

ABSTRACT

This study examines the influence of Islamic monetary instruments which is Sharia-compliant Bank Indonesia Certificates (SBIS) and Sharia-compliant Bank Indonesia Deposit Facility (FASBIS) on Indonesia's real sector, proxied by the Industrial Production Index (IPI) and the Real Sales Index (IPR). Prior studies have predominantly examined Islamic monetary transmission through the banking sector and aggregate macroeconomic variables, leaving its impact on disaggregated real sector components underexplored. This study analyzes the short- and long-run effects of SBIS, FASBIS, exchange rates, and inflation on IPI and IPR over the period January 2016–December 2021 using the ARDL method of Pesaran et al. (2001) with 72 monthly observations. Cointegration is tested via the Bounds Test following Narayan (2005) critical values, with model stability evaluated using CUSUM and CUSUM of Squares tests.

Estimation results confirm long-run cointegration in both models, evidenced by negative and significant ECT coefficients of -0.340 (IPI) and -0.477 (IPR). In the short run, FASBIS and SBIS negatively and significantly affect IPI, exchange rates exert a negative significant effect at lags 3–4, and inflation has a positive significant effect. For IPR, FASBIS negatively and significantly affects IPR at lags 1 and 3, exchange rates positively and significantly affect IPR at lag 2, while SBIS and inflation show no significant effect. In the long run, FASBIS, SBIS, exchange rates, and inflation all significantly affect IPI, whereas no variable exhibits a significant long-run effect on IPR.

These findings indicate an asymmetric transmission pattern between the manufacturing and retail sectors. The effectiveness of Islamic monetary instruments is more pronounced on the supply side than the demand side, underscoring the importance of sector-sensitive policy calibration in the design of Islamic monetary policy.

Keywords: SBIS, FASBIS, Islamic Monetary Policy, ARDL, Real Sector

