

# Islamic Macroeconomics-A New Paradigm

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## **Abstract.**

*This research discusses a new paradigm in Islamic macroeconomics, where conventional macroeconomic instruments, namely interest, have not been able to carry out or reduce the number of national crises that often occur in Indonesia. This research is a descriptive qualitative research with a Literature review approach. The results of the research obtained, that Islamic macroeconomics have instruments that can flatten the economy, where the instrument in question is the instrument of the profit sharing system. In the profit-sharing system, there is no imbalance on the road, everything must be transparent and must work together, so that the results obtained are maximum. Likewise with losses, if losses are presented, it is not only borne by one party, but both parties must also bear. This is the so-called equality in the economy which is a new paradigm in the Macro-Islamic system.*

**Keywords :** Macro Islam, Profit Sharing

## **I. INTRODUCTION**

Talking about macroeconomics, of course, it will discuss inflation, the rupiah exchange rate, exports and imports. This discussion is inseparable from the discussion of the economy in a country. But nowadays, there are many criticisms related to the economic system itself. Before discussing too much in depth, here the researcher will explain about the two systems adopted by the Indonesian state about the economic system, where Indonesia adheres to two economic systems, namely the conventional economy and the Islamic economy. Conventional economics may often be known as the old economy, meaning that this conventional economic system has been known in Indonesia ahead of time, compared to the Islamic economy. Where the conventional economy is usually considered capable of being an instrument in the welfare of the people. Therefore, many instruments are used in increasing income, ranging from increasing household income, to improving the economy of a country. Conventional instruments that continued to be developed in Indonesia, until in 1998 there was a crisis that befell the Indonesian state, and economic problems began to arise one by one. Economic problems are inseparable from human life. It is related to various kinds of needs, such as food needs, clothing and shelter, as well as other needs. To meet the needs of life, man should work by cultivating everything that has been provided in this universe, and from the results of these needs human needs can be met, both primary, secondary, and tertiary needs. In meeting the needs of life, human beings also have the same rights and obligations as one another, one does not abuse the rights and obligations of others with lust, greed, and greed.

These forms of abuse include usury, hoarding of property, not providing proper wages, manipulating prices, and monopolies [8]. Indonesia's macroeconomic condition, which has not improved, followed by the ongoing intermediation function in the banking sector and several other indicators of deterioration, has left a concern for the fate of this nation in the future. One solution to anticipate this uncertain economic condition is the Islamic economic system. Islamic banking as part of financial institutions has an important role in driving the real sector. Because in Islamic law, it is forbidden to hoard property and vice versa requires management so that the results flow. In reality, the opinion of some people considers that Islamic banking is highly dependent on economic conditions, such as rising interest rates and fluctuations in the rupiah exchange rate. The presence of the Islamic economy by many is considered as one of the attempts to get out of the entanglement of the chaos of the two main forces of the world economy, capitalism and socialism. It comes by offering a concept of rally economygius which is believed to refer directly from two sources of Islamic law, the Qur'an and the Sunnah. Talking about the Islamic economy in Indonesia, of course, it is inseparable from Islamic financial institutions which currently continue to experience a significant increase, especially now that the government has merged several Islamic banks, in order to strengthen Islamic financial institutions in Indonesia. In addition, now Islamic financial institutions in Indonesia continue to

show their existence, this can be seen from the development of the number of offices of Islamic financial institutions in Indonesia, the data on the development of islamic financial institution offices are as follows:

**Development on Sharia Commercial Banks, Sharia Business Units,  
and Sharia People's Financing Banks**

Bank	Year			
	2019	2020	2021	2022
<b>BUS</b>	14	14	12	12
<b>UUS</b>	20	20	20	21
<b>BPRS</b>	163	163	165	164

*Sumber: (Keuangan, 2022)*

The data above shows the existence of Islamic financial institutions in Indonesia, where Islamic financial institutions are currently instruments in the development of the community's economy, because in Islamic financial institutions there is a cooperation agreement that can improve the economy, without intimidating from one of the parties. If we re-analyze the economic crisis that occurred as in the previous presentation, then of course we will find Islamic financial institutions that are able to survive in a crisis that has hit the world, including Indonesia. In Indonesia, one of the highlights is the muamalat bank, where the bank applies sharia principles to the operational system carried out. When bank muamalat is able to continue to show its existence, that is where conventional financial institutions and other systems that use conventional systems, continue to decline, even to the point of bankruptcy. In this case, of course, it can be a comparison between Sharia instruments and conventional instruments. Along with the times, currently Indonesia continues to apply sharia instruments in improving the country's economy, although it is dominant with conventional economic instruments that currently continue to be applied in indonesia. Even so, the researchers tried to test and compare the results obtained, between conventional instruments and sharia instruments, and provide advice to the government regarding the instruments studied. But still, islamic economics is one of the economic systems that is considered new, and needs to be slow in its application. For this reason, researchers are trying to elaborate on Islamic macroeconomics in a new paradigm. This research is not a new research to do, but there are already many researchers who have conducted research with almost the same title, As for the previous research related to the research to be carried out is as follows.

First, Trwihayudi, 2021 conducted a research entitled "Controlling Inflation, Monetary, and Fiscal in an Islamic Macroeconomic Perspective" He conducted this research in 2021. The research approach used is qualitative research. The results of the study concluded that the Islamic financial system in Indonesia is experiencing very significant growth and development, this can be seen from the islamic monetary instruments that have developed in line with the improvement of performance and the level of public trust in Islamic banking. There was an increase in the number of Third Party Funds (DPK) until December 2018, amounting to Rp 379,963 billion and the amount of financing that had been disbursed until December 2018 was Rp 329,277 billion, as well as the existence of monetary instruments in the form of the Interbank Sharia Money Market (PUAS) and Bank Indonesia Sharia Certificates (SBIS) to help liquidity of Islamic banks (OJK, 2019). Thus every country needs to maintain economic stability in accordance with the challenges it faces [1]. Second, Fitri and Fadilla, 2022 conducted a study with the title "The Effect of Var iabel Macro Ekonomi on Investment Results in Sharia Insurance Companies in Indonesia" He conducted this research in 2022. The research approach used is quantitative research. The results of the study concluded that based on the results of previous research and discussions, it can be concluded that the BI Rate, Exchange Rate, and JII variables have a significant influence on sharia insurance investment results. On the other hand, the variables of inflation and the money supply have no significant effect. The direction of the effect of the BI Rate and JII on sharia insurance investment returns is positive, so that the increase in this variable does not have a bad impact on investment returns. On the contrary, an increase in the variable rate needs to be watched out for by the insurer.

This is because the increase in the exchange rate will have a significant impact on the investment returns of insurance companies. To mitigate the risk of declining investment returns due to increased exchange rates, insurers can increase their investment portfolios in foreign currency-based financial assets, in particular the US dollar [2]. Three, Nirma and Fitri, 2020 conducted a research with the title "

Macroeconomic Theory in Classical Islamic Literature" He conducted this research in 2020. The research approach used is qualitative research. The results of the study concluded that the Islamic macroeconomic theory of economic growth, inflation, and money is not new, but has existed since the time of the Prophet. Economic growth according to classical Islam is aimed at the advancement of the material and spiritual side, and man as the constituent of the earth to obtain *falāh*. Inflation in classical Islam is caused by the identified human error of corruption and poor administration. While the money in Islamic economic literature used was dinars and dirhams, the currency was imported, dinars from Rome and dirhams from Persia. therefore Islamic economics as a concept of thought and practice is present gradually in a certain period of phase. In the middle ages the historical development of Islamic economic thought was divided into three periods, namely Islamic Economics of the early period until 1058 AD, Islamic Economics Of the second period (1058-144 AD), Islamic Economics of the third period (1446-1931). Thus, history is one of the proofs of the development of science [3].Four, (Irwan Hermawan, 2019) conducted a study entitled "The Relationship Between Macroeconomic Variables and Financing of SMEs (Small and Medium Enterprises) of Islamic Banking in Indonesia" He conducted this research in 2019. The research approach used is qualitative research.

The results of the study concluded that the EXCHANGE RATE Variable (Rupiah Exchange Rate against the Dollar) has a negative and significant influence on the SMEF (outstanding financing of Islamic Banking SMEs) variable as a *Shock Absorber* in the short and long term. And another result is that there is a causal relationship between the SMEF Variable (outstanding financing of Islamic Banking SMEs) and the EXCHANGE RATE Variable (Rupiah Exchange Rate against the Dollar), but the opposite does not apply, there is no causal relationship between the VARIABLE EXCHANGE RATE (Rupiah Exchange Rate against the Dollar) and the SMEF Variable (outstanding financing of Islamic Banking SMEs). The variable GDP (Gross Domestic Product) in the short term does not affect the SMEF variable (outstanding financing of Islamic Banking SMEs) as a *Shock Absorber* in the short term. And there is a causal relationship between the variable GDP (Gross Domestic Product) and the variable SMEF SMEF (outstanding financing of Islamic Banking SMEs), but it does not apply the other way around, that is, there is no causal relationship between the variable SMEF SMEF (outstanding financing of Islamic Banking SMM) and the variable GDP (*Gross Domestic Product*). The BIRATE variable (BI Certificate Rate for a period of 3 Months) in the short term does not affect the movement of the SMEF variable (outstanding financing of Islamic Banking SMEs). there is a causal relationship between BIRATE (BI Sertikat Rate for a period of 3 Months) to SMEF SMEF (outstanding financing of Islamic Banking SMEs) but the opposite does not apply, there is no causal relationship between the SMEF SMEF Variable (outstanding financing of Islamic Banking SMEs) and the BIRATE variable (BI Certificate Rate for a period of 3 Months) [4].

Five , (Saekhu, 2017) conducted a study entitled "The Impact of Macroeconomic Indicators on Third-Party Funds of Islamic Banking" He conducted this research in 2017. The research approach used by this study used quarterly time series data for the period January 2003 to December 2010. The results of the study concluded that the study showed that the influence provided by macroeconomic indicators on deposits (Third Party Funds) and Financing in Islamic Banks, namely the SBI interest rate variable, had a negative effect, while other variables (inflation, exchange rate, JCI and GDP) had a positive influence. Of the four variables that have a positive influence, the GDP variable has a positive and significant influence on the increase in deposits (Third Party Funds) and Islamic Bank Financing. The relationship between GDP and deposits and financing is that the increasing GDP describes the increasing domestic production activities. In these conditions, the community as the owner of the production factor in the aggregate will get a greater income. So that more and more funds can be allocated for savings. This affects the deposits of Islamic Banks. In terms of financing, the increase in production will trigger the company's needs as producers for working capital and investment funds.

As a result of these needs, the financing that banks can channel will also increase. Meanwhile, in the condition of declining GDP, the opposite will happen[5].Six, (Ivo Sabrina, Fitri Yenti and Amamil Husni, 2021) conducted a study entitled "The Effect of Macroeconomic Variables on Exchange Rate and Inflation on the Profitability of Islamic Commercial Banks in Indonesia" He conducted this research in 2021.

The research approach used is qualitative research. The results of the study concluded that the rupiah exchange rate has a positive and significant influence on the profitability of Sharia Commercial Banks in Indonesia, which is shown by the Rupiah in every increase in the rupiah exchange rate of Rp.1, so the profitability of Sharia Commercial Banks in Indonesia increases by 0.00005829. Inflation has a positive and significant influence on the profitability of Islamic Commercial Banks in Indonesia as indicated by each increase in inflation by 1%, then the profitability of Islamic Commercial Banks in Indonesia increases by 1.1%. The rupiah exchange rate and inflation together have a positive and significant influence on the profitability of Islamic Commercial Banks in Indonesia, as indicated by the  $F_{hitung} > F_{tabel}$  test value of  $4.629 > 3.13$  and its significance  $< 0.05$  i.e.  $0.000 < 0.05$  [6].

## II. METHODS

The research uses a qualitative research approach, by describing the results of the literature obtained, such as books, and published research journals. The results obtained will refer to the sources and objectives of the research carried out, in order to obtain the results achieved. In this study, later the researcher will also describe the literature studies obtained so that they can strengthen the research results.

## III. RESULT AND DISCUSSION

The Islamic economic system is not a new thing, if you look deeper into the economy, then of course you will find the economy in the time of the Prophet, where at that time the exchange rate was only on gold and silver. Along with the times, the Islamic economic system has been forgotten by many scientists, this certainly stems from the burning of the largest library in the world, where the library contains books written by Islamic scientists, then rewritten western scientists. Along with the development of the times, western scientists have begun to become famous, with the conventional system they have built, with the flower system, they have developed the economy in the world, and even many of the countries continue to develop the conventional system. Until finally, the world was hit by a crisis that caused countries that used the conventional economic system to experience an economic downturn, and the re-emergence of Islamic economies. Islamic economics is an economic system that is carried out using sharia principles, which are based on the Quran and hadith. In the Islamic economy, there are several indicators, including Islamic financial institutions, human resources, sharia management, and so on. Islamic economics is predicted to be able to solve economic problems in the country, because the Islamic economy is an economic system that combines the divine and the worldly. Both are collaborated so as to produce a rahma economy to the community. From some of the results of the research above, of course, it can be concluded, that the Islamic economy is able to take pernana in arranging the economy of a country. If we look at the crisis that hit the world, then of course we will remember Indonesia, a country affected by the crisis in the 1998 era.

This is where the Islamic economic system began to emerge, where people considered it the Islamic financial institution system used by muamalat banks at that time to be able to maintain the country's economy. At that time, Indonesians considered the sharia system or Islamic economy to be a new paradigm in the economy. In fact, the Islamic economic system is an old economic system that has now reappeared, due to the uninterruptedness of the conventional economic system implemented in several countries in the world. The non-custody of a country's economy, usually referred to as a crisis, is usually caused by a wrong policy, where according to Umar Chaptra, that common mistakes are problems that are only sought after in the symptoms, such as budget imbalance, excessive monetary expansion, a bloated balance of payments, rising protectionist tendencies, inadequacy of foreign aid, and of course insufficient international cooperation. This certainly has an impact on temporary recovery, so that then the crisis reappears, even in a more profound form [7]. Looking at the fundamental problems related to the national economic crisis, then of course find about the high interest rates regulated in a country. This certainly has an impact on meeting the needs of the community, which results in uncertainty in financing and production carried out by the company. High interest rates have resulted in many people getting uncertainty in making transactions.

High interest rates, too, result in uncertainty in the size of the investment market, can encourage browser and elader to shift market goals, from originally long-term debt goals, now to short-term debt

which will certainly lead to speculation. It is these facts that show that the interest system that exists in the conventional is more partial to one particular group or person, so there is no equalization in the economy. In the Islamic economy, this is certainly not allowed, there must be justice that will have an impact on the equitable distribution of the community's economy that occurs. The concept of justice that exists in the Islamic economy is a justice that can be said to be consultative, where in the deliberations there is such a thing as an agreement. In this system of propriety, talking about the profit sharing that is done, and also the sharing of losses for what has been done, is not the basis for referencing the low high of a reference, which has an impact on economic inequality. So that in the Islamic economic system, the concept of profit sharing is a concept that is able to carry out equality in the economy, of course, in this case the benefits and losses obtained will be divided according to mutual agreement.

#### IV. CONCLUSIONS

From the results of the presentation above, it can be concluded that the new paradigm offered by the Islamic economy is a system of justice or equality in the economy. In this case, the equalization in question is not an equalization of income obtained by each person, but an equal distribution of the economy which is certainly the absence of overlap in the midst of society. Of course, there are still many instruments about the new paradigm in the economy that have not been discussed, only on the limitations of researchers who think about the profit-sharing system, which is currently an indicator in achieving or alleviating poverty in Indonesia.

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