

**SELECTING THE LEADING INDICATORS FOR THE RESILIENCE OF
ISLAMIC BANKING IN INDONESIA AND MALAYSIA**

***MEMILIH LEADING INDICATORS KETAHANAN PERBANKAN SYARIAH
DI INDONESIA DAN MALAYSIA***

UNDERGRADUATE THESIS



Written By:

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**FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA**

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In partial fulfillment for the requirement for the degree of Bachelor of Economics
at International Program for Islamic Economics and Finance (IPIEF), Economics
Department, Faculty of Economics and Business



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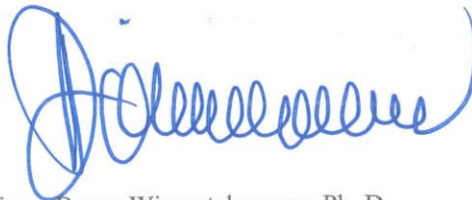
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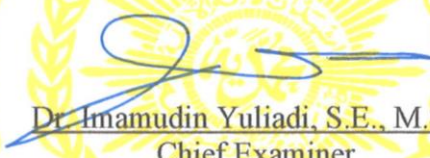
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I hereby declare that this undergraduate thesis entitled: **“SELECTING THE LEADING INDICATORS FOR THE RESILIENCE OF ISLAMIC BANKING IN INDONESIA AND MALAYSIA”** does not consists of any content that ever being proposed for any degree in order university, 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, 05th October 2019

Materai , 6.000,-



Adra Sari

MOTTO

“Menjadi bermakna dimanapun berada”

*This Undergraduate Thesis I dedicate to my beloved family,
Papa, Mama, My Brothers, and My Sister*

ABSTRACT

Islamic Banking plays critical roles in providing essential economic function and service to the entire financial system and the overall economy. Thus, the bank's strength and resilience is the foundation and pre-condition for achieving sustainable economic growth, given that banks are the centre of the credit intermediation process between savers and investors. One of the main causes of past financial crisis was that the banking sector had built up excessive both on-and-off balance sheet leverage and the transmission of external shocks. Therefore, this research mainly aimed to find the macroeconomic indicators that will signal the emergence of external shocks and adversely affect the resilience of Islamic banking. This research involves Indonesia and Malaysia to study the macroeconomic indicators using index as the assessment or methodology. The period of study is starting from 2010 to June 2019. The objective of this research ultimately to obtain the tolerable limits of shocks that will contribute towards the resilience of Islamic banking. This research finally suggests that leading indicators for resilience of Islamic banking are exchange rate and GDP. In addition, In the policy making's point of view, the exchange rate stabilization and GDP advance should be more concerned rather than the price stability in order to ensure the exchange rate and GDP are fluctuating in the tolerable limits.

Keywords: Islamic Banking, Resilience, Leading Indicators, Threshold Level, Shocks, Macroeconomic

INTISARI

Perbankan Syariah memainkan peran penting dalam menyediakan fungsi dan layanan ekonomi penting bagi seluruh sistem keuangan dan ekonomi secara keseluruhan. Dengan demikian, kekuatan dan ketahanan bank adalah fondasi dan prasyarat untuk mencapai pertumbuhan ekonomi yang cerah, mengingat bahwa bank adalah pusat dari proses intermediasi kredit antara penabung dan investor. Salah satu penyebab utama dari krisis keuangan masa lalu adalah bahwa sektor perbankan telah membangun leverage neraca on-dan-off yang berlebihan dan transmisi guncangan eksternal. Oleh karena itu, penelitian ini terutama bertujuan untuk menemukan indikator ekonomi makro yang akan menandakan munculnya guncangan eksternal dan berdampak buruk terhadap ketahanan perbankan syariah. Kasus penelitian ini melibatkan Indonesia dan Malaysia untuk mempelajari indikator ekonomi makro menggunakan indeks sebagai penilaian atau metodologi. Masa studi dimulai dari 2010 hingga Juni 2019. Tujuan dari penelitian ini pada akhirnya untuk mendapatkan batas guncangan yang dapat ditoleransi yang akan berkontribusi terhadap ketahanan perbankan syariah. Penelitian ini akhirnya menunjukkan bahwa indikator utama untuk ketahanan perbankan Islam adalah nilai tukar dan PDB. Selain itu, Dalam sudut pandang pembuatan kebijakan, stabilisasi nilai tukar dan peningkatan PDB harus lebih diperhatikan daripada stabilitas harga untuk memastikan nilai tukar dan PDB berfluktuasi dalam batas yang dapat ditoleransi.

Kata kunci: Perbankan Syariah, Ketahanan, Indikator Utama, Tingkat Ambang Batas, Guncangan, Ekonomi makro

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This undergraduate thesis entitled **“SELECTING THE LEADING INDICATORS FOR THE RESILIENCE OF ISLAMIC BANKING IN INDONESIA AND MALAYSIA”** has been made as partial fulfillment for the requirement to achieve the bachelor degree of economics. So that, I would like to thank all people who have contributed and special appreciation to the parties. In particularly they are:

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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, October 05th 2019

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