FISCAL AND MONETARY POLICY SYNERGY IN THE FRAMEWORK OF ISLAMIC ECONOMICS: SOLUTIONS TO MACROECONOMIC STABILITY CHALLENGES

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ABSTRACT

This research aims to obtain the results of a synergy analysis of fiscal and monetary policies within the framework of Islamic economics: solutions to the challenges of Islamic macroeconomic stability. The research method uses a qualitative approach, field data collection uses analytical techniques, reading, summarizing and selecting material. To understand the data we take from various journals by researching and reading carefully. Synergy between fiscal and monetary policies is a key element in achieving sustainable economic stability, especially in the context of countries that apply Islamic economic principles. Within this framework, both policies not only aim to achieve economic growth, but also to ensure social justice and societal welfare. Fiscal policy, which includes government spending and taxation, functions to manage resources and support programs that benefit society. The research results show that in the context of macroeconomics, another important economic fundamental is government fiscal policy. Monetary strategy for Fiscal policy in Macroeconomics, namely the implementation of fiscal policy and monetary policy carried out by these two different institutions must not conflict with one another, where both must mutually adjust the policies they make. To maintain national stability in the economic sector, the government needs to keep the inflation rate from exceeding 5%. One of the government's efforts to overcome this inflation problem is by implementing fiscal policy and monetary policy.

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INTRODUCTION

In the context of this increasingly complex global economy, the challenge of macroeconomic stability has become a crucial issue for many countries, including countries with a majority Muslim population. The synergy between fiscal and monetary policy is one of the approaches that can be optimized to face these challenges. In the framework of Islamic economics, these two policies not only focus on economic aspects alone, but also consider moral and ethical principles that are in line with Islamic teachings. Fiscal policies that include government spending and taxation, as well as monetary policies related to controlling the amount of money and interest rates, must be designed to support each other in creating sustainable economic growth. By integrating Islamic economic principles, such as social justice, sustainability, and the prohibition of usury, this synergy can be an effective solution to mitigate inflation, unemployment, and economic inequality.

Synergy between fiscal and monetary policies is a key element in achieving sustainable economic stability, especially in the context of countries that apply Islamic economic principles. Within this framework, both policies aim not only to achieve economic growth, but also to ensure social justice and community welfare. Fiscal policy, which includes government spending and taxation, serves to manage resources and support programs that benefit society. On the other hand, monetary policy, which deals with regulating the money supply and interest rates, plays a role in maintaining currency value stability and controlling inflation. The integration of these two policies in the context of Islamic economics emphasizes compliance with sharia principles, such as the prohibition of usury, ethics in transactions, and social responsibility. With this approach, it is hoped that the synergy of fiscal and monetary policies can overcome economic challenges, increase competitiveness, and create more equitable welfare for all levels of society.

The challenge of macroeconomic stability has become a major concern for many countries around the world, especially in the face of global market turmoil, fluctuations in commodity prices, and the impact of climate change. Economic uncertainty can result in high inflation, unemployment, and widening social inequality. In this context, the search for effective solutions to achieve macroeconomic stability is becoming increasingly urgent. Holistic and sustainable solutions are needed to address these challenges. An approach that combines fiscal and monetary policy, real sector development, and strengthening the financial system is a strategic step that can be taken. In addition, innovation in economic policy, the application of technology, and the strengthening of international cooperation can also contribute to creating a stable economic environment

RESEARCH METHODS

The research method used in this study is a qualitative approach research method with the type of library research. Data sources such as books, journal articles, research reports, and other relevant documents. in the form of several articles and journals on the synergy of fiscal and monetary policies in the framework of Islamic Economics: solutions to challenge macroeconomic stability. The data collection technique used in this study uses techniques from sources such as books, journal articles, research reports, and other relevant documents. The technical data analysis in the research is, (1) Read and observe each source to understand the context and content carefully of several articles or journals about the synergy of fiscal and monetary policies in Islamic Economics (2) Group information based on themes or categories that arise from data related to macroeconomic stability, (3) Combine information from various sources to form a more holistic understanding of the topic being researched about. Fiscal and monetary policy synergy in Islamic Economics: solutions to macroeconomic stability challenges, (4) Analysis of how previous research supports or contradicts existing findings on fiscal and monetary policy synergies in Islamic Economics: solutions to macroeconomic stability challenges

RESULT AND DISCUSSION

Coordination of Fiscal and Monetary Policy

Based on the research conducted, it has been found that fiscal and monetary policies must work in a coordinated manner without any overlap in the implementation of their policies. Coordination between institutions responsible for implementing both fiscal and monetary policies can be carried out through the following scenarios expansionary policies on fiscal and monetary policy, contractionary monetary policy and expansionary fiscal policy; 3) expansionary monetary policy and contractionary fiscal policy, contractionary monetary and fiscal policies. monetary and fiscal policies in the Islamic financial and economic system. Central banks, by buying and selling risk-sharing securities, directly affect the financial portfolios of the private sector, households and companies and indirectly by influencing bank holdings and conditions in the capital markets, which in turn affect real economic activity. Household and corporate decisions impact the real rate of return in the economy, which again affects economic activity; Meanwhile, financial signals to the capital market through central bank policies affect the availability of real resources for investment (Dodi et al.2023).

The Development of Islamic Economics in Indonesia The concept of Islamic economics is a fair economic concept. In a literature it is described that "Islamic Economics is a systematic study of the economic problem of man and its solutions in the light of the Qur'an and the Sunnah" (Tahir, 2017). In short, Islamic economics is a system that studies human economic problems, the solutions of which are sourced from the Qur'an and Hadith. Therefore, the development of Islamic economics must be followed by a form of practice of economic activities aimed at the happiness of the world and the hereafter. To achieve. Muslims, Muslims have the Qur'an and as-Sunnah (Hadith) as a guideline for life (Muhammad et al. 2019). Sadono Sukirno defines fiscal policy as referring to or directing any step set by the government as a matter of changing the tax code or a way of spending money in an effort to overcome the country's current economic problems. So, what is said by fiscal policy is the provisions regulated by the government, especially financial institutions, revenues or revenues received and regulating public expenditure in a country or a country's debt to carry out development that will later achieve economic stability structured in the state budget. Therefore, it is believed that fiscal policy can be used to control human attitudes towards something that affects the loss of increased government revenue.

According to J. Chelliah, the following fiscal policy objectives must be pursued to achieve rapid economic growth, namely improve the relationship between savings and income (y) to consumption. Increase investment. Drive efficient load or charge flow. Minimize significant wealth and income gaps. According to Imam al-Ghazali, fiscal policy is one of the strategies which is used in Islamic economics to achieve sharia goals, which includes maximizing wealth while maintaining faith, soul, wealth of knowledge, and assets. According to sharia economics, a nation that has characteristics of moral orientation or manners, ethics, and certain social dimensions in its income and expenditure must implement fiscal policies to fulfill the functions of allocation, distribution, and stabilization. However, this must be ensured by the Islamic tax system, which must ensure that the wealthy and those who benefit from the wealth pay the highest tax rates.

Inflation Control

An example of inflation control in a macroeconomic perspective. An increase in the price of just one or two goods cannot be called inflation unless the increase extends (or results in an increase in price) of other goods. An indicator that is often used to measure the inflation rate is the Consumer Price Index (CPI). Changes in the CPI from time to time show the price movements of packages of goods and services consumed by the public. The determination of goods and services in the CPI basket is carried out on the basis of the Cost of Living Survey (SBH) carried out by the Central Statistics Agency (BPS). Then, BPS will monitor the price development of these goods and services on a monthly basis in several cities, traditional and modern markets on several types of goods or services in each city. Talking about inflation, we inevitably have to look at the form of inflation itself, namely creeping inflation and inflation that continues to be sustainable and considered serious if it exceeds the 5% limit, as well as how the government can overcome this type of inflation. Zero inflation or inflation at zero percent is the hope and goal of the government in overcoming the national economic system is very difficult to realize. To maintain national stability in the economic sector, the government needs to keep the inflation rate from exceeding 5%. One of the government's efforts to overcome this inflation problem is to carry out fiscal policy and monetary policy.

Fiscal policy by reducing government expenditure is implemented by the Ministry of Finance, while monetary policy is carried out by Bank Indonesia (Rahma Saiyed, and STIE Wira Bhakti Makassar. 2021). Bank Indonesia and the Government remain committed to achieving the inflation target through policy coordination that is consistent with the inflation target. One of the efforts to control inflation towards low and stable inflation is to shape and direct people's inflation expectations to refer to (anchor) the inflation target that has been set. Before Law Number 23. In 1999 regarding Bank Indonesia, the inflation target was set by Bank Indonesia. Meanwhile, after the law, in order to increase the credibility of Bank Indonesia, the inflation target is set by the government. Bank Indonesia's monetary policy is aimed at managing price pressures stemming from aggregate demand management relative to supply-side conditions.

In this case, monetary policy is not intended to respond to the increase in inflation caused by temporary surprises that will disappear on their own over time. An increase in the price of just one or two goods cannot be called inflation unless the increase extends (or results in an increase in price) of other goods. An indicator that is often used to measure the inflation rate is the Index. Consumer Price (CPI). Changes in the CPI from time to time show the price movements of packages of goods and services consumed by the public. The determination of goods and services in the CPI basket is carried out on the basis of the Cost of Living Survey (SBH) carried out by the Central Statistics Agency (BPS). Then, BPS will monitor the price development of these goods and services on a monthly basis in several cities, traditional and modern markets on several types of goods or services in each city. Monetary and Fiscal Control in Macroeconomics. The implementation of fiscal policy and monetary policy carried out by these two different institutions must not contradict each other, where both must adjust the policies they make. One of the actions that must be taken by Bank Indonesia in overcoming this inflation problem is by reducing the money supply and raising interest rates, where this monetary policy will reduce investment and household spending. Meanwhile, the policy carried out by the Ministry of Finance in the form of fiscal policy is by reducing expenditure and increasing individual and corporate taxes. These two measures can reduce government spending, reduce investment and reduce household spending (Triwahyuni. 2021)

CONCLUSION AND SUGGESTION

In the Synergy of Fiscal and Monetary Policy in the Framework of Islamic Economics: Solutions to the Challenges of Islamic Macroeconomic Stability. That monetary policy is an important instrument of political policy in the economic system, both modern and Islamic. The fundamental difference lies in the purpose and prohibition of interest in Islam. The condition for achieving and ensuring the proper functioning of the monetary system is that the monetary authority must supervise the entire system. Monetary policy and fiscal policy are macroeconomic policies that are very important in relation to achieving inflation targets and economic growth. Monetary and fiscal policies in the Islamic financial system and economy. By buying and selling risk-sharing securities, it directly affects the financial portfolios of the private sector, households and companies, and indirectly with the problem of inflation, namely by reducing the money supply and raising interest rates, where this monetary policy will reduce investment and household spending. Affecting bank ownership and conditions in the capital market, which in turn affects real economic activity. Household and corporate decisions have an impact on the real rate of return in the economy, which again affects economic activity; Meanwhile, financial signals to the capital market through central bank policies affect the availability of real resources for investment.

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