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MONETARY POLICY SYSTEM IN AN ISLAMIC PERSPECTIVE IN THE MODERN ERA IN OVERCOMING THE IMPACT OF INFLATION IN INDONESIA

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Abstrak − Kebijakan moneter dalam ilmu ekonomi Islam merupakan bagian dari cabang ilmu ekonomi yang membahas tentang hakikat, fungsi dan pengaruhnya terhadap aktivitas perekonomian di suatu negara. Moneter dalam Islam tidak hanya menekankan pada penawaran dan permintaan uang, tetapi juga prinsip keadilan dan persaudaraan yang setara, yang mengupayakan kesetaraan dan menciptakan distribusi kekayaan dan pendapatan yang adil. Menurut Islam, inflasi tidak menjadi masalah karena tentunya besar kecilnya harga sudah diatur oleh Allah, dan kita sebagai umat Islam tidak perlu khawatir karena Allah Maha Baik dalam memberikan razeki. Perlu kita ketahui bahwa penyebab inflasi sendiri dapat diatasi dengan berbagai aspek dan dalam jangka waktu tertentu akan kembali normal. Oleh karena itu, pemerintah perlu menstabilkan jumlah uang yang beredar guna meningkatkan kesejahteraan masyarakat.
Kata Kunci: Ekonomi Moneter Islam, Inflasi Islam.

Abstract − *Monetary policy in Islamic economics is part of the branch of economics which discusses the nature, function and influence on economic activity in a country. Monetary in Islam not only emphasizes the supply and demand for money, but also the principles of equal justice and brotherhood, which pursue equality and create a fair distribution of wealth and income. According to Islam, inflation is not a problem because of course the size of prices has been regulated by Allah, and we as Muslims do not need to worry because Allah is the best at giving razeki. We need to know that the causes of inflation itself can be overcome using various aspects and within a period of time it will return to normal. Therefore, the government needs to stabilize the amount of money in circulation in order to improve the welfare of societ.*
Keywords: *Islamic Monetary Economics, Islamic Inflation.*

INTRODUCTION

In every country, of course, government policies have been set, especially in our country, Indonesia, of course we already know that physical and monetary policies have also been set since the time of the Prophet until now and of course this is within the scope of Islam. And in each country, the government will establish a decision or policy aimed at ensuring stability in terms of economic, political, socio-cultural and defense, of course, in order to achieve prosperity for society.

Generally, the economy is divided into two sectors, namely those related to finance which are called the monetary sector and those related to goods and services which are called the real sector. Ideally, these two sectors must work in tandem and support each other, because failure in one sector will result in failure in the other sector. The widespread financial difficulties that have occurred or are occurring in the past and present are evidence that the implementation of the monetary system has largely bypassed the real sector. This occurs due to the monetary system being dominated by the interest system (Nasution Y. S., 2018).

Monetary policy is very important in every national activity, whether in the economy or in government in a country. This also drives many price differences in a country. Monetary policy plays a very important role in the economy, its presence is expected to focus on price stability and encourage output growth. (Aditya Wardhono, 2019)

Monetary policy can actually be carried out without using interest rate instruments.

This was proven during the time of Rasulullah SAW and Khulafaur Rasyidin. The economy in the Arabian Peninsula at that time was a trade economy, not an economy based on natural resources. If traders export goods, it means they are actually importing dinars or dirhams. On the other hand, if they import goods, it means dinars or dirhams are exported. Thus, the balance of demand and supply in the money market is a market derived from the balance in the market for goods and services. (Adiwarman A. Karim, 2001)

Monetary policy is an effort made to control macroeconomic conditions so that they can run as desired by regulating the amount of money circulating in the economy. This effort is carried out to ensure nutrient and inflation stability as well as a balanced increase in output. Almost all economic sectors are tied together so that the monetary sector develops faster than the real sector. This is because the monetary sector provides profits more quickly than the real sector.

Monetary policy is an Indonesian Bank instrument that regulates the money supply in a country. In Islam, monetary policy is more focused on society so that interest does not trigger an imbalance in society's welfare. Monetary policy in Islam is of course entirely based on economic resources with the aim of economic prosperity so that it works fully for a country.

Monetary policy is an effort to regulate or control the economic situation in a country. The efforts shown are to achieve higher economic growth, namely by stabilizing prices and avoiding inflation, by using monetary policy the government can also maintain, monitor, increase or reduce the amount of money circulating in a country. (Nanang Sobarna, 2019)

Monetary policy during the time of the Prophet Muhammad did not only use barter but did more than that. During the time of the Prophet, when recipients of money increased, dinars and dirhams were imported. On the other hand, if the demand for money falls, commodities will be imported. On the other hand, if money receipts fall, then commodities are imported. The value of gold and silver contained in dinar and dirham coins is the same as their nominal value, so it can be said that the supply of money is quite elastic. Excess money offered can be converted into jewelry items. This condition can cause the demand and supply of money to be quite stable. Rasullah's monetary policy was thus always related to the real sector. On the other hand the currency is very stable. Both of these things bring higher economic growth and stability.

So from the discussion above we can conclude that monetary economic policy has existed since the time of the Prophet Muhammad and in an increasingly advanced era with the development of technology and globalization, monetary economic policy will of course follow developments over time, but apart from all that, of course it must be within the scope of Islam. not using interest for the country's economic welfare and avoiding inflation so as not to harm society.

Inflation actually reflects the stability of the value of a currency. This stability is reflected in the stability of the price level which then influences the realization of achieving a country's economic development goals, such as meeting basic needs, equal distribution of income and wealth, expanding employment opportunities, and economic stability and can improve the country's economic prosperity for the community.

So long before the onset of inflation, the Al-Qur'an and Hadith provided the following instructions:

a. Q.S. Ali-Imran (3): 14 Meaning: "It is made to feel beautiful in the eyes of man, love for what he desires, namely women, children, large amounts of wealth in the form of gold, silver, chosen horses, livestock and rice fields field…"
b. HR. Muslim Meaning: "Woe to those who are enslaved by wealth (capital), whether in the form of gold (dinar), silver (dirham), or others."

The existence of inflation problems and the instability of the real sector from time to time has always been a concern for the government in power and the monetary authorities. More than that, there is a tendency for inflation to be seen as a problem that will always occur. This is reflected in the monetary authority's policy in maintaining the inflation rate. Every year the monetary authority always targets that the inflation figure or rate must be reduced to single digits or moderate inflation.

As for the definition of internal inflation Dictionary of Economics is defined as an increase in the general price level in an economy that occurs continuously over time. Meanwhile, Bank Indonesia defines inflation as the tendency of prices to increase generally and continuously.

With such a paradigm of thinking, the monetary authorities in their efforts to resolve the inflation problem tend to "dwell" on how to reduce high inflation rates, rather than thinking about how to prevent inflation from occurring. The monetary authorities' efforts to control inflation are indeed very reasonable. Mainly due to the impact of inflation on economic growth. In terms of costs, the costs that the government must bear due to inflation are very large. The occurrence of inflation can distort relative prices, tax levels, real interest rates, disrupt people's income, encourage wrong investments, and lower morale. Therefore, overcoming inflation is the main target of monetary policy. (Law No. 23 of 1999)

R. Mc. Connell Camobell and Stanley L. Brue (1990:432) describe inflation as a rise in the general level of prices, which means that inflation is a general increase in prices of goods/commodities and services during a certain time period. In general, inflation is caused by an increase in people's purchasing power for an item. When people's purchasing power for an item increases, it means that people's demand for an item increases but the stock of that item is small or limited, resulting in an increase in prices. Increased production costs will also cause inflation, due to an increase in raw material prices and an increase in employee salaries. So producers take action to increase prices. Apart from that, the large amount of money circulating in society will cause inflation. This is because, if there is a large amount of money in circulation, people's purchasing power for an item will increase and the item will be limited, resulting in an increase in prices.

According to Adiwarman Azwar Karim (2004:424), the meaning of Islamic inflation is no different from conventional inflation. Inflation is defined as a symptom of a general and continuous increase in the price of goods. Thus, inflation is a symptom that occurs due to an increase in the price of goods intentionally or naturally and does not only occur in one place, but throughout the country and even the world. This price increase continues continuously or for a long time and could become even higher if a solution is not found to solve the problem that causes inflation.

So it can be concluded that inflation is a general increase in prices, usually an increase in goods/commodities within a certain period of time. This inflation is also very disturbing for the community because production costs increase, resulting in not all of the community's basic needs being met properly.

So it is very clear that in relation to the Islamic monetary economic system it is very important to avoid high levels of inflation, although sometimes it cannot be denied that inflation will occur in every certain period.

The phenomenon or background of monetary economic problems in the modern era is still being questioned, especially in Indonesia, even though Islam is implemented, but every certain period the inflation rate is increasing because one of the causes is corruption.

Through the title“Monetary Policy System from an Islamic Perspective in the Modern Era in Overcoming the Impact of Inflation in Indonesia"The research was conducted to determine the extent of the impact of overcoming Islamic monetary economic variables on inflation in Indonesia.

METHOD STUDY

In writing this journal, a qualitative research approach was used. With techniques and presenting the results in narrative form, and emphasizing the search for meaning, concepts and understanding or describing events. In this qualitative approach, there is literature using books, relevant literature, and types of data in the form of documents in published sources. Then the author examines and draws conclusions from the sources collected to describe monetary policy problems in Islamic economics. Data collection techniques were carried out following the publication sources. Descriptive means that the results are described as clearly as possible based on research that has been carried out without drawing any conclusions from the research.

RESULTS STUDY

Bank Indonesia Sharia Certificate (SBIS)

SBIS is a securities based on sharia principles, short term in rupiah currency issued by Bank Indonesia in order to increase the effectiveness of the monetary mechanism with sharia principles. (Daniar, 2016).

So from the results of the data and journals that the author obtained, it can be concluded that the influence of SBIS is in the same negative direction as SBI because the SBIS profit sharing rate is still directed based on the discount rate of the auction results for Bank Indonesia Certificates (SBI) with a period of one month (Daniar, 2016). Meanwhile, Noviasari (2012) stated that the impact of SBIS is that if more and more people invest in sharia banking, then SBIS will increase and then aggregate demand will experience the same thing, so that people's income will experience growth and on the other hand inflation will decrease.

Sharia Banking Financing (FINC)

By definition, financing is the provision of funds used to support investment planning (Yusuf & Sari, 2013).

The sharia banking financing component (FINC) consists of profit sharing, buying and selling, rental and loan transactions. However, FINC prioritizes supporting the development of the real sector, especially cooperation products or profit sharing. Through cooperative financing, it is hoped that it will have a positive impact on community productivity thereby increasing income (Asnuri, 2013). From a monetary perspective, FINC is used by banks to increase the money supply (Daniar, 2016).

Based on research by 'Ayuniyyah, Achsani & Ascarya (2010), total sharia bank financing turns out to have a significant effect in increasing real output production. This happens because financing that is influenced by profit sharing will have a positive impact on inflation (Ascarya, 2012). FINC's positive influence can be explained by financing theory which states that FINC is prioritized to drive the development of the real sector, especially in the form of cooperation or profit sharing, where this has an impact on people's productivity in producing goods and services and increasing people's income (Asnuri, 2013) . Apart from that, FINC is used by banks to increase the money supply (Daniar, 2016).

Government Sukuk (SBSN)

The issuance of state sukuk is one of the government's steps to reduce the money in circulation to return to the central bank (Daniar, 2016). In its definition, State Sukuk are State securities issued based on sharia principles as proof of participation in SBSN assets, both in rupiah and foreign currency (Directorate General of Debt Management, 2018). Government Sukuk can be issued as long as it does not conflict with sharia principles.

Based on research by Fauziyah (2015), the mechanism of sharia monetary transmission through the asset price channel is better than conventional monetary in its influence on the

CPI.

Effectiveness of the Sharia Monetary Policy Transmission Mechanism (MTKM) in Overcoming Inflation

The effectiveness of monetary policy can be assessed from the IRF and FEVD results. In essence, the ineffectiveness of monetary policy in tackling inflation indicates that there are other things that are more powerful in influencing inflation. If we look at sharia monetary policy theory, controlling inflation is achieved by using full bodied money, a 100 percent reserve banking system and a profit sharing financial system ('Ayuniyyah, Achsani, & Ascarya, 2010).

The application of a profit-sharing financial system has indeed been implemented, but unfortunately there are still many profit-sharing which instead refer to the interest system. As a result, the profit sharing function itself becomes biased because it does not differ from the interest rate. This is evident from research results on SBIS yield levels which refer to SBI interest rates (Daniar, 2016).

Apart from that, a 100 percent reserve banking system is a concept where a bank converts all of its deposits into reserves which are handed over to the central bank. This concept has the effect of not creating new money, so that the Government does not get unfair income from money in circulation due to seignorage. Furthermore, new purchasing power will not arise, therefore there is no ribawi element in this concept and it does not create an inflationary effect. (Ascarya, Hasanah, & Achsani, 2008).

The economic system (based on fiat money) contains many problems within it. Paper currency will continue to be threatened by inflation because its value will not be the same from time to time, in the end the difference in the value of the paper currency will result in a party's profit (Hidayat, 2009).

This can be clearly seen from the continued increase in the value of the dollar in addition to the weakening of various currency exchange rates, including the rupiah. Therefore, the use of full bodied money, where the intrinsic value is the same as the nominal value of the money, can be used as an alternative. ('Ayuniyyah, Achsani, & Ascarya, 2010).

So, from the research results quoted from various journals and the official website of BI (Bank Syariah Indonesia), conventional monetary policy is considered not to take long to stabilize the inflation rate with a small amount. In contrast to this, sharia monetary policy is considered to require more time to stabilize inflation but the magnitude is greater. Therefore, it is hoped that the government will continue to make improvements to the conventional and sharia monetary policies implemented.

CONCLUSIONS

Based on the explanation of the material above, it can be concluded that Islam has a different monetary policy from other economies. The monetary practice used during the time of the Prophet Muhammad SAW was a bimetallic standard with gold and silver (dinar and dirham) in constant circulation. Monetary policy is a policy where the central bank regulates the amount of money distributed and the distribution of money to achieve domestic balance (fast economic growth, price stability, fair development) and external balance (balance of payments).) the achievement of a macro economy to maintain economic stability as seen from employment opportunities, price stability and payment methods.

And the aim of monetary policy is to improve the trade balance and balance of payments. When the rupiah weakens against foreign currencies, the prices of goods produced in Indonesia fall in the free market, which strengthens competitiveness and strengthens exports. Increasing export volume improves trade and the balance of payments.

Monetary policy in a sharia economy must also be free from the influence of interest rates and usury. In sharia, usury also includes bank interest which is strictly prohibited in the

Koran. Currency management in the sharia economy is based on the principles of profit sharing.

The monetary policy tool in Islamic economics is Sharia law. The implementation of all conventional monetary policy tools and valuables also contains usury and interest components. Therefore, conventional tools include various elements of interest and usury that cannot be used to implement sharia monetary policy.

According to Islamic economists, inflation has very bad consequences for the economy because: It causes disruption to the function of money, especially the function of savings, the function of prepayments, and the function of the unit of calculation. Weakening the spirit of saving and attitudes towards saving from the community. Increasing tendency to shop especially for non-primary and luxury goods. Directing investment towards non-productive things, namely the accumulation of wealth such as: land, buildings, precious metals, foreign currency at the expense of investment in productive areas such as: agriculture, animal husbandry, mining, industry, trade, transportation, services and others.

So from the conclusion above, it can be concluded that inflation according to Islam is not a problem because of course the price measurement has been regulated by Allah, and we as Muslims do not need to worry because Allah is the best at providing sustenance. We need to know that the causes of inflation itself can be overcome using various aspects and within a period of time it will return to normal. Therefore, the government needs to stabilize the amount of money in circulation in order to improve the welfare of society.

That's how the author created this journal. Hopefully this will be useful for readers, in this journal there will of course be lots of corrections from readers, because the author realizes that this article is far from perfect. Therefore, the author hopes for constructive criticism and suggestions from readers, with which all the authors hope that this article will be even better.

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