



Investment and Monetary Policy in a Dual System Economy: Lessons from Indonesia's Post-COVID Period

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Article Info	Abstract
Article history: Received July 11, 2025 Revised August 12, 2025 Accepted October 22, 2025 *Corresponding author email: amalia.zeta12@gmail.com Keywords: BI Rate, Conventional Open Market Operations, Investment, Sharia Open Market Operations.	The economy of a country whose global conditions are uncertain, investment is one of the important indicators in assessing the economic health of a country. Investment is the beginning of economic development activities to achieve good economic growth. To encourage economic growth the government needs to formulate and implement monetary policy. Monetary policy is determined by the money supply and the setting of interest rates (BI Rate) using monetary policy instruments including open market operations and discount rates. As a country that implements a dual monetary operation system, Bank Indonesia establishes dual monetary operations, namely conventional monetary operations and Islamic monetary operations. This study aims to analyze the impact of conventional monetary policy and Islamic monetary policy on investment in Indonesia which can provide insight for investors in making decisions to invest. This type of research is quantitative research using secondary data obtained from several sources, namely Bank Indonesia (BI) and Ministry of Investment and Downstream/BKPM. The data collection technique in this study is the documentation method. The data analysis technique uses the analysis method Autoregressive Distributed Lag (ARDL) with Eviews 12 software. The results of this study indicate that conventional open market operation and Islamic open market operations

	have a significant effect on investment in the long term and short term. While the discount rate has no significant effect on investment in the long term but has a significant effect in the short term.
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INTRODUCTION

Investment is an important indicator in assessing a country's economic health. Rapidly growing investment is usually driven by economic stability, supportive monetary policy, and investor confidence in economic prospects (Nuraini & Hariyani, 2019). In the context of the Indonesian economy, investment has a very important role in driving economic growth. Investment not only contributes to the increase in production capacity, but also creates jobs and improves people's welfare (Hartati, Astuti, & Mellyana, 2023). Investment is essentially the beginning of economic development activities to achieve good economic growth, investment is a key factor that supports. Investment can be made by the private sector, the government, or through public-private partnerships. One of the strategies that the government can do to encourage economic expansion which in turn can improve people's lives is through investment (Saragih & Aslami, 2022). Investment can be sourced from Domestic Investment (PMDN) and Foreign Investment (PMA).

It is explained in Law No. 25 of 2007 concerning Investment that company activities in Indonesia are financed by Foreign Direct Investment (FDI). Release of data on the achievement of investment realization for the third semester of 2024, the investment ministry is optimistic that economic growth will remain above 5% The investment ministry or investment coordinating agency published data on the achievement of investment realization for the third semester of 2024 PMA reached \$232.65 trillion or an increase of 18.55% and PMDN reached \$196.83 trillion or an increase of 11.62% compared to the period in 2023, this shows that investment in Indonesia is increasing. Investment is an important resource to increase capital or capital stock because the capital stock available in a country or region will determine the capacity of the economy to produce goods and services which will have an impact on increasing economic growth. Therefore, to encourage economic growth the government needs to formulate and implement monetary policy (Riani & HR, 2022).

Monetary policy is determined by the money supply and the setting of interest rates using monetary policy instruments, including open market operations, discount rates, moral suasion, and the establishment of minimum required reserves (Rachmansyah, 2021). Monetary policy has a significant impact on investment dynamics. Changes in monetary policy can create effects that can alter the perception of risk and return for investors.

Open market operations are one of the monetary policies that can be implemented by Bank Indonesia. The instrument is the easiest tool to control the money supply in the community (Safuridar, 2018). Through open market operations, Bank Indonesia can regulate market liquidity by influencing the money supply by purchasing securities by the central bank, and investments can be more liquid, thus increasing trading activity. High liquidity allows investors to easily buy and sell securities, which can essentially increase investment interest (Kinanti, Aulia, Dewi, Alyatunnisa, & Suherman, 2023). Through this mechanism, Bank Indonesia can sell and buy securities that can affect the money supply through controlling interest rates, which in turn encourages increased investment. From previous research conducted by (Kusuma, Farhan, Maedianda, & Rahmah, 2024) open market operations have an insignificant effect on investment. This is contrary to research conducted by (Sri Puspa Nurhayati, Ronny Malavia Mardani, 2018) increasing open market operations has the ability to attract investor interest and make investment increase.

In addition to this, interest rates are also one of the conventional monetary instruments that have a broad direct impact, to encourage the rate of economic growth, Bank Indonesia has adopted a policy of increasing the BI-Rate interest rate (Abidin, 2020). Interest rates are a very important factor in attracting investment because the Bank Indonesia benchmark interest rate has a direct impact on the cost of capital and investment returns. Interest rates are one of the indicators in determining whether someone will invest or choose to save (Hutasoit, Sitanggang, Sugara, & Silaban, 2024). In a higher interest rate environment, investors may tend to reduce their participation, as a higher cost of capital may reduce the attractiveness of investment. This is especially relevant for investors who consider more cost factors in their investment decision-making. Conversely, a decrease in interest rates may stimulate investment activity by making the cost of capital more affordable. Based on several previous studies, information is obtained that one of the dominant factors affecting investment is the interest rate. If interest rates are low, it will cause investment to increase, this is in accordance with research (Dewi & Triaryati, 2020) according to them interest rates have a negative and significant relationship to investment. The higher the interest rate in a country will cause investors to be reluctant to invest. This is in line with research conducted by (Sari & Baskara, 2018), the study said that interest rates have a negative and significant relationship to foreign direct investment.

The central bank as an institution that has monetary authority is appointed by the government. In accordance with Law No. 23 of 1999 mandates Bank Indonesia (BI) as the authority to carry out monetary policy conventionally and sharia (Yudi Setiawan & Karsinah, 2018). Therefore, Bank Indonesia establishes dual monetary operations, namely conventional monetary operations that use the element of interest and sharia monetary operations using the ju'alah system (Roedyhantoro M & Cahyono, 2019).

As a country that implements a dual monetary operation system, Indonesia also conducts monetary policy through sharia monetary operations. The implementation of Islamic open

market operations is carried out by the central bank through the purchase or sale of Islamic securities, with the aim of regulating liquidity in the banking system according to sharia principles, which ultimately affects Islamic banking financing. This increase in financing is assumed to affect the real sector which is expected to be able to achieve monetary policy targets in accordance with Bank Indonesia's provisions (Bayuni & Srisusilawati, 2018). Islamic open market operations help maintain liquidity stability in the Islamic banking sector. When liquidity is sufficient, Islamic banks are better able to provide financing for the real sector, including business investment. According to research conducted by (Novianti, 2022) Islamic open market operations have a significant effect on investment growth in Indonesia. This contradicts the results of research (Yudhistira, 2018) which shows that Islamic open market operations have no effect on investment in the capital market.

In this study, the Open Market Operations and Discount Rate variables were chosen based on the researcher's consideration that these two variables are the main instruments in conventional monetary policy that have a direct relationship with economic activity. In addition, choosing Islamic Open Market Operations as a research variable, because it is a relatively new instrument and there is still a lot of room for further research on its effectiveness and impact on the Islamic economy. In addition, Islamic open market operations are the main instrument in Islamic monetary policy in Indonesia in maintaining the stability of the Islamic financial system. Therefore, this study was conducted to analyze the impact of conventional monetary policy and Islamic monetary policy on investment in Indonesia both in the short and long term for the period 2019-2024.

LITERATURE REVIEW

Investment

According to (Sadono, 2008) the term investment can be interpreted as an expenditure or expenditure on capital investment or companies to purchase capital goods and production equipment to increase the ability to produce goods and services available in the economy. (Manurung, 2008) defines investment as spending that increases the stock of capital goods (capital stock). Meanwhile, according to (Sayekti, 2008) investment is as expenditures to purchase goods and production equipment with the aim of replacing and especially adding to capital goods in the economy that will be used to produce goods and services in the future. Investment activity is one of the main factors that will affect the economic development of a country/region. Based on the Law of the Republic of Indonesia number 25 of 2007, it is said that investment is the whole of the activities of providing capital carried out by domestic citizens and foreign citizens with the aim of doing business in Indonesia.

Monetary Policy

In the economic dictionary, monetary policy is referred to as government policy in regulating the amount of money circulating in society or maintaining monetary balance and stability of the value of money, encouraging smooth production and development, and expanding employment opportunities in order to increase prosperity for the people. (I Wayan Sudirman, 2011) defines monetary policy as a policy by changing the amount of money in circulation or money interest rates aimed at increasing people's income through increased investment and production which is then followed by an increase in the economy.

Islamic Monetary Policy

According to (Adiwarman A. Karim, 2014) in principle, the objectives of Islamic monetary policy are the same as the objectives of conventional monetary policy, namely to maintain currency stability so that equitable economic growth can be achieved. The framework of Islamic monetary policy is the stock of money, so the goal should be to ensure that monetary development is not excessive but sufficient to exploit the capacity of the economy to provide goods and services. Islamic monetary differs from conventional monetary in terms of its objectives and instruments. The most important difference between the two types is that Islamic principles prohibit guarantees of both nominal value and interest rates. As a result, when it comes to the objectives of monetary policy implementation, the implementation of sharia-based monetary policy automatically cannot set interest rates as its operational objective (Irawan et al., 2023).

Conventional Open Market Operations

Open market operations control the money supply by selling and buying government securities if the government wants to increase the money supply, but if it wants to reduce it, the government will sell its securities to the public. For conventional open market operations, Bank Indonesia uses the Bank Indonesia Notes (SBI) instrument, which are securities used to recognize short-term debt. SBI interest rates are set by fixed rate and variable rate methods. Bank Indonesia determines the SBI interest rate with a fixed price based on the BI Rate and Reverse Repo Surat Utang Negara (SUN) is a type of securities recognized as debt that is guaranteed principal and interest payments by the government. In addition to financing the state budget deficit. SUN is also used to cover short-term cash shortages. Reverse repo SUN is a transaction in which Bank Indonesia sells SUN to commercial banks with an agreement that BI will buy back the SUN (Purwanto, 2017).

Discount Rate

The interest rate, also known as the discount rate because the calculation of interest always involves a comparison of the value of money at different times, interest is initially a future payment on past transfers (Safuridar, 2018). The discount facility regulates the amount of money in circulation by raising the central bank interest rate on commercial banks. The government can lower the central bank interest rate if it wants to make more money, but raising the interest rate

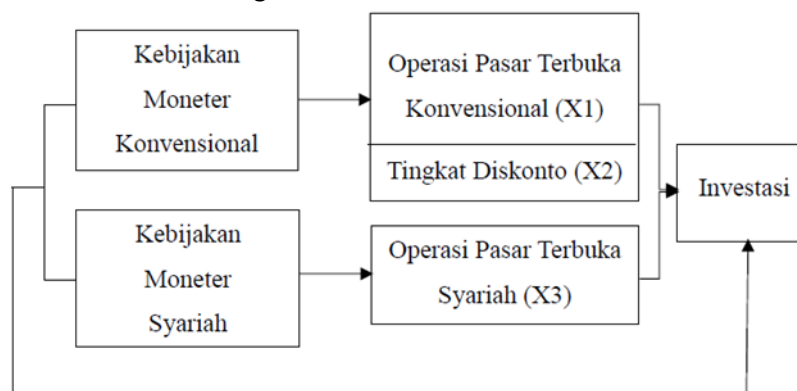
will make less money in circulation. Interest rate setting creates uncertainty, when Bank Indonesia sets a low interest rate in order to encourage economic growth and expand employment opportunities, it will also reduce investors' interest in investing, even investors who have invested may withdraw their investment, because interest rates that are too low will also offer low investment returns. Vice versa, when Bank Indonesia raises high interest rates without being balanced with an increase in real activity, it can result in the price of production raw materials to rise (Purwanto, 2017).

Sharia Open Market Operation

Sharia open market operations are one of the monetary instruments used by Bank Indonesia to control liquidity in the money market with sharia principles. This instrument plays a role in maintaining exchange rate stability, controlling inflation, and ensuring that economic growth runs optimally in accordance with sharia rules that avoid usury. In its implementation, sharia open market operations use various instruments such as Sharia Bank Indonesia Certificates (SBIS) and Bank Indonesia Sukuk (SukBI). SBIS are short-term liquidity instruments issued by Bank Indonesia based on sharia principles, while SukBI are securities issued with the same purpose, but in a form that is more in line with the structure of Islamic finance. These two instruments are used to absorb or increase liquidity in the Islamic banking system to ensure that the amount of money in circulation is in accordance with economic needs (Dwihapsari, Kurniaputri, & Huda, 2021).

Research Framework and Hypothesis

Figure 1. Research Framework



Source: Secondary Data, processed by the author.

The hypotheses in this study are:

- H1: Conventional Open Market Operations Significantly Affect Long-Term Investment in Indonesia for the 2019-2024 Period.
- H2: Conventional Open Market Operations have a Significant Effect on Short-Term Investment in Indonesia for the 2019-2024 Period.
- H3: Discount Rate has a Significant Effect on Long-Term Investment in Indonesia for the 2019-2024 Period.

H4: The Discount Rate has a Significant Effect on Short-Term Investment in Indonesia for the 2019-2024 Period.

H5: Sharia Open Market Operations has a Significant Effect on Long-Term Investment in Indonesia for the 2019-2024 Period.

H6: Sharia Open Market Operations has a Significant Effect on Short-Term Investment in Indonesia for the 2019-2024 Period.

METHOD

In this research, the type of research used is quantitative research with an associative approach. The population in this study is Conventional OPT, Discount Rate, Sharia OPT, Domestic Investment (PMDN) and Foreign Investment (PMA) in Indonesia with research samples to be tested, namely data on Conventional Open Market Operations, Sharia Open Market Operations, and Discount Rate, in monthly form from January 2019 to December 2024, and for Domestic Investment (PMDN) and Foreign Investment (PMA) data is annual data 2019-2024 which will be interpolated into monthly data so that in total there are 72 samples. The data source of this research is secondary data obtained from several sources, namely Bank Indonesia (BI), and the Ministry of Investment and Downstream / BKPM. The data collection technique in this study is the documentation method with independent variables consisting of three variables, namely, Conventional Open Market Operations, Discount Rates, Sharia Open Market Operations and the dependent variable in this study is Investment. This study uses the Autoregressive Distributed Lag (ARDL) analysis method with the stages of Data Stationary Test, Optimum Lag Selection, ARDL Stability Test with CUSUM Test and CUSUM of Square, Bound Test Cointegration Test, Classical Assumption Test and Short-Term and Long-Term ARDL Model Estimation with Eviews 12 software.

RESULT AND DISCUSSION

Result

Stationarity Test

Table 1. Augmented Dickey-Fuller (ADF) Stationarity Test Results

Variable	Unit Root	ADF Test Statistic	Critical Value 5%	Prob*	Ket
Conventional	Level	-2.266256	-2.903566	0.1857	Tidak Stasioner
OMO	1st Difference	-9.320421	-2.904198	0.0000	Stasioner
Discount Rate	Level	-1.324496	-2.903566	0.6138	Tidak Stasioner
	1st Difference	-3.844816	-2.903566	0.0040	Stasioner
Sharia OMO	Level	-5.551948	-2.902953	0.0000	Stasioner
	1st Difference	-9.713610	-2.904198	0.0000	Stasioner

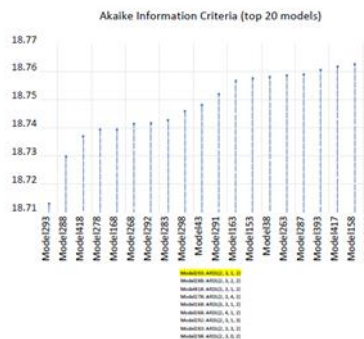
Investment	Level	-2.983470	-2.903566	0.0414	Stasioner
	1st Difference	-13.87204	-2.903566	0.0001	Stasioner

Source: Secondary Data, processed with Eviews Ver. 12 (2025)

Based on Table 1, the stationarity test results show that not all research variables are stationary at the level, it can be seen that only the OPT Syariah and Investment variables are stationary at the level. This is indicated by the ADF statistical value greater than the 5% critical value. Meanwhile, the Conventional OPT and Discount Rate variables are not yet stationary at the level because the probability value is still above 0.05 so that testing is continued at the first difference level. The test results show that all variables, namely Conventional OPT, Discount Rate, Sharia OPT and Investment are stationary at the first difference level.

Optimum Lag Test

Figure 2. Optimum Lag Test



Source: Secondary Data, processed with Eviews Ver. 12 (2025)

Based on the test results above, the estimation results of lag selection criteria by looking at the smallest Akaike Information Crieria (AIC) of the 20 best models. The best criterion is ARDL (2,3,1,2) meaning that Y or Investment has 2 lags, X1 or Conventional OPT has 3 lags, X2 or Discount Rate has 1 lag and X3 or Sharia OPT has 2 lags.

Kointegrasi Bound Test

Table 2. Kointegrasi Bound Test Results

Test Statistic	Value	K
<i>F-Statistic</i>	4.931228	3
<i>Critical Value Bounds</i>		
<i>Significance</i>	<i>I (0) Bound</i>	<i>I(1) Bound</i>
10%	2,37	3,2
5%	2,79	3,67
2,5%	3,15	4,08
1%	3,65	4,66

Source: Secondary Data, processed with Eviews Ver. 12 (2025)

Based on the results of the cointegration test with the bound test method, the f-statistic value is $4.93 > 3.67$ (I (1)) upper bound at the 5% confidence level, which means that there is cointegration in the variables in the tested model so that there is a short-term balance towards the long term in these variables.

Autoregressive Distributed Lag (ARDL)

Table 3. Autoregressive Distributed Lag (ARDL) Test Results

<i>Dependent Variable: Y</i>		
<i>Method: ARDL</i>		
<i>Dynamic regressors: (4 lags, automatic): X1 X2 X3</i>		
<i>Selected Model: ARDL (2,3,1,2)</i>		
<i>Sample: 2019M01 2024M12</i>		
Variabel	Coefficient	Prob.*
<i>Y (-1)</i>	0.231867	0.0648
<i>Y (-2)</i>	0.198681	0.0818
<i>X1</i>	-0.001740	0.3335
<i>X1(-1)</i>	-0.003114	0.1061
<i>X1(-2)</i>	0.003454	0.0781
<i>X1(-3)</i>	-0.004559	0.0235
<i>X2</i>	-4299.480	0.0748
<i>X2(-1)</i>	4520.614	0.0613
<i>X3</i>	0.010988	0.5887
<i>X3(-1)</i>	0.042887	0.0528
<i>X3(-2)</i>	0.051464	0.0163
<i>C</i>	-1186.909	0.5409
<i>R-squared</i>	0.544170	
<i>Adjusted R-squared</i>	0.456203	
<i>F-statistic</i>	6.186068	
<i>Prob(F-statistic)</i>	0.000001	

Secondary Data, processed with Eviews Ver. 12 (2025)

1. F Test

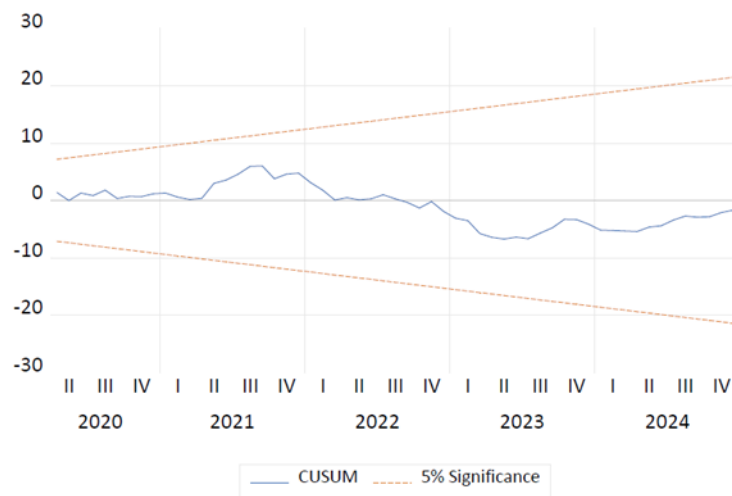
Based on table 3, the F-statistic value of 6.186068 with an F-statistic probability value of $0.00 < 0.05$ is obtained. So it can be concluded that the independent variables used in this study together have a significant effect on the dependent variable, namely Investment. the F-statistic value is 6.186068 with an F-statistic probability value of $0.00 < 0.05$. So it can be concluded that the independent variables used in this study together have a significant effect on the dependent variable, namely Investment.

2. Coefficient of Determination

From table 3, the adjusted R square value is 0.456203. This means that 45.6% of the Conventional OPT, Discount Rate, Sharia OPT variables affect investment, the remaining 54.4% is influenced by other variables not included in this study.

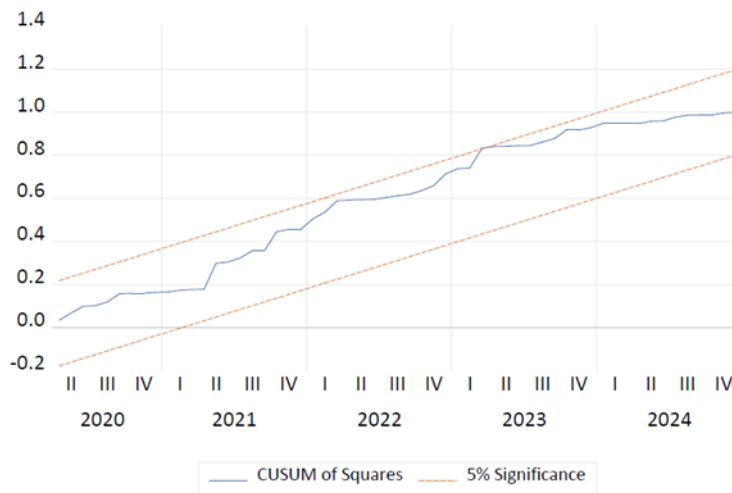
ARDL Stability Test

Figure 3. CUSUM Stability Test Results



Source: Secondary Data, processed with Eviews Ver. 12 (2025)

Figure 4. Stability Test Results CUSUM of Square



Source: Secondary Data, processed with Eviews Ver. 12 (2025)

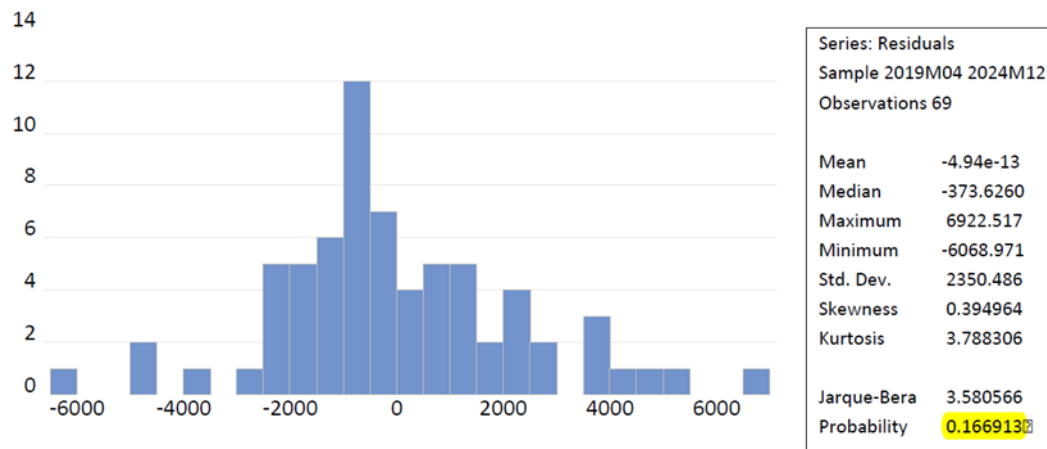
Based on the results of the CUSUM and CUSUM of square tests, it shows that the W_r quantity plot (recursive residual) does not cross the boundary line at the 5 percent level of

significance and makes a linear line. The model stability test results explain that the regression coefficients are stable.

Classic Assumption Test

Normality Test

Figure 4. Normality Test Results



Source: Secondary Data, processed with Eviews Ver. 12 (2025)

Based on the normality test that has been carried out, the probability value is 0.16. the normality test can be said to pass or fulfill the normality test when the probability value is greater than $\alpha = 5\%$ (0.05). So it can be concluded that the residuals are normally distributed and this study passes the normality test.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results

<i>Heteroskedasticity Test: Glejser</i>			
<i>F-Statistic</i>	1.500738	<i>Prob. F (11,57)</i>	0.1567
<i>Obs *R-Squared</i>	15.49571	<i>Prob. Chi-Square(11)</i>	0.1609
<i>Scaled explained</i>	14.92674	<i>Prob. Chi-Square(11)</i>	0.1859

Source: Secondary Data, processed with Eviews Ver. 12 (2025)

Based on table 4, it can be seen that the Chi-Square probability value of 0.16 can be said that there is no heteroscedasticity problem when the Chi-Square probability value is greater than $\alpha = 5\%$ (0.05). So it can be concluded that there is no heteroscedasticity in the model in this study.

Autocorrelation Test

Table 5. Autocorrelation Test Results

<i>Breusch-Godfrey Serial Correlation LM Test</i>			
<i>F-Statistic</i>	0.196398	<i>Prob. F</i>	0.8223
<i>Obs *R-Squared</i>	0.489286	<i>Prob. Chi-Square(2)</i>	0.7830

Source: Secondary Data, processed with Eviews Ver. 12 (2025)

Based on table 5, it is known that the results of the autocorrelation test carried out, obtained a chi-square probability value of 0.78. can be said to pass or fulfill the autocorrelation test when the chi-square probability value is greater than $\alpha = 5\%$ (0.05). So it can be concluded that there is no autocorrelation in this study.

Multicollinearity Test

Table 6. Multicollinearity Test Results

<i>Variable</i>	VIF
OPT Konvensional	1.072106
Tingkat Diskonto	1.025947
OPT Syariah	1.088115

Source: Secondary Data, processed with Eviews Ver. 12 (2025)

Based on table 6, the Variance Inflation Factor (VIF) value of each variable used has no relationship or correlation, so it can be concluded that there is no multicollinearity in the model.

Long-Term ARDL Estimation

Table 7. Multicollinearity Test Results

<i>Long-Run</i>			
<i>ARDL Long Run Form Levels Equation</i>			
<i>Dependent Variable: Y</i>			
<i>Selected Model: ARDL (2,3,1,2)</i>			
<i>Sample: 2019M01 2024M12</i>			
Variabel	<i>Coefficient</i>	<i>t-Statistic</i>	<i>Prob.*</i>
X1	-0.010464	-3.065030	0.0033
X2	388.3285	0.714586	0.4778
X3	0.184984	3.493459	0.0009
C	-2084.303	-0.597734	0.5524

Source: Secondary Data, processed with Eviews Ver. 12 (2025)

Based on the results of the long-term ARDL estimation test, it shows that:

Variable X1 or Conventional OPT in the long run has a significant and negative effect on Investment in Indonesia with a coefficient of -0.010464 and a probability value of $0.00 < 0.05$. This means that if there is a change in Conventional OPT by one billion rupiah, it will have an impact on a decrease in investment of 1,046.4 trillion rupiah.

Variable X2 or Discount Rate in the long run has no significant effect with a coefficient value of 388.328 and a probability value of $0.47 > 0.05$. This means that if there is a change in interest rates by one percent, there will be a change in investment in Indonesia by 388.328 trillion rupiah.

Variable X3 or Sharia OPT in the long run has a significant and positive effect on Investment in Indonesia with a coefficient of 0.184984 and a probability value of $0.00 < 0.05$. This means that if there is a change in Sharia OPT by one billion rupiah, it will have an impact on increasing investment in Indonesia by 1,849.84 trillion rupiah.

Short-Term ARDL Estimation

Table 8. Multicollinearity Test Results

<i>Short-Run</i>			
<i>ARDL Error Correction Regression</i>			
<i>Dependent Variable: Y</i>			
<i>Selected Model: ARDL (2,3,1,2)</i>			
<i>Sample: 2019M01 2024M12</i>			
Variabel	Coefficient	t-Statistic	Prob.*
D(X1)	-0.001740	-1.044174	0.3008
D(X1(-1))	0.001105	0.504962	0.6155
D(X1(-2))	0.004559	2.544189	0.0137
D(X2)	-0.029948	-1.932332	0.0483
D(X3)	0.010988	0.617742	0.5392
D(X3(-1))	-0.051464	-2.718940	0.0087
CointEq(-1)*	-0.569451	-5.136769	0.0000

Source: Secondary Data, processed with EvIEWS Ver. 12 (2025)

Based on table 8, the short-term estimation test results by looking at the lowest probability value, the analysis results show that:

Variable D(X1(-2)) or Conventional OPT in the short term has a significant and positive influence on Investment in Indonesia with a coefficient of 0.004559 and a probability value of $0.01 < 0.05$. This means that if there is a change in Conventional OPT by one billion rupiah in the previous two periods, it will have an impact on increasing current investment by 4,559 trillion rupiah.

The variable (D(X2) or Discount Rate in the short term has a negative and significant effect with a coefficient value of -0.029948 and a probability value of $0.04 < 0.05$). This means that if there is a change in interest rates by one percent, it will have an impact on the decline in investment in Indonesia by 2,994.8 trillion rupiah.

The variable D(X3(-1)) or OPT Syariah in the short term has a significant and negative effect on Investment in Indonesia with a coefficient of -0.051464 and a probability value of $0.00 < 0.05$. This means that if there is a change in Sharia OPT by one billion rupiah in one previous period, it will have an impact on the decline in investment in Indonesia today by 5,146.4 trillion rupiah.

Based on the results of short-term and long-term estimation using the ARDL method, it shows that there are variables that have an effect and have no effect. Then it can be concluded as follows:

1. Conventional Open Market Operations variable has a significant effect on Investment in the long run as evidenced by the probability value of $(0.00) < (0.05)$. This shows that H1 is accepted.
2. Conventional Open Market Operations variable has a significant effect on Investment in the short term as evidenced by the probability value of $(0.01) < (0.05)$. This indicates that H2 is accepted.
3. The Discount Rate variable has no significant effect on Investment in the long term as evidenced by the probability value of $(0.47) > (0.05)$. This shows that H3 is rejected.
4. The Discount Rate variable has a significant effect on Investment in the short term as evidenced by the probability value of $(0.04) < (0.05)$. This indicates that H4 is accepted.
5. Sharia Open Market Operation variable has a significant effect on Investment in the long term as evidenced by the probability value of $(0.00) < (0.05)$. This indicates that H5 is accepted.
6. The Sharia Open Market Operation variable has a significant effect on investment in the short term as evidenced by the probability value of $(0.00) < (0.05)$. This indicates that H6 is accepted.

Discussion

The Impact of Conventional Open Market Operations on Investment in Indonesia in the Long Run

Based on the results of the research that has been done, it can be concluded that the ARDL test results for conventional open market operations variables show a significant and negative effect in the long run with a coefficient value of -0.010464 and a probability value $(0.00) < (0.05)$.

Conventional Open Market Operations is one of the main instruments of Bank Indonesia's monetary policy, which is conducted through buying and selling government securities in the money market to regulate the money supply. In the long run, the implementation of Conventional OPT sells more securities to absorb liquidity causing a decrease in the availability of funds in the financial markets. This resulted in an increase in long-term interest rates, which in turn increased the cost of capital for the business sector. The high cost of capital reduces the attractiveness of various investment projects, both for domestic investors (PMDN) and foreign investors (PMA). When interest rates increase, the present value of future investments decreases, leading to a reduction in the number of projects that are worth financing (Maharani, 2022).

This research is in line with research conducted by (Sri Puspa Nurhayati, Ronny Malavia Mardani, 2018) open market operations affect investment. However, it is not in line with research

conducted by (Kusuma et al., 2024) open market operations have no significant effect on investment. In research (de la Horra, Perote, & de la Fuente, 2022) through the ARDL test that expansionary monetary policy is not significant to investment in the long run and short run.

The Impact of Conventional Open Market Operations on Investment in Indonesia in the Short Term

Based on the results of the research that has been done, it can be concluded that the ARDL test results for conventional open market operations variables show a significant and positive effect in the short term with a coefficient value of 0.004559 and a probability value of $(0.01) < (0.05)$.

The conventional open market operation policy conducted by Bank Indonesia through buying and selling government securities in the money market to control the money supply and maintain macroeconomic stability. In the short term, the Conventional OPT policy by Bank Indonesia buys securities to increase liquidity in the financial markets. This increase in liquidity leads to a decrease in short-term interest rates, thereby lowering the cost of capital and improving access to financing for the private sector. With lower financing costs, companies are more encouraged to realize new investments, both in the form of PMDN and PMA. This condition improves the expectations of businesses and investors, and increases optimism about the economic outlook in the short term (Kusuma et al., 2024).

This research is in line with research conducted by (Sri Puspa Nurhayati, Ronny Malavia Mardani, 2018) increasing open market operations has the ability to attract investor interest and make investment increase. However, it is not in line with research conducted by (Kusuma et al., 2024) open market operations have no significant effect on investment. In research (Tufail, Alvi, Hoang, & Wilson, 2024) through the ARDL test that conventional monetary policy is not significant in the long run and short run on investment.

The Impact of Discount Rate on Investment in Indonesia in the Long Run

Based on the results of the research that has been done, it can be concluded that the ARDL test results for the discount rate variable show no significant effect in the long term with a coefficient value of 388,328 and a probability value of $(0.47) > (0.05)$.

The discount rate is the benchmark interest rate set by the central bank, Bank Indonesia. A decrease in interest rates should encourage investment because the cost of borrowing becomes lower (Prasetyo & Hendri Hermawan Adinugraha, 2023). However, in practice the influence of interest rates may be limited. Investors often pay more attention to economic risk and future uncertainty than just interest rates. In the long run, investment is more influenced by structural factors such as economic growth, political stability, infrastructure, and technological innovation. Stable and low interest rates may have some influence, but not as much as other factors in the long run. High uncertainty about the future of the economy, such as fluctuating oil prices or political uncertainty, makes investors more cautious even if interest rates are low. Many long-term investment sectors, such as technology and renewable energy, are more influenced by

technological innovation and global market demand than interest rates in influencing investment decisions (Wuhan, Suyuan, & Khurshid, 2019).

Based on long-term estimates in line with research (Ahmad Firnanda, 2019) through the ARDL test in the long term interest rates have an insignificant effect on investment in Indonesia. According to (Astuty & Siregar, 2018) interest rates are not significant to foreign direct investment in Indonesia. However, this research contradicts that conducted by (Yahya & Agunggunanto, 2018) with the result that interest rates have a significant effect on investment in the long term. Research (Fajarini, Nirmala, & Purwaningsih, 2023) according to them interest rates are significant to foreign portfolio investment.

The Impact of Discount Rate on Investment in Indonesia in the Short Term

Based on the results of the research conducted, it can be concluded that the ARDL test results for the discount rate variable show a significant and negative effect in the short term with a coefficient value of -0.029948 and a probability value of $(0.04) < (0.05)$.

Interest rates have a direct impact on the cost of capital and investment returns in the capital market. Monetary policy that raises the discount rate tends to increase lending rates. This causes the cost of capital for companies to increase, which in turn can reduce their interest in investing in new projects. Interest rates are one of the indicators in determining whether someone will make an investment or choose to save. In conditions of higher interest rates, investors may tend to reduce interest in investing, given that higher capital costs can reduce the attractiveness of investment (Kusuma et al., 2024). An increase in the discount rate in the short term directly causes a decrease in the amount of investment in the real sector in Indonesia. This decline occurs because firms face a higher cost of capital, making previously feasible investment projects uneconomical. Another factor that reinforces this negative relationship is the high sensitivity of Indonesian businesses to changes in financing costs. The financing structure in Indonesia, which still dominantly relies on banks, makes short-term interest rate fluctuations more quickly impact investment decisions (Maharani, 2022).

This research is in line with research (Tufail et al., 2024) through the ARDL test that interest rates have a short-term influence on investment. And research conducted by (LB, Akbar, & Irawan, 2023) according to them the Interest Rate (BI Rate) has a significant effect on Investment in Indonesia in 2006-2021. And in research (Maharani, 2022) interest rates affect FDI in Indonesia. This research is not in line with research (Messakh, 2019) because interest rates have an insignificant effect on domestic investment (IDN) in Indonesia. And research (Astuty & Siregar, 2018) interest rates are not significant to foreign direct investment in Indonesia.

The Impact of Sharia Open Market Operations on Investment in Indonesia in the Long Run

Based on the results of the research that has been done, it can be concluded that the ARDL test results for the Islamic open market operations variable show a significant and positive effect in the long run with a coefficient value of 0.184984 and a probability value $(0.00) < (0.05)$.

Sharia Open Market Operations is a sharia-based monetary policy instrument used by Bank Indonesia to manage Islamic banking liquidity, maintain monetary stability, and support economic growth. OPTS is conducted through sharia securities transactions such as Bank Indonesia Sukuk and Sharia SBI in accordance with the principles of sharia contracts such as *ijarah*, *mudharabah*, and *musyarakah* (Novianti, 2022). In the long run, the effective implementation of OPTS increases the stability of the Islamic financial sector and encourages the growth of real sector financing. The sustained increase in Islamic banking liquidity due to the OPTS provides greater room for Islamic banks to channel productive financing. This financing, in turn, increases domestic investment (PMDN) and creates a more attractive investment climate for foreign investors (PMA). Stable and reliable sharia-based liquidity management will reduce the risk of macroeconomic uncertainty, improve investor expectations, and lower financing costs, thereby encouraging real investment growth (Puspitasari, 2023).

According to research conducted by (Novianti, 2022) SBIS has a significant effect on Islamic investment in the capital market in Indonesia. This is contrary to the results of research (Yudhistira, 2016) which shows that SBIS has no effect on investment in the capital market in the long term. And in research (Ahmad Firnanda, 2019) through the ARDL test in the long term SBIS has an insignificant effect on investment in Indonesia.

The Impact of Sharia Open Market Operations on Investment in Indonesia in the Short Term

Based on the results of the research that has been done, it can be concluded that the ARDL test results for the Islamic open market operations variable show a significant and negative effect in the short term with a coefficient value of -0.051464 and a probability value $(0.00) < (0.05)$.

Sharia Open Market Operations is a monetary policy conducted by Bank Indonesia using sharia-based instruments to manage liquidity in the sharia money market. This instrument basically aims to maintain monetary stability and strengthen the Islamic financial sector. However, in the short term, the implementation of Islamic open market operations that tend to be contractive through liquidity absorption using Sharia Securities, Sukuk BI causes a decrease in liquidity in the Islamic financial system. As a result, the ability of Islamic financial institutions to channel financing to the real sector is limited (Ahmad Firnanda, 2019). This limitation causes a reduced flow of funds for domestic investment (PMDN) and reduces Indonesia's attractiveness for foreign investors (PMA) in the short term (Saragih & Aslami, 2022).

This research is in line with that conducted by (Prabowo, 2013) which concluded that SBIS in the short term is able to influence the development of investment. While this research is not in line with (Yudhistira, 2016) which concludes that SBIS does not affect investment movements in the capital market. And in research (Ahmad Firnanda, 2019) through the ARDL test in the short term SBIS has an insignificant effect on Investment in Indonesia.

CONCLUSION

Based on the explanation of the research, it can be concluded as follows:

1. Conventional Open Market Operations variable in the long run has a significant and negative effect on Investment.
2. Conventional Open Market Operations variable in the short term has a significant and positive effect on Investment.
3. The Discount Rate variable in the long term has no significant and positive effect on Investment.
4. The Discount Rate variable in the short term has a significant and negative effect on Investment.
5. Sharia Open Market Operation variable in the long run has a significant and positive effect on Investment.
6. Sharia Open Market Operations variable in the short term has a significant and negative effect on Investment.

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