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Analysis Of The Effect Of Inflation, Exchange Rate, BI Rate On Islamic Insurance In 2018-2022

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ABSTRACT
Takaful is the first sharia insurance in Indonesia, established in 1994 and growing very fast. According to AASI research, Indonesia's share of Islamic insurance increased by 51.89% from June 2021 to 11.55 trillion rupiah. Investments in Islamic insurance companies must comply with regulations set by the Ministry. To achieve the target investment return, the institution is inseparable from various external factors that affect macroeconomic indicators. This study aims to determine how Exchange Rate, BI Rate, and inflation will affect Sharia Insurance in 2018-2022. This research uses quantitative research methodology and secondary data collection techniques. The data used in this study are monthly data from each variable and use VECM Model. The research results obtained are: The stationarity test in this test is stationary in the First Difference, in the optimal lag test it is known that the 5th lag is selected, in the VAR stability test it is known that the model is stable and passes the stability test where the model module is below 1. Vector Error Correction Model (VECM) will be tested to determine its impact. The long-term relationship between variables is indicated by the cointegration test results. Therefore, it is imperative to conduct additional testing using VECM analysis. There are two variables that are highly significant in the long-term model, namely Exchange Rate, and Bi Rate, while none of them significantly affect the movement of Islamic Insurance in the short term.The contribution of this research is to provide an update on how macroeconomic variables affect Islamic insurance with, there has been no other research that conducts this research with the VECM model, so this research is the first research that explains how macroeconomic variables affect Islamic insurance with the VECM model.

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INTRODUCTION

In Western Europe in the Middle Ages, the term insurance was first known as fire insurance. Then, there was an increase in sea transportation between islands in the 13th and 14th centuries. As a result, sea freight insurance developed from Rome, which is a type of capital insurance. Commercial calculation is the basis of this insurance. Until the early 19th century, life insurance did not exist. However, the first Islamic insurance appeared during the time of the prophet Muhammad, known as Aqilah, which originated from Arab tribal culture. Aqilahs took responsibility for their families and worked together to raise money to help families where one of their family members had died accidentally. At the time of the Prophet, this

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practice was accepted among the Islamic community and became part of Islamic law. It occurs when someone accidentally injures someone to death, and the family or person who injured the person raises funds to pay the victim's family. After a few decades, in the 1970s to be precise, Islamic insurance adopting Islamic principles emerged in some Muslim-majority countries (Puspitasari, 2011). "Faisal Islamic Bank of Sudan" took the initiative to establish an Insurance Company in 1979. It had two different accounts: a policyholder account and a shareholder account. Within five years, the company had made so much progress that it was able to establish branches in Saudi Arabia, Geneva, Switzerland, and later in Asian countries.

In general, scholars can divide their individual opinions on insurance into three groups: those who forbid insurance, those who justify insurance, and those who explain the different types of insurance. One of the scholars who forbade insurance was Ibn Abidin al-Hanafi, while Muhammad Abduh and Mushthafa Muhammad al-Zarqa forbade it, and Muhammad Abu Zahrah was one of the scholars who explained insurance so that it has many rulings (Effendi, 2024).

As one of the largest countries in the world with a majority Muslim population, Indonesia's estimated economic growth is estimated to be around fifteen to twenty percent per year. This is always a concern, especially in the field of sharia and in this case shows its contribution to Sharia Insurance (Jannah and Nugroho, 2019). Takaful was the first Sharia-compliant insurance provider in Indonesia, established in 1994. According to Siddiqi, takaful emphasizes the idea of collaboration and brotherhood between participants (Hanikah, 2023). Since 2011, Indonesia's Sharia Insurance has grown at a very fast pace, as the large number of insurance companies offering their insurance products based on Islamic law, this development is visible. So far, the symbiotic trend is still growing. According to AASI research, an increase of 51.89% from June 2021 to 11.55 trillion rupiah for the share of Indonesian Sharia Insurance. Investments in Sharia Insurance companies must comply with the guidelines set by the Ministry. Finance Board and the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) with number 11/PMK. 010/2011 on the objectives of insurance institutions and reinsurance institutions with sharia standards, which includes resources allocated to different types of investments. As investment returns are an important component of a company's income, investment selection affects investment returns. Investment is investing in one or more assets for a long period of time with the aim of earning profits in the future. The decision to invest can be made by an individual or an entity that has excess funds. So, there is a unidirectional relationship between income and asset growth in investment. This means that the more insurance premiums received, the more funds can be invested, which means greater investment returns. This also has an effect on how big or small the asset growth is (Sakila and Nurlaila, 2023). Selain itu, lembaga tersebut tidak terlepas dari berbagai pengaruh eksternal perusahaan yang mempengaruhi indikator ekonomi makro, untuk mencapai target hasil investasi (Laida, Muslikhati and Aprilianto, 2021).

Based on the results of research from Zein, it states that the inflation variable and the Exchange Rate variable do not have a major impact on the investment returns of Islamic life insurance (Zein, 2017). Then, research from Arisah stated that inflation and Exchange Rate variables also have no significant effect on investment returns on PT Asuransi Syariah which

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means that as inflation increases, investment projects will become riskier and produce lower returns (Arisah, 2015). And at Exchange Rate why it has no effect because between 2011 and 2014, the value of the rupiah decreased compared to the US dollar. Furthermore, research from Risma Laida et al states that Exchange Rate and BI RATE have a significant effect on the investment returns of Islamic Insurance Companies between 2015 - 2019. Exchange Rate

In previous studies, there were several things that had not been achieved, such as Zein and Devi Arisah's research, which said that future researchers should include the interest rate variable (BI Rate). And in the research of Risma Laida et al using a different year method from this research As mentioned above, it is imperative that this research is revisited given the variations in economic conditions, research samples, and data tests used, and the time period of the research studied. Because of this, the author wants to investigate the analysis of the impact of macroeconomic variables as a result. To analyze the effect of inflation, Exchange Rate, BI Rate on Islamic insurance in 2018-2022.

Literature Review

In choosing an investment, it is important for the investment return because the investment return affects the company's income. Insurance income depends on the state of the company, and the higher the insurance income the more money is given to members. Investors also prefer to invest their funds in deposits, stocks, instruments, securities, and others. The company has a better return on investment. The company does not avoid various external factors that affect the business to achieve the expected return on investment, such as changes in inflation, BI Rate, and Exchange Rate when choosing Investments are very important for investment returns because the results are very important for the Company's income. The higher the return, the better and the more money the insurance company makes, the more members it can attract and the more investors are willing to put money into deposits, shares, affiliates, and other investments. The company gets a better return on investment. Companies must contend with a number of external factors that can affect their operations to achieve the expected return on investment, including changes in the inflation index, BI Rate, Exchange Rate. Presented in table 1:

Table 1. Inflation, Exchange Rate, BI Rate in 2018-2022

Year	Inflation	BI Rate	Exchange Rate
2022	3,91%	4	15.731
2021	1,56%	3,52	14.269
2020	2,04%	4,27	14,105
2019	3,03%	6,63	13.901
2018	3,2%	5,1	14.481

Inflation Relationship with Islamic Insurance

Basically, inflation has both positive and negative impacts. The existence of inflation allows the measurement of people's consumption levels, which has a positive impact, but also has a negative impact depending on how much inflation changes. The investment performance of conventional and Islamic insurance companies is directly related to inflation. If inflation is high and cannot be controlled, the equity value of the insurance company's

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investment performance may decline. This is because high inflation will reduce the real income earned by investors from their investments. If the company's income decreases, investor confidence will decrease because the profit-sharing yield it receives will be less, which in turn will reduce the contribution yield (Zein, 2017). In terms of money supply, rapid growth often leads to high inflation. An increase in money supply leads to an increase in aggregate demand. If this condition is not met, then prices rise (inflation will occur) due to the flattening of real sector growth (Santosa, 2017). According to Mankiw, if inflation increases, both creditors and debtors will try to protect themselves from situations that will make businesses go bankrupt. In other words, there is an inverse relationship between inflation and investment (Ade Andriani Batubara, Cut Aliyah, Andri Hasmawi Harahap, 2022),

Relationship of Exchange Rate to Islamic Insurance

The exchange rate, which compares the price of a foreign currency to the domestic exchange rate, is another factor that affects Islamic Insurance. According to Richard Lipsey, currency exchange rate is the rate at which two different currencies are traded against each other. The Forex market is a market where foreign currencies are traded at price levels expressed in exchange rates. In contrast to Sakirno, a currency rate is a value that indicates how much local currency it takes to buy one unit of a currency. Meanwhile, Mankiw says the exchange rate between two countries is the price level at which the citizens of those countries agree to trade with each other. According to Mankiw when the real exchange rate is high, foreign goods are relatively cheap and domestic goods are more expensive. When the real exchange rate is low, commodities from abroad are relatively expensive and domestic commodities are relatively cheap (Zakaria Batubara, 2020). As shown in Table 1.1, the above-mentioned exchange rates are assessed and reduced annually due to the fact that a stronger currency causes a sharp rise in the level of spending and may result in a decrease in people's domestic demand. Investors can buy Islamic insurance, given that Islamic insurance is currently developing and growing as described above. And the reason the author wants to investigate the Impact Analysis of Inflation, Exchange Rate, and BI Rate on Islamic Insurance in 2018-2022 makes it an interesting subject for research (Aprilianto, 2022)

Relationship of BI Rate to Islamic Insurance

The interest rate is another tool used in monetary policy, apart from inflation. Tools used by the government to manage and oversee economic stability. Investors' desire to buy stocks increases when the BI Rate rate decreases, and vice versa. An increase in the BI Rate affects investors' desire to invest in stocks. Deposit investment, on the other hand increases in response to an increase in the BI Rate as many investors switch from stock investment to deposits. In other words, as deposits increase, so does the company's return on investment (Laida, Muslikhati and Aprilianto, 2021).

METHODS

This research uses quantitative research which is one type of research whose specifications are systematic and structured (Siyoto and Sodik, 2015). Quantitative research is research using statistics to process data, so the data and results are in the form of numbers (Sahir, 2022). In this study, the data collection technique uses secondary data collection in monthly

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form obtained through the OJK, BI, BPS websites from the 2018-2022 period. Thus the data used is Time Series Data. Time Series data is data collected over time in which there are several types of data that explain how and when the data is recorded (Iddah and Faizal. 2022). The effect of Inflation, Exchange Rate, BI Rate on Sharia Insurance in this study will be analyzed using Vector Autoregression (VAR). Then if the data used is stationary then the VAR model will be combined with an error correction model into a Vector Error Correction Model (VECM) (Hasanah, 2007). First popularized by Engle and Granger to correct short-run to long-run imbalances, the VECM analysis method can be used to look at the relationship between the short-run and long-run in time series data (Dio Dwi Saputra, 2021).

RESULTS AND DISCUSSION

The Stationarity test

Stationarity test in VAR uses unit root test with Augmented root test method which means stationary. In this test must be stationary before proceeding to the next test. Presented in the form of table 2:

Tabel 2 Uji Stasioneritas dengan uji ADF pada First Difference

Variable	Probability	Stationary Test Results on First Difference
Inflation	0,0000	P < 0,05 (data is stationary at First Difference)
Exchange Rate	0,0000	P < 0,05 (data is stationary at First Difference)
BI Rate	0.0000	P < 0,05 (data is stationary at First Difference)
Islamic insurance	0,0000	P < 0,05 (data is stationary at First Difference)

This test proceeds to the optimal lag stage because the inflation, Exchange Rate, BI RATE, and Sharia Insurance data are already static at First Difference with all P values <0.05, as shown by the static test results in Table 2.

Optimal Lag Test

In determining the optimal lag, it is seen from the value of Akaike Information Criteria (AIC) or Hannan Quinnon (HQ) and also seen in the most or highest asterisk that is the minimum (Basuki, 2016). Presented in the form of table 3:

Table 3. Optimal Lag determination

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-577.0110	NA	26041.16	21.51893	21.66626*	21.57575
1	-548.6461	51.47696	16507.78	21.06097	21.79763	21.34507*
2	-529.8726	31.28915	15052.40*	20.95825	22.28423	21.46963
3	-516.3003	20.60985	16902.33	21.04816	22.96348	21.78682
4	-503.6863	17.28577	20142.54	21.17357	23.67821	22.13951
5	-481.5075	27.10752*	17431.32	20.94472*	24.03870	22.13795

Based on the Optimal Lag test results in table 5, it is known that the 5th lag was chosen as the Optimal Lag. Moving on to VAR stability testing

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VAR Stability Test

Before conducting additional analysis, the stability of the VAR needs to be checked. This is due to the fact that the Impulse Response Function (IRF) and Forecasting Error Variance Decomposition (FEVD) become invalid if the VAR forecasts intended to be integrated with the error correction model are unstable. Table 4:

Table 4. VAR stability test results

Root	Modulus
-0.684854 - 0.628302i	0.929403
-0.684854 + 0.628302i	0.929403
-0.886331	0.886331
0.847334 - 0.259109i	0.886066
0.847334 + 0.259109i	0.886066
0.552355 - 0.666981i	0.866002
0.552355 + 0.666981i	0.866002
-0.354699 + 0.784656i	0.861102
-0.354699 - 0.784656i	0.861102
0.838718	0.838718
0.084706 + 0.803465i	0.807917
0.084706 - 0.803465i	0.807917
-0.259591 - 0.735366i	0.779840
-0.259591 + 0.735366i	0.779840
0.314004 + 0.626955i	0.701192
0.314004 - 0.626955i	0.701192
-0.549895 - 0.191278i	0.582213
-0.549895 + 0.191278i	0.582213
0.378285 + 0.334097i	0.504698
0.378285 - 0.334097i	0.504698

If the modulus is within the radius > 1, the VAR model is considered stable. The composition is already in the ideal position and the VAR model is stable if the maximum value of the modulus is less than 1 and is at the optimal point. The model has passed the stability test and is known to be stable based on the results shown in Table 4.

Granger Causality Test

The Granger causality test describes how each variable affects the other independently (Septiyarini, Sulaiman and Yurisinthae, 2020). This test aims to determine whether endogenous variables can function as exogenous variables (Maudya, 2022). And whether there is an observed relationship between the variables. There is a causal relationship when the prob value is less than 0.05, which is presented in the form of table 6:

Table 6. Granger Causality Test

Null Hypothesis:	Obs	F-Statistic	Prob.
X3BIRATE does not Granger Cause Y INSURANCE	55	0.24205	0.9416
Y INSURANCE does not Granger Cause X3BIRATE		0.49551	0.7778

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X2 EXCHANGE does not Granger Cause Y INSURANCE	55	1.69482	0.1559
Y INSURANCE does not Granger Cause X2 EXCHANGE		2.65433	0.0351
X1 INFLATION does not Granger Cause Y INSURANCE	55	2.26525	0.0644
Y INSURANCE does not Granger Cause X1 INFLATION		0.67383	0.6454

Based on the results of the granger causality test in table 6:

1 It is known that BI Rate does not significantly affect Islamic insurance with a probability value of 0.9416 > 0.05 and also Islamic insurance does not significantly affect BI Rate with a probability value of 0.7778 > 0.05. So it can be concluded that there is no two-way causality between BI Rate Islamic insurance.

2 It is known that Exchange Rate does not significantly affect Islamic insurance with a probability value of 0.1559> 0.05 and Islamic insurance significantly affects Exchange Rate with a probability value of 0.0351 < 0.05. So it can be concluded that there is no two-way causality between Islamic insurance and Exchange Rate.

3 It is known that inflation does not significantly affect Islamic insurance with a probability value of 0.0644> 0.05 but Islamic insurance does not significantly affect inflation with a probability value of 0.7028 < 0.05. So it can be concluded that there is no one-way causality between inflation and Islamic insurance.

Cointegration Test

The Johansen cointegration test method is used to conduct a cointegration test, which attempts to determine whether there is a long-run equilibrium, or whether there is a relationship between the variables in this study. The purpose of the test is to show, among all the non-stationary variables and whether they are integrated or not by combining all the previous non-stationary variables with the stationary variables in a linear way. This can be expressed as a long-run relationship between the variables and is referred to as a linear combination in the context of a cointegrating equation (Maudya, 2022). A cointegrating equation is present if the probability value is less than 0.05, indicating the presence of a long-run equilibrium. displayed in the form of table 5:

Table 5. Cointegration test results

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.438907	71.49790	47.85613	0.0001
At most 1 *	0.341130	40.87083	29.79707	0.0018
At most 2 *	0.286272	18.75772	15.49471	0.0155
At most 3	0.016527	0.883277	3.841465	0.3473

It is known that the probability values in row None and Values At most 1 and 2, respectively, are 0.0001 0.0018 and 0.0155, or less than 0.05, indicating the existence of a cointegrating equation with long-run equilibrium.

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VECM Model

The Vector Error Correction Model (VECM) is a restricted VAR model used for non-stationary but potentially cointegrating variables. Once cointegration is tested with the model used, it is worth incorporating the cointegration equation into the model used. Most of the time series data show first difference or stationarity which is shown in Table 7.

Table 7. VECM Model Test

VariablE	Short Term Coefficient	t-statistic	Description
CointEq1	-0.740782	-1.67570	Significant
Inflation (1)	43288.65	1.02649	Not Significant
Inflation (2)	76516.49	1.30782	Not Significant
Inflation (3)	101072.9	1.46555	Not Significant
Inflation (4)	45809.73	0.73068	Not Significant
Inflation (5)	36166.35	0.72259	Not Significant
Exchange Rate (1)	2.746052	1.91620	Not Significant
Exchange Rate (2)	1.482550	1.24535	Not Significant
Exchange Rate (3)	1.204926	1.09883	Not Significant
Exchange Rate (4)	1.269412	1.78589	Not Significant
Exchange Rate (5)	0.511853	0.80439	Not Significant
BI Rate (1)	-782.2198	-0.67175	Not Significant
BI Rate (2)	-870.2388	-0.75435	Not Significant
BI Rate (3)	-1624.772	-1.50196	Not Significant
BI Rate (4)	-1566.918	-1.32951	Not Significant
BI Rate (5)	-1191.097	-0.98395	Not Significant
	Long Term		
Inflation	54704.07	1.44512	Not Significant
Exchange Rate	3.148882	4.42712	Significant
BI Rate	-1551.252	-2.70225	Significant

Since the t-value of the data is 2.003241, both short-term and long-term effects can be considered. With a t-statistic value of 1.44512, the long-term table above shows that inflation is not significantly correlated with Islamic Insurance. In contrast, there is a strong and positive correlation between the Exchange rate and Islamic Insurance, with a statistical T value of 4.42712. In addition, the BI Rate has a statistically significant negative relationship (-2.70225) with Islamic Insurance.

The VECM analysis showed a positive, albeit insignificant, relationship between Sharia Insurance and the short-term inflation and Exchange Rate variables in lags 1-5. In addition, there is an insignificant and negative relationship between the Exchange Rate variable from lags 1-5 to Islamic Insurance.

Impulse Response Function

A technique known as IRF analysis can be used to determine how an endogenous variable will react to a particular variable shock. IRF is also used to measure the duration of

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the temptation that occurs when one variable changes into another. Presented data in the form of IRF (Impulse Response Function) analysis images on Sharia Insurance for 100 periods are as follows:

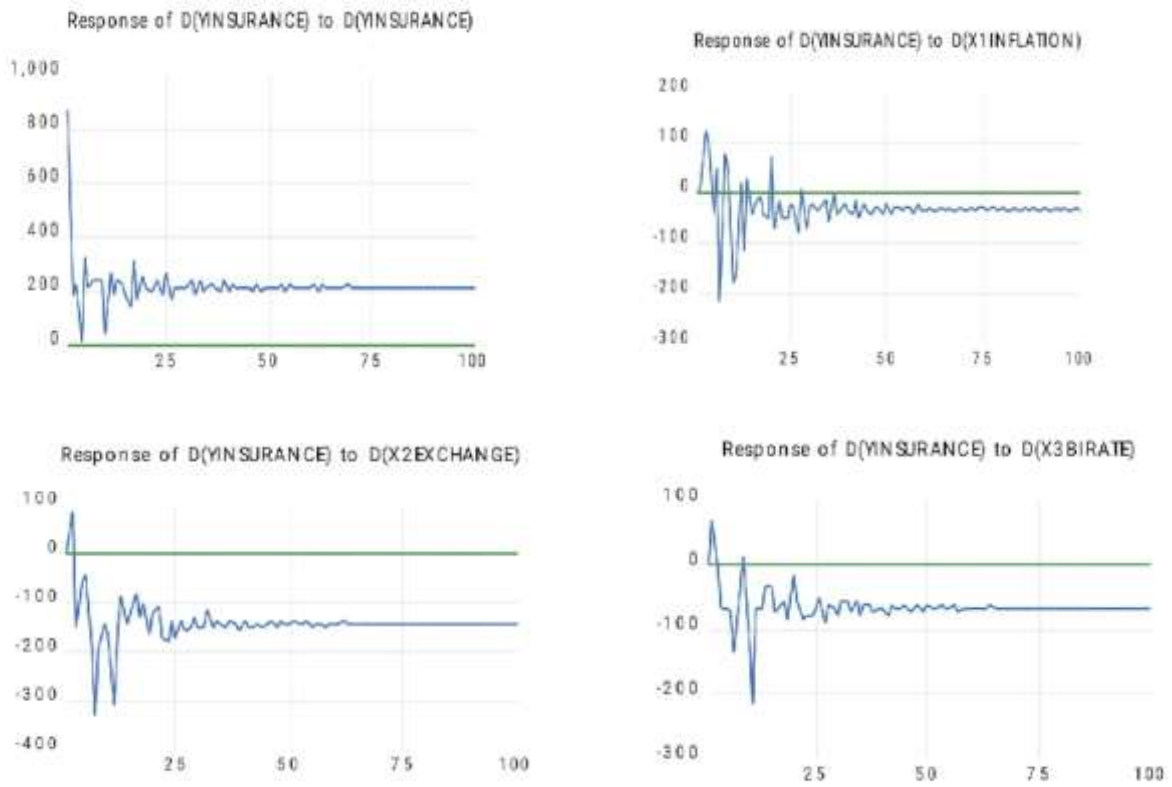

Figure 1. Impulse Response Function test results

Figure 1 above is the result of the Impulse Response Function analysis between the variables of Islamic Insurance, BI Rate, Exchange Rate, Inflation. In the first row, the first column shows a shock at the beginning of the period from the Islamic Insurance variable to Islamic Insurance then tends to go up and down, until the end of the period is relatively stable. The next column on the Islamic Insurance variable against Inflation, at the beginning of the period there was an increase and then in period 5 there was a drastic decline and tended to go up and down, then the next period the graph experienced stability. Furthermore, in the Islamic Insurance variable against the Exchange Rate, at the beginning of the period there was an increase and a shock in period 7 continued to rise and fell again in period 11 rose and tended to rise and fall, until the next period experienced stability. In the next column, the Islamic Insurance variable against the BI Rate in the initial period increased, fell in period 5 and there was a downward shock then rose drastically and in period 16 experienced a shock then tended to go up and down until at the end of the period this column was quite stable.

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Factor Error Variance Decomposition Test

Factor Error Variance Decomposition illustrates the innovation of a variable compared to other VAR variable components. The information conveyed in the Variance Decomposition is the ratio of successive movements caused by the impact itself and other variables. Presented in the table:

Table 8. Vector Error Varince Decomposition Model Test

Variance Decomposition of YINSURANCE

Period	S.E.	Y INSURANCE	X3BIRATE	X2EXCHANGE	X1INFLATION
1	866.8315	100.0000	0.000000	0.000000	0.000000
2	892.0293	98.52831	0.593421	0.866852	0.011415
3	939.1344	94.41341	0.538400	3.494090	1.554102
4	948.5832	92.54357	1.000717	3.788155	2.667553
5	1006.246	92.58282	1.303439	3.571434	2.542304
6	1048.241	89.24702	1.700179	6.480565	2.572233
7	1153.518	78.02714	2.770719	13.55846	5.643681
8	1196.817	76.41813	2.691048	15.26979	5.621031
9	1230.957	76.13352	2.555123	15.82596	5.485395
10	1261.822	72.56495	3.338267	16.76102	7.335763
11	1355.665	66.78260	5.486307	19.80273	7.928360
12	1379.537	66.26603	5.541676	20.51353	7.678769
13	1408.459	66.33113	5.555890	20.07146	8.041515
14	1434.885	66.42622	5.397658	20.39260	7.783522
15	1453.112	66.40129	5.308620	20.59786	7.692234
16	1464.492	66.31649	5.476185	20.60586	7.601470
17	1504.488	67.13745	5.354598	20.30378	7.204174
18	1518.725	67.04186	5.400695	20.39230	7.165140
19	1552.237	66.87375	5.481764	20.67402	6.970460
20	1573.390	66.92120	5.344422	20.73932	6.995051
21	1590.863	66.86289	5.338810	20.75657	7.041729
22	1615.515	66.46724	5.442471	21.24846	6.841822
23	1645.010	66.11598	5.474486	21.71568	6.693846
24	1662.829	65.81248	5.582197	21.95882	6.646507
25	1694.292	65.85202	5.543363	22.18472	6.419902

Based on the Variance Decomposition Table 8 above and the variables affecting Islamic Insurance, at the beginning of the period it can be seen that the Islamic Insurance variable and the variable itself influence each other. In the following period, other variables began to affect Sharia Insurance although not as much as Sharia Insurance itself. It can be seen that the BI RATE variable exerts an influence in the second period of 0.59% and continues to increase until the twenty-fifth period of 5.54%. It can be seen that Exchange Rate provides the second largest influence after Sharia Insurance, namely Rp. 0.86 and continues to increase until the twenty-fifth period of Rp. 22.18. And the last variable is Inflation which has the least

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influence in the second period of 0.01% and has increased to the twenty-fifth period of 6.41%.

The Effect of Inflation on Islamic Insurance

The results of this study found that inflation has no significant positive effect on Islamic Insurance, which means that this study is not in line with the theory put forward by Mankiv, namely if inflation increases, it will result in creditors and debtors trying to protect themselves from situations that will make the business go bankrupt. In other words, there is an inverse relationship between inflation and investment. This means that in the short and long term Sharia Insurance has no effect. And the results of this study are in line with the research of Risma Laida et al (2021) and Zein's research (2017) which states that inflation has no significant and positive effect on Islamic Insurance. Low inflation has a positive impact on business people to invest. However, higher inflation has a negative impact on the amount of investment, this will increase the risk of investment projects. So it doesn't matter if inflation rises or falls on the investment income received by Islamic Insurance. And in this study that inflation has a negative and insignificant effect on Islamic Insurance, which means that high inflation will not reduce investors to invest their funds in Islamic Insurance.

The Effect of Exchange Rate on Islamic Insurance

The results of this study found that Exchange Rate has a significant positive effect on Islamic Insurance. The hypothesis that Exchange has a positive influence on investment in Islamic Insurance is supported by this study. One of the factors that encourages investors to invest in a company is its currency (Exchange Rate). A weaker country's currency will result in lower investment returns because fewer investors will be willing to place their money there. Conversely, a stronger Exchange Rate will increase the return on investment earned. This implies that an increase in the Exchange rate may end up being the cause of the increase in Islamic Insurance. This study contradicts the findings of Zein (2017) and Devi (2015), which state that the Exchange has a significant and negative effect on Islamic Insurance investment.

The Effect of BI RATE on Islamic Insurance

The results of this study found that BI RATE has a significant negative effect on Islamic Insurance. This research has a negative effect on debtors who have debt in a bank, which when interest rises, bank interest is also large, so that Islamic Insurance will have an impact on decreasing customers, because people will focus on paying interest rather than paying premiums in insurance and also paying interest is more mandatory than insurance premiums. And this research contradicts research conducted by Risma et al (2021) which states that BI RATE has a significant positive effect on investment returns because the government uses BI RATE as a monetary policy to manage and oversee economic stability. This research is also not in line with Rika's research (2016) which states that BI RATE has no significant effect on the securities investment of Islamic Insurance Companies.

CONCLUSION

The study aim of this study is to determine how the influence of inflation, Exchange Rate, BI RATE variables on Islamic insurance in 2018-2022 Referring to the results of the study mentioned above, which uses multiple regression analysis for VECM testing and uses time

series data, it can be concluded that the inflation variable has no significant positive effect on Islamic Insurance in 2018-2022. The Exchange Rate variable has a significant positive effect on Islamic Insurance in 2018-2022. And the BI RATE variable has a significant negative effect on Sharia Insurance in 2018-2022. The implication found in the research is that the BI RATE variable is very different from the research concerning the title of this study where the average BI RATE variable has no effect, if it affects this variable it is positive. And also this study uses different methods in previous studies.The results of this study can be used as a source of reference for investors, and investors still have to pay attention to information related to changes in inflation, Exchange Rate and BI RATE before putting investment funds into Islamic ausransi companies. Investors are also expected to be able to predict the investment value of several securities or securities to be taken, so that they can make investment policies when the Indonesian economy changes by diversifying risks better and more carefully to minimize or reduce the level of risk and get the most optimal investment returns. For future researchers, they should include several macroeconomic variables that have not been included such as Gross Domestic Product, the same price. The object of this research can be replaced with sharia insurance investment returns that more specifically discuss sharia life insurance and sharia reinsurance, so that it can develop this research considering that sharia insurance is one of the Islamic financial institutions that has great potential and has helped improve the Indonesian economy.

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