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Covid-19 Pandemic: Impact on Economic Stability In 8-Em Muslim Countries

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Abstract

The impact of the COVID-19 epidemic on economic stability in 8-EM muslim countries is enormous. The analysis forecasts how big of an impact it will have on the extent of the economic recession in the eight EM Muslim countries. The ARDL Panel is utilized in the data analysis model and the independent sample t-test model. As a result, the money supply flowing from all eight EM Muslim nations has a greater impact on economic stability and recession in Indonesia than it does in Saudi Arabia or Pakistan. Muslim emerging market countries that are very capable of controlling macroeconomic stability during the Covid-19 pandemic are Bangladesh, Indonesia with variable government expenditures, taxes, interest rates, money supply then Malaysia through tax policies and government expenditures, investment and money supply, UAE and Saudi Arabia policies stabilize the economy on tax variables, investments, money supply, Egypt and Turkey through money supply. Indonesia has the ability to control the economy through exchange rates. Bangladesh and Malaysia through the money supply. These results suggest that economic stability must be controlled hammering control over the money supply and exchange rate.

Keywords: Covid-19, Economic Stability

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Introduction

Profitability is one of the essential things for the company. According to Gustin (2017), profitability is essential to maintain company stability in the long run because profitability can show whether the company has good prospects in the future. Every company indeed

expects higher profitability every year. Currently, there are more industrial companies, including Indonesia's mining and manufacturing industry. The abundant natural resources of mining make many companies use mining as a source of income and manufacturing. The development of the industrial sector produces positive impacts, such as opening job opportunities that can help the Indonesian economy. However, on the other hand, the more companies in the industrial sector, the more significant the negative impact on the environment. In addition, companies that continue to strive to increase their profitability will undoubtedly have more natural resources overexploited, even though these natural resources will take a long time to be renewed again.

Economic stability is the main target for the continuity of a country's development. Financial stability is characterized by strong macroeconomic fundamentals, high employment opportunities, low poverty and unemployment, and equitable economic growth that encourages welfare levels to rise. But economic stability is affected by the pandemic. In 2020 after the Covid-19 pandemic, there was an economic recession that could disrupt the stability of the world economy (Alan et al. l, 2021). The Covid-19 pandemic is affecting economic stability in the world, especially in Muslim emerging market countries (Marissa et al. l, 2021; Alika, R., 2020; Bodamaev, et al. l 2020; Topcu et al. l 2020). This has a harmful impact, namely the loss of public and investor confidence, which leads to a decline in economic growth in the country (Karamti et al. l, 2022; Wan et al. l, 2021). Covid-19 causes a decrease in purchasing power, a decrease in economic growth and an increase in prices (Amir Salim et al., 2021; Dietrich, et all, 2022). Muslim emerging market countries during the pandemic have diverse abilities to survive the crisis and economic stability. (Olha et all, 2021; Miguel, 2021; Alan et al., 2021; Made, 2021; Anatolli, Poruchnyk, 2021).

The problem phenomenon in this study is the extent to which the policies of each country's government can support the economic stability resilience of emerging market Muslim countries. The figure 1 shows economic instability during the Covid-19 pandemic between January 2020 and February 2022. The decline in macroeconomic fundamentals of muslim emerging market countries greatly affects overall economic development. The importance of maintaining inflation stability is with various policies because at the end of the day inflation fluctuations will have an impact on economic growth (Dietrich, et all, 2022). In maintaining inflation stability policy mix balance is needed, such as financial innovation (Beck, et all, 2016; Doettling, et all, 2021; Yilmazkuday, 2022). Monetary policy is needed in controlling the economy macro (Serena, 2020). Inflation is also one form of economic diseases that often arise and are experienced almost throughout the country. The tendency of price increases in general and occurs continuously (Dwi, 2002; Denia, 2021).

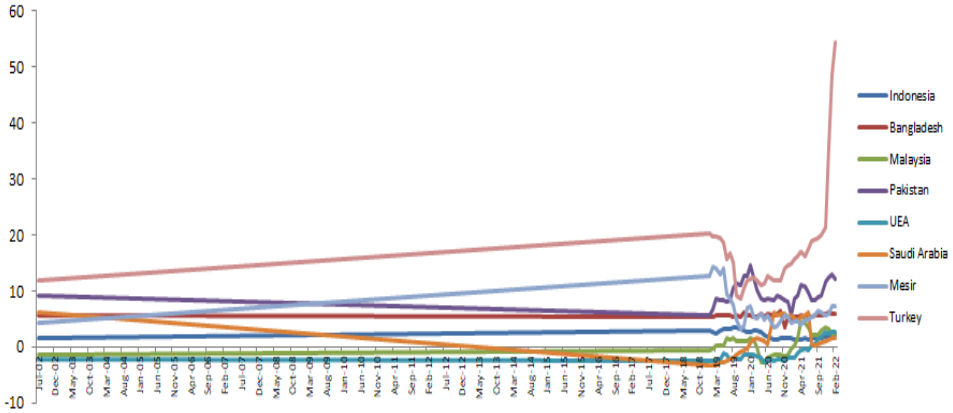

Figure 1. Economic Stability Before and After Covid-19 (January 2019 to February 2022)

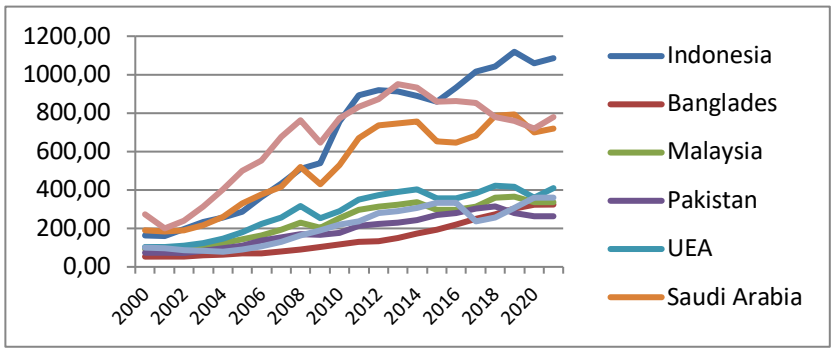

Figure 2. GDP (Billion US$) of Emerging Market Muslim Countries

All Emerging Market Muslim countries experienced a decrease in GDP, from 2020 to 2021 when the Covid pandemic hit the world. While countries that have a low trade-to-GDP ratio are not too affected by the decline in international trade (Alifia, 2020), (Humnath Panta, 2022).

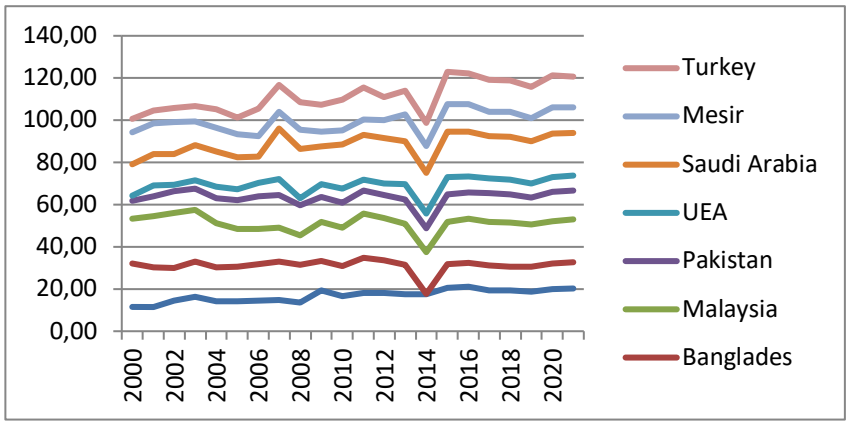

Figure 3. Government expenditure (person %) Muslim emerging market countries from 2000 to 2021

There was an increase in government spending of all Muslim emerging market countries in 2015, Indonesia rose to 20.5% from 20.2%, the UAE rose 8% from 6.9%, Saudi

Arabia rose 21.2 from 20.8%, Malaysia rose 19.8% from 19.4 US$, Pakistan rose 13.1% from 11.3%, Turkey 13.1%, Egypt 15.3%. This rapid increase in total government spending is due primarily to inflation and an increase in state revenues. The increase in state revenue is influenced by the quantity and quality of human resources, increased capital accumulation, improved quality of technology. Health spending also consists of routine and development expenditures that are used to improve public health. Spending in the health sector will be divided into various subsectors, including medicine and health supplies, health services for people and communities, population and family planning and other health (Fatanah, 2019; Ni Putu, 2021).

The rapid increase in total government expenditure is mainly due to inflation and an increase in state income. This increase in state revenue is influenced by various things, including an increase in the quantity and quality of human resources, an increase in capital accumulation, an increase in the quality of technology used and other factors. The increase in total government expenditure does not mean that government expenditure in each sector has increased every year. Because the amount of government spending in each sector depends on the government's decision in determining the composition of the state budget.

Government expenditure sectors that are considered important in improving the quality of human resources are education, health and economy. Education sector expenditure consists of routine expenditure (teacher salary costs, BOS funds, etc.) and development expenditure (school building construction, subsidies, etc.). Government expenditure in the education sector is distributed to various subsectors, including early childhood education, primary, secondary, non-formal and infomal education, official, higher education, assistance services, religious education, research and development, youth development and sports. The budget allocation for the education function reflects the government's natural efforts to provide services to the community in the field of education and as one of the efforts to fulfil the constitutional mandate that the education budget allocation be at least 20% of state expenditure.

Health expenditure also consists of routine and development expenditure used to improve public health. Expenditure in the health sector will be divided into various subsectors, including drugs and health supplies, individual and community health services, population and family planning and other health. The government is committed to fulfilling the health budget allocation of 5% of state expenditure, as mandated in Law No. 9/2009 on Health (Ministry of Finance, 2017). Almost every nation on Earth has been hit by the Covid-19 pandemic. Recessions have been declared in the United States, Canada, France, Germany, Italy, and Japan (kompas.com). The International Monetary Fund predicts a global economic contraction in the second half of 2019, on the assumption that the majority of national responses to the pandemic and government support will peak in the second quarter of 2020. The IMF predicts a global growth rate of -3 per cent in 2020 in its World Economic Outlook

(WEO) report, published in April.

Covid-19 virus pandemic will slow growth in East Asian and Pacific developing nations, including China, according to World Bank projections, which are consistent with the IMF's estimate. Despite this, projections show that growth in the developing nations of East Asia and the Pacific will decelerate to 2.1% in 2020. Economic growth in 2019 is expected to be 5.8 percent, so even the worst-case scenario would be a decrease of 0.5 percent. According to the World Bank, China's growth will slow to 2.3% in the baseline scenario and 0.1% in the lower scenario in 2020, down from 6.1% in 2019. Furthermore, the IMF forecasts that the Covid-19 pandemic will reduce economic growth in developed nations by 8% in the United States, -5.8% in Japan, 10.2% in the United Kingdom, -7.8% in Germany, -7.8% in France, and 12.8% in Italy and Spain. The International Monetary Fund (IMF) projects that Indonesia's economy will contract by 0.3% this year. Since the April 2020 WHO forecast, this outlook for Indonesia's economy has worsened. A year ago, the International Monetary Fund predicted growth of 0.5%. (Kompas.com, 2020).

Due to this, the IMF has announced the start of a global economic crisis. Because nearly all forecasts call for declining economies in 95 percent of nations. It's worth noting that the International Monetary Fund (IMF) calculated that the global economy lost $12 trillion (or roughly Rp. 168,000 trillion) due to the Covid-19 pandemic (exchange rate of Rp. 14,000). According to the World Economic Outlook (WEO), the Great Depression was caused by the worldwide impact of the Covid-19 pandemic. Macroeconomic stability is a fundamental factor to ensure sustainable economic growth. Efforts to maintain macroeconomic stability are made through certain measures to strengthen the resilience of the domestic economy to various shocks that arise, both from within and from abroad. Coordination between fiscal and monetary policies is absolutely necessary to anticipate economic turmoil and promote economic growth. On the monetary side, these efforts are accompanied by a programme of development activities which in its implementation is required to include measures to control the rate of inflation and the stability of the rupiah exchange rate. Economic stability is characterised by the ability of the policy tools, namely fiscal and monetary policy, to reduce any economic turmoil. Economic turmoil is characterised by changes in the magnitudes of markoeconomic variables due to shocks from both internal and external sources. The tools to stabilise the economy commonly used by the Central Bank are monetary variables (e.g. M1 or M2) or the Lending Rate (SBK).

Macroeconomic variables referred to here are Gross Domestic Product (GDP), investment, exchange rates and inflation, which are key indicators. Thus the desired macroeconomic stability is an increase in GDP, an increase in investment, a stable rupiah exchange rate and stable inflation. These macroeconomic variables are interrelated and form the internal balance (macro equilibrium) and external balance (balance of payments-BOP). GDP is believed to be the best economic indicator in assessing a country's economic

development. This calculation of national income has a major macro measure of a country's condition. In general, a comparison of conditions between countries can be seen from the country's national income as an illustration for the World Bank to determine whether a country is in a group of developed or developing countries through the grouping of the size of GDP. And a country's GDP is equal to the total expenditure on goods and services in the economy (Herlambang, 2001). According to Samuelson, (2002) GDP is the total output produced within a country's borders in one year. GDP measures the value of goods and services produced in the territory of a country regardless of nationality in a given period. Thus, citizens who work in other countries, their income is not included in GDP. To support the increase in GDP, investment is required to increase continuously. According to Tambunan (2001) In the national balance sheet or GDP structure according to its use, investment is defined as domestic fixed capital formation. Investment can be distinguished between gross investment (gross domestic fixed capital formation) and net investment (net domestic fixed capital formation). According to Sukirno, (2011) investment which is commonly referred to as capital investment or capital formation is "the second component that determines the level of aggregate expenditure".

In order to keep the investment increasing, the stability of the rupiah exchange rate (exchange rate) is required. The exchange rate is one of the indicators that affect activity in the stock market and money market because investors tend to be cautious about making investments. The decline in the Rupiah exchange rate against foreign currencies, especially the US Dollar, has a negative influence on the economy and the capital market (Sitinjak and Kurniasari, 2003). Meanwhile, according to Nopirin, (2009) foreign exchange rates will change in accordance with changes in demand and supply of foreign exchange. The demand for foreign exchange is needed to make payments abroad (imports), derived from debit transactions in the international balance of payments. A currency is said to be "strong" if the autonomous credit transaction is greater than the autonomous debit transaction (balance of payments surplus), otherwise it is said to be weak if the balance of payments is in deficit, or it can be said if the demand for foreign exchange exceeds the supply of foreign exchange. Furthermore, according to Pohan, (2008) an exchange rate that jumps drastically uncontrollably will cause difficulties in the business world in planning its business, especially for those who bring in raw materials from outside the country or sell their goods to the export market, therefore the management of a relatively stable currency value is one of the monetary factors that support the macro economy.

According to (Sukirno, 2000) Inflation is the tendency of prices to rise generally and continuously. However, if the price increase of only one or two goods is not called inflation, unless the increase is widespread or causes an increase in most of the prices of other goods. (Boediono, 2001). Furthermore, according to Nopirin (2009), inflation can affect income distribution, allocation of factors of production and national product. The effect on income

distribution is called equity effect, while the effect on the allocation of factors of production and national income is called efficiency and output effect, respectively.

In Indrawati's (2007) research, changes in interest rates are responded positively by the inflation rate. Expansionary fiscal policy and tight monetary policy through an increase in interest rates also cause an increase in inflation. Meanwhile, the output response to changes in interest rates and fiscal policy is negative. Tight monetary policy through an increase in interest rates causes a decline in economic growth. This indicates that a policy of lowering interest rates is needed to create a conducive climate for the real sector, while the effect of rising interest rates on rising inflation is only responded temporarily. The indication of expansionary fiscal policy causes an increase in inflation even though it lasts quickly and causes a decline in output.

The effectiveness of fiscal and monetary policy is measured by the magnitude of the increase in national income as a result of the policy. The greater the increase in income as a result of, for example, an increase in the amount of money means that monetary policy is more effective. The flatter the IS curve, the more effective the monetary policy, because the lower interest rate as a result of additional government spending (G), causes the IS curve to be more upright, meaning Y increases (Nopirin, 1999). Then Aliman, (2004) stated that fiscal policy will be more effective than monetary policy in Indonesia. However, most studies have found that monetary policy is more effective than fiscal policy. According to Madjid, (2007) the multiplier of monetary policy in Indonesia is greater.

Based on the study of empirical results, it shows that loose fiscal policy with loose monetary policy through the creation of new money for deficit financing can lead to hyper inflation and disruption of macroeconomic stability. The granting of authority to BI to only stabilise the value of the rupiah allows BI to focus more on achieving its objectives and at the same time securing or controlling policies that can harm inflation. For example, government policies to promote economic growth in the short term through deficit financing can endanger inflation and macro stability, so they can be neutralised or controlled through tight monetary policy. Thus, there is a possibility of different emphasis on the two policies, i.e. monetary policy emphasises inflation, while fiscal policy emphasises economic growth and employment opportunities. With the different emphasis on these objectives, the absence of coordination can disrupt macroeconomic stability.

Research Design and Method

This research approach is associative or quantitative research. This research is conducted on Muslim emerging market countries, namely Indonesia, Turkey, Malaysia, Saudi Arabia, UAE, Bangladesh, Pakistan. The data to be used in this study are secondary data derived from the Central Statistics Agency (BPS), Bank Indonesia and the World Bank. The data used in this study are secondary data taken and processed from Worldbank and Bank

Indonesia from 2000-2017 (18 years). The analysis model in this study uses the following data analysis model ARDL Panel Model. ARDL Panel Testing with the formula:

$$INF_{Indonesiat\text{-}p} = \alpha + \beta 1lnTAX_{it\text{-}p} + \beta 2lnGOV_{it\text{-}p} + \beta 3lnPDB_{it\text{-}p} + \beta 4lnINV_{it\text{-}p} + \beta 5lnKURS_{it\text{-}p} + \beta 6lnSBK_{it\text{-}p} + \beta 7lnJUB_{it\text{-}p} + €$$

$$INF_{Bangladesh\ t\text{-}p} = \alpha + \beta 1lnTAX_{it\text{-}p} + \beta 2lnGOV_{it\text{-}p} + \beta 3lnPDB_{it\text{-}p} + \beta 4lnINV_{it\text{-}p} + \beta 5lnKURS_{it\text{-}p} + \beta 6lnSBK_{it\text{-}p} + \beta 7lnJUB_{it\text{-}p} + €$$

$$INF_{Malaysia\ \ t\text{-}p} = \alpha + \beta 1lnTAX_{it\text{-}p} + \beta 2lnGOV_{it\text{-}p} + \beta 3lnPDB_{it\text{-}p} + \beta 4lnINV_{it\text{-}p} + \beta 5lnKURS_{it\text{-}p} + \beta 6lnSBK_{it\text{-}p} + \beta 7lnJUB_{it\text{-}p} + €$$

$$INF_{Turkey\ t\text{-}p} = \alpha + \beta 1lnTAX_{it\text{-}p} + \beta 2lnGOV_{it\text{-}p} + \beta 3lnPDB_{it\text{-}p} + \beta 4lnINV_{it\text{-}p} + \beta 5lnKURS_{it\text{-}p} + \beta 6lnSBK_{it\text{-}p} + \beta 7lnJUB_{it\text{-}p} + €$$

$$INF_{UEA\ t\text{-}p} = \alpha + \beta 1lnTAX_{it\text{-}p} + \beta 2lnGOV_{it\text{-}p} + \beta 3lnPDB_{it\text{-}p} + \beta 4lnINV_{it\text{-}p} + \beta 5lnKURS_{it\text{-}p} + \beta 6lnSBK_{it\text{-}p} + \beta 7lnJUB_{it\text{-}p} + €$$

$$INF_{Saudi\ Arabia\ \ t\text{-}p} = \alpha + \beta 1lnTAX_{it\text{-}p} + \beta 2lnGOV_{it\text{-}p} + \beta 3lnPDB_{it\text{-}p} + \beta 4lnINV_{it\text{-}p} + \beta 5lnKURS_{it\text{-}p} + \beta 6lnSBK_{it\text{-}p} + \beta 7lnJUB_{it\text{-}p} + €$$

$$INF_{Bangladesh\ t\text{-}p} = \alpha + \beta 1lnTAX_{it\text{-}p} + \beta 2lnGOV_{it\text{-}p} + \beta 3lnPDB_{it\text{-}p} + \beta 4lnINV_{it\text{-}p} + \beta 5lnKURS_{it\text{-}p} + \beta 6lnSBK_{it\text{-}p} + \beta 7lnJUB_{it\text{-}p} + €$$

$$INF_{Mesir\ \ t\text{-}p} = \alpha + \beta 1lnTAX_{it\text{-}p} + \beta 2lnGOV_{it\text{-}p} + \beta 3lnPDB_{it\text{-}p} + \beta 4lnINV_{it\text{-}p} + \beta 5lnKURS_{it\text{-}p} + \beta 6lnSBK_{it\text{-}p} + \beta 7lnJUB_{it\text{-}p} + €$$

Table 1. Operational Variables

No	Variable	Measurement	Scale
1	Tax	Billion Rupiah.	Ratio
2	Government Expenditure	Billion Rupiah.	Ratio
3	Investment	Billion US$	Ratio
4	SBK	Domestic credit provided by the financial sector (Percent)	Ratio
5	JUB	Billion Rupiah.	Ratio
6	Inflation	Consumer price index (percent)	Ratio
7	PDB	Billion Rupiah.	Ratio
8	Course	Dollar America (US$)	Ratio

Results and Discussion

Statistical Result

Panel analysis with Auto Regresive Distributin Lag (ARDL) tests pooled data, namely a combination of cross section data (country) with time series data (annual), the results of the ARDL panel are better than ordinary panels, because they are capable of long-term cointegration and have the most appropriate lag distribution in theory, using Eviews 10 software.

The accepted ARDL Panel Model is a model that has co-integrated lags, where the main assumption is that the coefficient value has a negative slope with a significant level of 5%. ARDL Panel Model requirements: the value is negative (-0.78) and significant (0.01 <0.05) then the model is accepted. Based on the acceptance of the model, the data analysis is carried out with a panel per country. In the VAR test used, there are several assumptions that must be fulfilled. One of these assumptions is the stationarity test, this test can be done with the unit root test developed by Dickey Fuller. An alternative to the Dickey Fuller test is the

Augmented Dickey Fuller (ADF) which attempts to minimise autocorrelation. This test contains a regression of the first difference of time series data on the lag of the variable, lagged difference terms, constants, and trend variables (Kuncoro, 2001). To see stationarity using the DF or ADF test is done by comparing the Mc Kinnon critical value at the 1% significance level with the Augmented Dickey Fuller value. Non-stationary data can cause skewed regression so it is necessary to test the stationarity of the data. This study begins with a stationary test of the variables used in the study, namely: TAX, GOV, GDP, Investment, Exchange Rate, Interest Rate, JUB and Inflation.

In table 3, the Augmented Dickey Fuller test results show that there are five variables that are not stationary at the level or in the actual data, namely Tax, Gov, GDP, Exchange Rate and interest rate, while there are three variables that are stationary at the level, namely investment data, money supply and inflation, as indicated by the value of the Dickey Fuller statistic which is below the Mc Kinnon critical value at 1 per cent confidence degree. Variables that are not stationary at the level the solution is to create a new variable by first difference, then tested again with the ADF test. The Augmented Dickey Fuller test results in table 4 show that the data of all variables are stationary at 1st difference. Thus all data on the variables are stationary, further data analysis can be used. To find out how many cointegration equations there are, a cointegration test is conducted.

Table 2. Stationary Testing with Unit Roots at Level

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
Long Run Equation				
TAX	-0.022710	0.013360	-1.699902	0.0946
GOV	-0.269943	0.070792	-3.813180	0.0003
LNPDB	-0.744731	0.425516	-1.750182	0.0855
INV	-0.002023	0.148975	-0.013582	0.9892
LNKURS	-1.016894	1.035407	-0.982120	0.3302
SBK	0.468207	0.129963	3.602604	0.0007
JUB	-0.046787	0.039917	-1.172116	0.0460
Short Run Equation				
COINTEQ01	-0.912921	0.161860	-5.640175	0.0000
D(INF(-1))	0.026479	0.071777	0.368905	0.7136
D(TAX)	-1.062384	1.780055	-0.596826	0.5530
D(GOV)	0.062269	0.176649	0.352500	0.7258
D(LNPDB)	29.28328	7.699262	3.803387	0.5854
D(INV)	-0.918738	0.890686	-1.031495	0.3067
D(LNKURS)	25.87371	7.122522	3.632661	0.8406
D(SBK)	0.017962	0.712048	0.025226	0.9635
D(JUB)	-0.044712	0.031078	-1.438688	0.0257
C	11.64596	2.993129	3.890899	0.0003

Source: Data processed by the author, 2022

Table 3. Stationary Test Results with Unit Roots at Level

Variable	Augmented Dickey Fuller	Mc Kinnon Critical Values at 1% Significance Level	Prob	Info
TAX	-3.127030	-3.476472	0.0268	Non-stationary
GOV	-3.270261	-3.476472	0.0181	Non-stationary
PDB	-2.285948	-3.476472	0.1779	Non-stationary
Investment	-9.401146	-3.476472	0.0000	Stationary
COURSE	-2.588508	-3.476472	0.0977	Non-stationary
Interest	-3.193888	-3.477144	0.0224	Non-stationary
JUB	-7.270146	-3.476472	0.0000	Stationary
Inflation	-4.527839	-3.476805	0.0003	Stationary

Source: Data processed by the author, 2022

Table 4. Stationary Test Results with Unit Roots at 1st difference

Variable	Augmented Dickey Fuller	Mc Kinnon Critical Values at 1% Significance Level	Prob	Info
TAX	-11.66933	-3.476805	0.0000	Stationary
GOV	-13.00998	-3.476805	0.0000	Stationary
PDB	-11.87038	-3.476805	0.0000	Stationary
Course	-11.89497	-3.476805	0.0000	Stationary
Interest	-9.178253	-3.507394	0.0000	Stationary

Source: Data processed by the author, 2022

Table 5. Johansen Cointegration Test

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.471612	255.4743	159.5297	0.0000
At most 1 *	0.318393	164.8891	125.6154	0.0000
At most 2 *	0.234464	110.4602	95.75366	0.0033
At most 3 *	0.201410	72.52079	69.81889	0.0299
At most 4	0.122769	40.58383	47.85613	0.2023
At most 5	0.073912	21.98394	29.79707	0.2994
At most 6	0.057593	11.08027	15.49471	0.2066
At most 7	0.018538	2.657058	3.841466	0.1031

Trace test indicates 4 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Source: Data processed by the author, 2022

It can be seen from this test that there is one cointegrated equation (as shown at the bottom of the table) at the 5 per cent level, which means that the assumption of a long-term relationship between variables is proven. Therefore, VAR analysis can be used for further testing.

Based on the overall results, it is known that the significant long-term influences on inflation stability in Muslim emerging market countries are Government Expenditure,

Interest rate and Money Supply. Then in the short term only Money Supply that affects inflation stability.

Table 5. Result of Model

	Malaysia	UEA	Egypt	Bangladesh	Turkey	Pakistan	Saudi Arabia	Indonesia	Short	Long
Tax	I	O	O	I	O	I	I	I	O	O
Government Expenditure	I	O	O	I	O	I	O	I	O	I
GDP	O	O	O	O	O	O	O	O	I	O
Investment	I	I	O	O	O	O	O	O	O	O
Exchange Rate	O	O	O	O	O	O	O	O	I	O
Interest rate	O	O	O	I	O	I	O	I	O	I
Money Supply	I	I	I	I	I	I	I	I	I	I
Economy Stability	O	O	O	O	O	O	O	O	O	O

Source: Data processed by the author, 2022

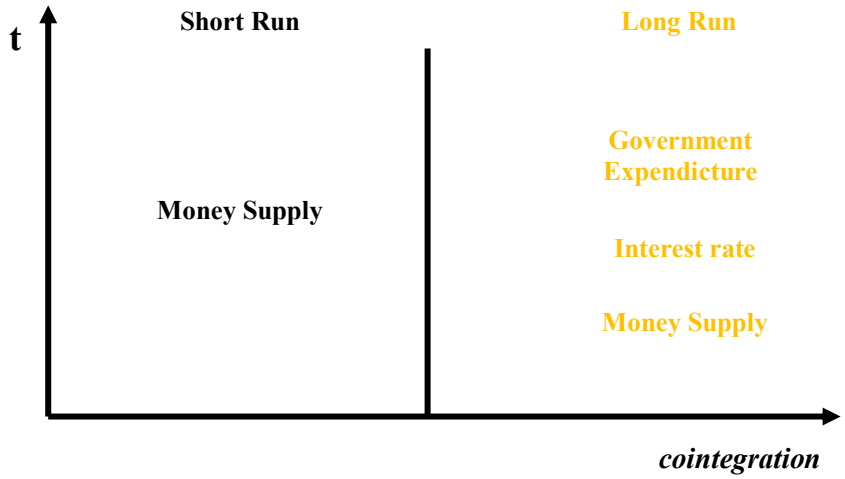

Figure 4. Result of Model

Source: Data processed by the author, 2022

The muslim emerging market countries that are most able to control economic stability during the pandemic are Bangladesh and Indonesia with variable government expenditures, taxes, credit interest rates, money supply) malaysia on tax variables, government expenditures, investments and money supply, then uae and Saudi Arabia policies stabilize the economy on tax variables, investments, money supply, Egypt and Turkey through money supply. Indonesia has the ability to control the economy through exchange rates. Bangladesh and Malaysia through the money supply. The ability of monetary policy to control the economy is supported by opinions (Nguyen, 2015; Janus, 2021; Auclret, 2020; Binder, 2020). Money supply is capable of controlling macroeconomic stability such as Indonesia, Malaysia, Pakistan, Bangladesh, Saudi Arabia, UAE, Turkey (McKibbin, 2021; Nicola, 2020).

The determination of money supply as a controller of macroeconomics in muslim emerging market countries supported by Adrian, (2014) money supply has an effect on price stability (Gubareva, M., 2021; Daehler, 2021).

Stability in the economy can stimulate economic expansion and prosperity (Bodamaev, 2020; Chetty, R., J. N., et al., 2020; Lustig, N., et al., 2020; A. Sayed and B. Peng, 2002). Improving the domestic economy's resilience both domestically and internationally is a step toward achieving economic stability (Watulingas et al, 2016; R. Chetty, J. N. et al., 2020). Inflation is the rate of change in prices, and the price level is the accumulation of previous inflations (Dornbusch et al, 2008). Inflation can indicate a nation's economic health (Totonchi, 201; Sheiron et al., 2021). The exchange rate is an indicator of the economic stability of a country (Nguyen, VC et al., 2020; Hatmanu, et al., 2020). Then the price increase affects the demand for the product (Mankiw, 2012; Balleer, A. S et al., 2020). When exports rise, economic expansion will also rise (Dhea Zatira, et al., 2021; Kalaitzi, A.S., et all 2020). The Rupiah depreciation or currency devaluation occurred because it affected the value of exports from that country on the international market (Sukirno, 2012; Khachatryan, G. A et al., 2020; Nuyen, V. C et al., 2020). When exports decline in value, economic growth will also decline in value (Barbero J et al., 2021). Then research owned by Nuri et al (2017) The positive influence of money supply and inflation is caused by Demand pull Inflation, inflation caused because people's demand for various goods is too strong so that it increases prices in general. The demand for goods is too strong due to increased public income, with the increasing income of the money supply is too widely circulated in the community so that people easily shop for goods and the demand for goods also increases and inflation occurs (Guerrieri, 2020; Coibion, 2022; Dietrich, 2022).

Conclusions

Muslim emerging market countries that are very capable of controlling macroeconomic stability during the Covid-19 pandemic are Bangladesh, Indonesia with variable government expenditures, taxes, interest rates, money supply then Malaysia through tax policies and government expenditures, investment and money supply, UAE and Saudi Arabia policies stabilize the economy on tax variables, investments, money supply, Egypt and Turkey through money supply. Indonesia has the ability to control the economy through exchange rates. Bangladesh and Malaysia through the money supply. These results suggest that economic stability must be controlled hammering control over the money supply and exchange rate.

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