# THE ANALYSIS OF DEMAND FOR MONEY ON DUAL MONETARY SYSTEMS IN INDONESIA (PERIODE JANUARY 2013 – FEBRUARY 2018)

# ANALISIS PERMINTAAN UANG DALAM SISTEM MONETER GANDA DI INDONESIA (PERIODE JANUARI 2013 – FEBRUARI 2018)

#### **UNDERGRADUATE THESIS**

In partial fulfillment for the requirement for the degree of Bachelor of Economics at International Program for Islamic Economics and Finance



Written By:

Lawvia Mahega Vincia 20150430344

INTERNATIONAL PROGRAM FOR ISLAMIC ECONOMICS AND
FINANCE (IPIEF)
FACULTY OF ECONOMICS AND BUSSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA
2018
DECLARATION

Name : Lawvia Mahega Vincia

Student Number : 20150430344

I hereby declare that this undergraduate thesis entitled: "THE ANALYSIS OF DEMAND FOR MONEY ON DUAL MONETARY SYSTEMS IN INDONESIA (PERIODE JANUARY 2013 – FEBRUARY 2018)" does not consists of any content that ever being proposed for any degree in order university, ideas of any study and publication of others, in exception all quotes and ideas which are purposely taken are considered as the research references and listed in the reference list. Therefore, if any violation of intellectual right is found in this research, I agree to accept any relevant academic consequences.

Yogyakarta, December 17<sup>th</sup> 2018 Materai, 6.000,-

Lawvia Mahega Vincia

#### **MOTTO**

"Wallahi, if Allah has written something for you, then not a single person in creation is able to prevent it, so just relax." — Shaykh Mohammed Aslam

Everything you go through, grows you!

This Undergraduate Thesis I dedicate to my beloved family,
Papa, Mama, and Awdi

#### **ACKNOWLEDGEMENT**

#### Bismillahirrahmanirrahim

In the name of Allah, the most Merciful, the most Gracious. All praise is due to Allah; we praise Him, seek His help, and ask for His forgiveness. I am thankful to Allah, who supplied me with the courage, the guidance, and the love to complete this thesis. Also, Peace and salutation always ne to the Prophet Muhammad peace be upon him altogether with his accompanies.

This undergraduate thesis entitled "THE ANALYSIS OF DEMAND FOR MONEY ON DUAL MONETARY SYSTEMS IN INDONESIA (PERIODE JANUARY 2013 – FEBRUARY 2018)" has been made as partial fulfillment of the requirement to achieve the bachelor degree in economics. So that, I would like to thank all people who have contributed and special appreciation to the parties. In particularly they are:

- 1. My Mother Hj. Nanik Helin Setyanigsih, mama thank you for becoming my number one supporter, without your prayer and your ikhtiar i am one hundred percent sure that i will never be able to achieve to this level and succeed.
- 2. My father H. Sumari, SH, papa as i promise, for the rest of my life, am going to make you as a proud father alive in this world. Thank you so much for always make me feel safe, happy and always been handling no matter how hard my situation is.
- 3. My one and only sister, Lawdia Marliana Putri, you are the best gift that Allah has ever given to me since the day one you came. Thank you for always on my side whenever people are on the opposite. You knew that blood is thicker than water so, if you always been there for me, and I either.
- 4. Muhamad Taufiq Mulyana, thank you for always listening and understanding how none sense my thought is, keep your prayer, your kindness and your love stay with me, ok soulmate?
- 5. Mrs. Lilies Setiartiti and Mr. Dimas Bagus, thank you for being such the best supervisors for me. Hope that all knowledge that you have been given to me become your amal jariyah since forever. Everything doesn't feel so heavy because you always guide me to the point of this thesis is completed.
- 6. Rizdiani Tri Prastiti, Annisa Maharani, Sylvia Aulia, you guys have to know that one of my motivation to come home as soon as possible are because of you. Bandung is home, all of you are included.
- 7. The Salma Nur Karima, Mbak Aden, Kak Ikhwan, Roby Sanjaya, Afnan Nur Jannah, Hikmatul Umma, Resty Tamara Utami, Tya

Fairuz and also my unblood sister Armalinda Wardhani, thank you so much for the support and always be able to give me a power and also bring those positive vibes to me.

8. For my favorite classmate ever IPIEF 2015, so wonderful three years that we have been through together, aren't we? Thank you so much for all the joy and laughing, you guys are so rockin', love y'all.

 For all lecturers and staff of IPIEF who have provided outstanding supplies and lessons and all parties who have provided support either directly or indirectly and encouragement to this thesis can be resolved.

10. Special Thanks that I want to deliv is for Mr. Wahdi Yudhi, sir, you will always be my favorite lecturer ever. Thank you so much for all the help, knowledge, caring, and many things that feel so hard to mention because it is too much for me to accept all of your kindness. Stay healthy and adorable, sir.

In closing, in this paper there are still many errors and shortcomings, therefore it takes criticism and suggestions that build for better results again.

Yogyakarta, December 17<sup>th</sup> 2018

Lawvia Mahega Vincia

# TABLE OF CONTENT

TITLE PAGE	i
SUPERVISOR AGREEMENTEXAMINER AGREEMENT	
DECLARATION	iv
MOTTO PAGETRIBUTE PAGE.	
ABSTRACT	Error! Bookmark not defined
INTISARI	Error! Bookmark not defined
ACKNOWLEDGEMENTLIST OF TABLESLIST OF FIGURES	xiv
CHAPTER I	Error! Bookmark not defined
INTRODUCTION	Error! Bookmark not defined
A. Background	Error! Bookmark not defined
B. Research Objectives	Error! Bookmark not defined
C. Benefits of Research	Error! Bookmark not defined
CHAPTER II	Error! Bookmark not defined
LITERATURE REVIEW	Error! Bookmark not defined
A. Theoretical Basis	Error! Bookmark not defined
1. Money	Error! Bookmark not defined
Bookmark	not defined
	34
5. Theory of <i>Riba</i>	Error! Bookmark not defined
6. Sharia systems are better than cont defined.	onventional systems Error! Bookmark
B. Previous Study	Error! Bookmark not defined
C. Hypothesis	Error! Bookmark not defined
D Framework of the Research	Error! Bookmark not defined

CHAPTER III	47
METHODOLOGY RESEARCH	Error! Bookmark not defined.
A. Object Research	Error! Bookmark not defined.
B. Types of Data	Error! Bookmark not defined.
C. Technique of Collecting Data	Error! Bookmark not defined.
D. Variables and Operational Definition	50
E. Estimation Method	51
F. Data Measuring Instrument	52
G. Data Quality Test	52
H. Hypothesis and Data Analysis	Error! Bookmark not defined.
CHAPTER IV	Error! Bookmark not defined.
THE DEVELOPMENT OF MONEY SUPPLY I Bookmark not defined.	N INDONESIA Error!
	Indonesia on Financial SectorError! Bookmark no
B. Condition of Observed Variables	Error! Bookmark not defined.
CHAPTER V	Error! Bookmark not defined.
RESULT AND DISCUSSION	Error! Bookmark not defined.
1. Stasinonary Test	Error! Bookmark not defined.
2. Lag Length Criteria	Error! Bookmark not defined.
3. VAR Stability Condition Test	Error! Bookmark not defined.
4. Co-Integration Test	Error! Bookmark not defined.
5. VAR and VECM Model	Error! Bookmark not defined.
6. Impulse Response Function (IRF)	Error! Bookmark not defined.
7. Forecast Error Variance Decomposition (I	FEVD)Error! Bookmark not defined.
8. Granger's Cassuality Test	Error! Bookmark not defined.
DISCUSSION	Error! Bookmark not defined.
1. The Influence of Inflation and Exchange	Rate on the Amount of Money
Demand in Indonesia	Error! Bookmark not defined.

2.	The Influence of Interest Rate and Return Syariah on the Amount of
Mo	ney Demand in Indonesia Error! Bookmark not defined.
3.	The influence of implementation of Return Syariah that is more stable than
usi	ng interest rates. Error! Bookmark not defined.
СНА	PTER VI105
	CLUSION, SUGGESTION, AND RESEARCH LIMITATION Error! mark not defined.
A.	Conclusion Error! Bookmark not defined.
B.	Suggestion Error! Bookmark not defined.
C.	Research LimitationError! Bookmark not defined.
REFE	ERENCEError! Bookmark not defined.
APPF	ENDIX Error! Bookmark not defined.

## LIST OF TABELS

Tabel 1.1 Amount of M0 on G20 Country	3
Tabel 1.2 Amount of M1 on G20 Country	3
Tabel 1.3 Amount of M0 on G20 Country	4
Tabel 2.1 Previous Study	40
Tabel 5.1 Result of Stasionary Test	68
Tabel 5.2 Result of Lag Length Criteria Test	69
Tabel 5.3 Result of VAR Stability on M1	71
Tabel 5.4 Result of VAR Stability on M2	71
Tabel 5.5 Result of VAR Stability on M1ISL	71
Tabel 5.6 Result of VAR Stability on M2ISL	71
Tabel 5.7 Result of Co-Integration Test on M1 and M2	73
Tabel 5.8 Result of Co-Integration Test on M1ISL and M2ISL	74
Tabel 5.9 Model of VAR on M1	76
Tabel 5.10 Model of VAR on M2	78
Tabel 5.11 Model of VAR on M1ISL	79
Tabel 5.12 Model of VAR on M2ISL	80
Tabel 5.13 Result of Variance Decomposition on M1	87
Tabel 5.14 Result of Variance Decomposition on M2	88
Tabel 5.15 Result of Variance Decomposition on M1ISL	89
Tabel 5.16 Result of Variance Decomposition on M2ISL	90
Tabel 5.17 Result of Granger's Casuality Test on M1	91
<b>Tabel 5.18</b> Result of Granger's Casuality Test on M2	93
Tabel 5.19 Result of Granger's Casuality Test on M1ISL	94
Tabel 5.20 Result of Granger's Casuality Test on M2ISI.	96

## LIST OF FIGURES

FIGURE 1.1 Impact of Riba's Transaction to The Economy Sector
FIGURE 1.2 Impact of Profit Sharing's Transaction to The Economy Sector
FIGURE 2.1 Behavior of Exchange and Inflation in Indonesia
FIGURE 2.2 Framework of The Research 46
FIGURE 3.1 Concept of VAR and VECM Method
FIGURE 4.1 Statistics of Currency in Indonesia
FIGURE 4.2 Amount of Money in Demand Depositand Giro Wadiah
FIGURE 4.3 Amount of Money in Time Deposit, Saving, Saving (Mudharabah),
Deposito (Mudharabah)
FIGURE 4.4 Statistics of Return Syariah and Interest Rate
FIGURE 4.5 Inflation Rate
FIGURE 4.6 Exchange Rate In Thousand Rupiah (Jan 2013-Feb 2018)65
FIGURE 5.1 Impulse Response of M1 to Exchange Rate, Inflation and Interest Rate 81
FIGURE 5.2 Impulse Response of M1, Exchange Rate, Inflation to Interest Rate 82
FIGURE 5.3 Impulse Response of M2 to Exchange Rate, Inflation and Interest Rate .83
FIGURE 5.4 Impulse Response of M2, Exchange Rate, Inflation to Interest Rate 83
FIGURE 5.5 Impulse Response of M1ISL to Exchange Rate, Inflation and Return
Syariah84
FIGURE 5.6 Impulse Response of M1ISL, Exchange Rate, Inflation to Return Syariah
85
FIGURE 5.7 Impulse Response of M2ISL to Exchange Rate, Inflation and Return
Syariah85
FIGURE 5.8 Impulse Response of M2ISL, Exchange Rate, Inflation to Return Syariah
86