,793	2,33	5,4289	2,41	5,8081
ab	39,262317							
b^2*SEa^2	9495926,7							
a^2*SEb^2	1649,2029							
(b^2*SEa^2)+(a^2*SEb^2)	9497575,9							
√ (b^2*SEa^2)+ (a^2*SEb^2)	3081,8137							
T (calculated) Islamic Capital Market (X3)	0,01274							

Source: Data processed by researchers in 2022

It can be seen if the t-count value of the independent variable of Islamic capital market (X3) on economic growth (Y) through inflation (Z) is 0.01274. So it can be seen if t_{itung} < 1.96 or (0.01274 < 1.96). So it can be concluded if there is no effect of Islamic capital market (X3) on economic growth (Y) through inflation (Z).

E. Discussion

From the results of the above research on the effect of exchange rate volatility, BI 7 DRR (Reverse), and the Islamic Capital Market on Indonesia's Economic Growth with Inflation as an Intervening Variable with a total research sample of 84 samples. Then the researcher explains how the influence between variables is as follows:

1. From the research results above, it is known that there is no effect of the exchange rate volatility variable on inflation in Indonesia from 2016 to 2022 partially where t_{count} < t_{tabel} (-1.784 < 1.663). This is because the higher the exchange rate and the weakening of the rupiah have an impact on the price of goods, especially imported goods and imported raw materials for domestic products, which ultimately have the effect of increasing the price of goods and will reduce economic growth.

2. From the research results above, it is known that there is an influence of the BI 7 DRR (Reverse) variable on Indonesian inflation from 2016 to 2022 partially where tcount> t_{tabel} (4.338> 1.663). This is because when interest rates fall or are low, the demand for loans will be more, where people will choose to borrow more money rather than save. This means that more money will be spent, so the economy grows and the inflation rate decreases.
3. From the research results above, it is known that there is no effect of Islamic capital market variables on inflation in Indonesia from 2016 to 2022 partially where $t_{count} < t_{tabel}$ (0.012 < 1.663). This is because inflation increases the cost of a company. If the increase in costs is higher than the company's income, then the profitability of the company decreases.
4. From the results of the research above, it is known that there is no effect of the exchange rate volatility variable on Indonesia's economic growth from 2016 to 2022 where $t_{count} < t_{tabel}$ (-0.444 > 1.663). This is because prices rise high quickly and then suddenly fall quickly too, giving rise to a very large difference between the lowest price and the highest price at a time so that it does not have a significant effect on economic growth.
5. From the research results above, it is known that there is no influence of the BI 7 DRR (Reverse) variable on Indonesia's economic growth from 2016 to 2022 where $t_{count} < t_{tabel}$ (1.549 > 1.663). This is because the higher the interest rate does not always make economic growth in a country will always be fast and does not always have a direct impact on inflation.
6. From the results of the above research, it is known that there is a negative effect of Islamic capital market variables on Indonesia's economic growth from 2016 to 2022 where $t_{count} < t_{tabel}$ (-6.003 < 1.663). This can be caused if the funds obtained from the community only rotate in the company, moreover the companies included in the list of Islamic capital markets are not too many. In addition, one of the right ways is to provide financing to MSMEs so that the real sector runs well and will have an impact on economic growth.

7. From the results of the above research, it is known that there is an influence of the intervening variable inflation on Indonesia's economic growth from 2016 to 2022 where $t_{count} < t_{tabel}$ (9.696 > 1.663). This is because when inflation is high it can cause economic growth to slow down, otherwise relatively low and stable inflation can encourage economic growth.
8. From the research results above, it is known that there is no effect of exchange rate volatility (X1) on economic growth (Y) through inflation (Z) Indonesia from 2016 to 2022 where $t_{itung} < 1.96$ or (-0.8500453 < 1.96). This is because the higher the exchange rate and the weakening of the rupiah have an impact on the price of goods, especially imported goods and imported raw material products for domestic products, which ultimately have the effect of increasing the price of goods and will reduce economic growth and the price of the currency rises high quickly and then suddenly drops quickly too, giving rise to a very large difference between the lowest price and the highest price at a time so that it does not have a significant effect on economic growth.
9. From the research results above, it is known that there is no effect of BI 7 DRR (Reverse) (X2) on economic growth (Y) through inflation (Z) Indonesia from 2016 to 2022 where $t_{itung} < 1.96$ or (0.9436602 < 1.96). This is because when interest rates fall or are low, the demand for loans will be more, where people will choose to borrow more money rather than save. This means that more money will be spent, so that the economy grows and the inflation rate increases and the greater the interest rate does not always make economic growth in a country will always be fast and does not always have a direct impact on inflation.
10. From the research results above, it is known that there is no effect of the Islamic capital market (X3) on economic growth (Y) through inflation (Z) Indonesia from 2016 to 2022 where $t_{itung} < 1.96$ or (0.01274 < 1.96). This is because inflation increases the cost of a company. If the increase in costs is higher than the company's income, the profitability of the company decreases and economic activity increases because the

capital market is an alternative funding for companies so that companies can operate on a wider scale and will ultimately increase company income and the prosperity of the wider community.

F. Conclusion

1. There is no effect of exchange rate volatility variable on inflation in Indonesia from 2016 to 2022 partially where $t_{count} < t_{tabel}$ (-1.784 < 1.663).
2. There is an influence of BI 7 DRR (Reverse) variable on inflation (Z) Indonesia from 2016 to 2022 partially where $t_{count} > tt_{abel}$ (4.338 > 1.663).
3. There is an influence of the BI 7 DRR (Reverse) variable on inflation (Z) in Indonesia from 2016 to 2022 partially where tcount> t_{tabel} (4.338> 1.663).
4. There is no effect of the exchange rate volatility variable on Indonesia's economic growth from 2016 to 2022 where $t_{count} < t_{tabel}$ (-0.444 > 1.663).
5. There is no effect of the BI 7 DRR (Reverse) variable on Indonesia's economic growth from 2016 to 2022 where $t_{count} < t_{tabel}$ (1.549 > 1.663).
6. There is a negative effect of Islamic capital market variables on Indonesia's economic growth from 2016 to 2022 where tcount> t_{tabel} (6.003> 1.663).
7. There is an influence of the intervening variable inflation (Z) on Indonesia's economic growth from 2016 to 2022 where $t_{count} < t_{tabel}$ (9.696 > 1.663).
8. There is no effect of exchange rate volatility (X1) on economic growth (Y) through inflation (Z) Indonesia from 2016 to 2022 where $t_{itung} < 1.96$ or (-0.8500453 < 1.96).
9. There is no effect of BI 7 DRR (Reverse) (X2) on economic growth (Y) through inflation (Z) Indonesia from 2016 to 2022 where $t_{itung} < 1.96$ or (0.9436602 < 1.96).
10. There is no effect of Islamic capital market (X3) on economic growth (Y) through inflation (Z) Indonesia from 2016 to 2022 where $t_{itung} < 1.96$ or (0.01274 < 1.96).

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