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MACRO ECONOMIC POLICIES IN INDONESIA: A STUDY OF ISLAMIC ECONOMIC PERSPECTIVES

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Abstract

Indonesia as a country with the largest Muslim population in the world, Indonesia has not yet been ranked the highest in various fields of Islamic economics. Therefore, this study intends to analyze fiscal and monetary policies that can be the basis for developing sharia economic policies in Indonesia. This research method uses a qualitative type with a library research approach. The results of the study found that fiscal policy in an Islamic economic review is an obligation of the state to become the rights of the people, so that fiscal policy is not only a necessity for economic improvement and increasing people's welfare, but rather on the creation of a fair economic distribution mechanism. Monetary policy in the view of Islamic economics should be free from elements of usury and bank interest. Because in the perspective of Islamic economics, usury which includes bank interest is strictly prohibited. With this prohibition, bank interest, which in a capitalist economy becomes the main instrument of monetary management, is no longer valid. The Indonesian nation as a country with a majority Muslim population is ideally able to implement fiscal and monetary policies that are in accordance with Islamic economic principles or Sharia compliance.

Keywords: Fiscal policy, monetary policy, and Islamic economics.

Introduction

The objectives of macroeconomic policy are to stabilize economic activity, achieve full employment without inflation, avoid inflation problems, create steady economic growth, and achieve a stable balance of payments and foreign exchange rates (Walyoto et al., 2021). Stabilizing economic activity can be done by increasing the use of labor, stabilizing price levels so that they do not show significant changes, and balancing exports and imports as well as capital flows from/to abroad (Prasetyowati & Meiria, 2021).

It is very difficult for the Indonesian government to achieve very low or nominally zero percent inflation in a sustainable manner in a developing economy (Dewi & Hutomo, 2021). Therefore, the way to do it in the long term is to keep the inflation rate at a very low position. The importance of the role of the Indonesian government is due to the fact that every policy taken by the Indonesian government affects and causes inflation or non-inflation. The Indonesian government also plays a role in controlling the rate of inflation (Purwono et al., 2020). Then to keep the economy stable, the Indonesian government is required to implement policies to reduce the inflation rate, including fiscal policy and monetary policy (Adinugraha, Effendi, et al., 2021).

Fiscal policy itself is an Indonesian government policy made to regulate the economy of a country using Indonesian government taxes and aims to stabilize the economy, reduce the unemployment rate in a country (Laksa pratama et al., 2020). Meanwhile, the Indonesian government policy issued by the Central Bank is a monetary policy that aims to restore and stabilize the economy of a country and to control and control the amount of money circulating in the community (Santosa et al., 2020).

The policy package in an Islamic economy must include more humane policies to produce social justice, both statically and dynamically (Mugiyati, 2008; Mohammed et al., 2020). Meanwhile, the role of individual initiative must be given sufficient consideration. An Islamic economy in general will be controlled by the direction and control of the government or economic activities based on Islam (Adinugraha & Mashudi, 2018;

Rohmati et al., 2018; Altundere & Ersoy, 2019; Anwar & Febrianto, 2020; Adinugraha & Mujaddid, 2021; (Riyanti, 2022).

The Islamic approach in general is the exploitative content of existing institutions and turning them into active elements in the process of change. While personal wealth will be maintained formally, although on a scale that is very much reduced to satisfy the inner human need for security guarantees. This institution will not be allowed to grow into an incubus and destroy the process of social change towards a more egalitarian society (Sarker et al., 2020).

This approach aims to liberate people from the social decline that always goes hand in hand with poverty, while stimulating them not to forget their responsibilities to society (Olaide & Ibraheem Alani AbdulKareem, 2021). In an Islamic society, this economic process that is not completely materialistic must be essentially non-exploitative, which in no way opens up space for reactionaries who thwart all social reforms, fearing that social reforms will be targeted at society.

Methods

This research is a type of qualitative research with a library research approach, namely research whose object of study uses library data in the form of books as a data source (Cresswell & Creswell, 2018). This research was conducted by reading, reviewing, and analyzing various existing literatures, in the form of fiscal and monetary policies in Indonesia as well as the results of research related to these two policies and elaborated on their review in Islamic economics.

The data analysis technique used in this research is descriptive method, namely research that seeks to describe and interpret what exists, opinions that are growing, ongoing processes, consequences or effects that occur or developing trends regarding fiscal and monetary policies in Indonesia. In addition, the researcher also uses a comparative method, namely the researcher tries to determine the causes or reasons for the differences or comparisons between the reality of fiscal and monetary policies in Indonesia with the view of Islamic economics.

Result and Discussion

Government Policy Objectives in Islamic Economy

The objectives of government policies are divided into two, namely those that are economic in nature and those that are social and political (Yuille et al., 2022). The economic objectives are to provide vacancies and employment opportunities for the community; to increase the level of prosperity for the community; and to improve revenue or income sharing.

The socio-political objectives are to increase the level of prosperity and welfare as well as stability in each family; to avoid various problems in terms of crime; and to create and produce stability in the political field (Ismail et al., 2020).

Policy objectives in an Islamic state must be fully in accordance with Islamic legal principles and values (Duguri et al., 2021). The main purpose of Islamic religious law is to achieve the benefit of mankind, and this benefit can only be achieved if the entire legal system in Islamic economics is in accordance with Islamic ideology based on the Qur'an and the Sunnah of the Prophet (Sholehuddin et al., 2021).

There are three main objectives of economic policy, namely maximizing the level of utilization of natural resources (Awdel et al., 2020). In this case, a Muslim can obtain property rights over natural resources after fulfilling his obligations to society. The use and maintenance of these natural resources can lead to 2 components of income, namely income from natural resources itself, namely pure economic rent, and income from improvements in the use of natural resources through human labor and capital; Minimization of distributive inequality. Minimizing distributive inequality in this case is regulated in the Qur'an and Sunnah, for example the prohibition on excessive consumption, besides that there is also the principle of equality of self-esteem and brotherhood and the principle of not wanting the concentration of wealth and income in a certain small number of people. To anticipate the occurrence of this, the government set a policy with 3 things, namely;

Implementing a progressive taxation system on an income, imposing inheritance taxes and on inherited property rights with a progressive ratio and distribution of tax proceeds, especially those collected from the rich to the poor through representatives of social services. These three things are intended for equity and justice in obtaining and enjoying all natural wealth, and this is in accordance with the objectives of Islamic economics.

The means of economic policy are the tools used to achieve economic goals (Wydra, 2015). The means used by economic managers in the Islamic economy vary widely, ranging from moral encouragement and ending with the direct implementation of economic mechanisms. The main tools in the hands of economic officials are; 1). Monetary instruments, in this case include the management of exchange rates and the management of interest-free credit, as well as the percentage of zakat monoterization, both for the purpose of collection and distribution. 2). Physical tools, including taxation policies and state spending as well as issues of budget surplus and deficit. This Islamic principle of physical means and expenditure budget aims to develop a society based on the distribution of wealth. 3). The means of production, a fundamental principle that must always be considered in the production process is the principle of economic welfare. Economic welfare according to the Islamic concept lies in the fact that it does not neglect the general welfare. Thus, the means of production in an Islamic economy must be controlled with both objective and subjective criteria. The objective criteria are measured by material welfare, while the subjective criteria must be reflected in the welfare which is assessed in terms of Islamic economic ethics. 4. Distribution tools, this relates to the allocation of assets and income among individuals, in this case the application of zakat for people who can afford to be distributed to the poor. 5. Implementation and adjustment of the law to moral standards, an integral part of the political unity of Muslims is the existence of the Hisbah institution, whose role as formulated by ibn Taimiyah is to carry out supervision of social and economic behavior, so that they carry out what is right and leave what is wrong. This is related to extensive education and economic ethics that economic actors need to carry out.

Indonesian Government Macroeconomic Issues

Macroeconomics is a part of economics that analyzes economic activities as a whole (in a broad scope) such as inflation, national income, employment, unemployment, fiscal policy, monetary policy, balance of payments, investment, and others. Economic phenomena are thoroughly studied in macroeconomics, such as inflation, unemployment, national income, employment, unemployment, fiscal policy, monetary policy, balance sheet, payments, investment, and economic growth. Problems in Macroeconomics The issues discussed in macroeconomics are dominated by issues in the public or state scope. Problems in the macroeconomic sector include the increase in the government's budget deficit, increasing unemployment, high poverty rates, inequality in development in each region, and inequality in the distribution of people's income.

Economic Growth Problems. Economic growth is intended as the development of economic activity in order to provide goods and services produced in the community to increase, and the prosperity of the community to increase. The problem of economic growth is a long-term economic problem (five years, ten years, or even twenty five years).

Instability Problem. The economic activity of a country's economy does not always develop regularly or up and down. When it rises, the economy develops very rapidly, causing prices to rise. However, in other periods the economy experienced a setback. It even experienced a slump and was at its lowest point.

Unemployment and Inflation Problems. Unemployment is a condition when a person belongs to the labor force and wants to get a job, but has not yet found a job. The main factor causing unemployment is the lack of aggregate spending and economic insight. On the other hand, the economic condition of a country experiences continuous price increases, resulting in inflation. The impact of inflation on the poor tends to be greater. Inflation is basically synonymous with regressive and arbitrary taxes. The burden is experienced disproportionately by low-income groups. The problem is caused by two things: poor households generally place their wealth in cash compared to financial assets that have an interest bearing asset and the ability of low-income groups to manage and protect the real value of income and assets from inflation, generally lower than the "the better off" group.

Balance of Trade and Balance of Payments Issues. Export and import activities are an important part of a country's economic activities. The term open economy means an economy that has economic relations with other countries, mainly carried out by carrying out export and import activities, which will determine the size of the trade balance. In addition to the balance of trade, the balance of payments is also very important and needs to be made by a country. Therefore, the balance of payments is a summary of the books showing the flow of payments made by other countries into the country, and from within the country to other countries. If the balance of payments is in a deficit, which means that exports are smaller than imports, it will have a bad impact on economic activity, because payments to foreign countries exceed receipts from abroad.

Poverty and Equality. At the end of 1996, the number of poor people in Indonesia was 22.5 million people or about 11.4% of the total population of Indonesia. However, as a result of the prolonged economic crisis since mid-1997, the number of poor people at the end of that year jumped to 47 million people or about 23.5% of the total population of Indonesia. At the end of 2000, the number of poor people fell slightly to 37.3 million people or about 19% of the total population of Indonesia. In terms of the distribution of national income, the Indonesian population is in poverty. Most of the wealth is owned by large income groups or Indonesia's rich groups (Azizah, 2022).

Structural Reform: Recent Fiscal Policy Focus of Indonesian Government

Fiscal policy is a policy to regulate and manage all activities in the economy. Through expansionary fiscal policy, government spending can encourage economic growth in times of economic downturn. The trick is to increase government spending or reduce taxes to increase total economic output, which leads to an increase in income, and which will reduce the amount of unemployment that occurs in society (Barna & Ruschyshyn, 2020). On the other hand, in the case of overheating caused by excessive aggregate demand, fiscal policy can be carried out through a reduction policy, and balance the demand and supply conditions for economic resources by reducing government spending or increasing taxes (Jakopin, 2020).

The focus of the Indonesian government's fiscal policy in 2022 will be on economic recovery and structural reforms. In order to realize that focus, he said fiscal policy would be directed at several important targets.

First, accelerating the handling of COVID-19 by strengthening the health sector as the key to economic recovery. In this focus, the government will intensify vaccinations, health protocols, provision of health facilities including emergency hospitals, health workers and medicines.

Second, maintaining resilience, continuity and accelerating economic recovery through social protection programs, support to the business world and Micro, Small and Medium Enterprises (MSMEs) by providing the Family Hope Program, basic food cards, pre-employment cards, direct cash assistance sourced from the Village Fund, People's Business Credit (KUR) interest subsidies, and incentives for the business world.

Third, maintaining the momentum of structural reforms to increase competitiveness and production capacity through superior human resources and integrity, a reliable health system, adaptive social policies and supporting infrastructure for economic transformation.

Fourth, fiscal reform to be more comprehensive by carrying out tax reforms, using better state spending (zero based budgeting), reserves to anticipate uncertainty, financing innovations for Government Cooperation with Business Entities, Sovereign Wealth Funds, Special Mission Vehicles, and debt control.

Fifth, maintain the implementation of the 2022 State Revenue and Expenditure Budget optimally as the foundation for fiscal consolidation in 2023, namely with structural reforms that must be optimal, fiscal reforms must be successful, and become a shared commitment across ministries or agencies (Rika, 2022).

ITF: Indonesian Government 's Monetary Policy Framework

In implementing monetary policy, Bank Indonesia adheres to a framework known as the "Inflation Targeting Framework" (ITF). The ITF is a framework with monetary policy directed at achieving the inflation target that is set in the future and announced to the public as a manifestation of the commitment and accountability of the central bank. The ITF is implemented using the policy interest rate as a signal of monetary policy and the Interbank Money Market interest rate as the operational target. This framework has been formally implemented since July 1, 2005, after previously using a monetary policy framework with base money as the target of monetary policy.

Based on the experience of the 2008/2009 global financial crisis, one of the important lessons that emerged was the need for sufficient flexibility for the central bank to respond to increasingly complex economic developments and the increasingly strong role of the financial sector in influencing macroeconomic stability. Based on these developments, Bank Indonesia strengthened the ITF framework to become a Flexible ITF.

Flexible ITF is built by staying based on the important elements of the ITF that have been built. The main elements of the ITF include the announcement of the inflation target to the public, monetary policy that is pursued in a forward-looking manner (monetary policy is directed to achieve the inflation target in the coming period due to the consideration of the time lag effect of monetary policy).

Policy accountability to the public remains an inherent part of the Flexible ITF. The Flexible ITF framework is built based on 5 main elements, namely inflation targeting strategy as the basic strategy of monetary policy, integration of monetary and macroprudential policies to strengthen policy transmission and at the same time strive for macroeconomic stability, the role of exchange rate policy and capital flows in supporting macroeconomic stability, strengthening policy coordination between Bank Indonesia and the Government for inflation control as well as in maintaining monetary and financial system stability, and strengthening policy communication strategies as part of policy instruments.

The global financial crisis that occurred in 2008/2009 required the central bank to stabilize the financial system and save the economy. Policies that only prioritize the implementation of the ITF are no longer considered appropriate. This is because the strict implementation of the ITF only focuses on the monetary policy mandate to keep inflation in line with the target, it is not enough to maintain the stability of the economic system as a whole.

The role of the financial system is getting bigger in the economy, so the impact of financial system instability is becoming more significant. This is reflected in the high cost of rescue and the impact of the 2008/2009 global financial crisis. This raises awareness of the importance of the central bank’s role in maintaining financial system stability. The application of ITF to achieve price stability only meets the necessary but not sufficient conditions.

After the global financial crisis of 2008/2009, the central bank is required to further strengthen the stability of the financial system to ensure that the economy is in a stable condition, both in terms of the macroeconomy and the financial sector. For this reason, the successful implementation of the ITF must be supported by a macroprudential regulatory framework in the financial sector. Therefore, Bank Indonesia strengthened the ITF framework to become a flexible ITF by further strengthening its mandate in maintaining price stability and contributing to financial system stability.

The achievement of the ITF and Flexible ITF overriding objectives is the same, namely inflation control. A new dimension since the global financial crisis has been the development of the central bank’s role in maintaining financial system stability in an integrated manner with the mandate to achieve price stability. The embodiment of Flexible ITF is that there is room for flexibility in integrating the framework of monetary stability and the financial system through the application of monetary policy mix instruments, macroprudential, exchange rates, capital flows and institutional strengthening to optimize the role of policy coordination and communication.

In relation to the inflation targeting strategy, Bank Indonesia announced an inflation target for a certain period in the future. The inflation target is set by the government in coordination with Bank Indonesia for the next three years through a Minister of Finance Regulation. Every period, Bank Indonesia evaluates whether future inflation projections are still in line with the set targets. This projection is carried out using a number of models and various available information to describe future inflation conditions as the basis for the monetary policy adopted. This is an implication of the effect of delay/time lag in monetary policy so that the target in implementing monetary policy is based on forecasts of future inflation. Efforts to achieve these targets are carried out through a policy mix response by meeting the aspects of transparency and accountability.

Bank Indonesia reports on the implementation of these duties regularly to the House of Representatives and the Government. On a regular basis, Bank Indonesia also explains to the public the assessment of current conditions and the outlook for future inflation, decisions taken, and future policy directions to be taken to maintain inflation in line with the target (forward guidance). This is not only to fulfill the transparency aspect but is also important in strengthening the credibility of Bank Indonesia so that the policies adopted are more effective.

In order to strengthen the effectiveness of monetary policy transmission, on August 19, 2016 Bank Indonesia set the BI 7-day (Reverse) Repo Rate as the policy interest rate that represents a signal of monetary policy response in controlling inflation in line with the target. The use of BI 7DRR as the benchmark interest rate is part of the monetary policy reformulation carried out by Bank Indonesia.

Previously, Bank Indonesia used the BI Rate as the benchmark interest rate equivalent to 12-month monetary instruments. Through the determination of the BI 7DRR as the reference interest rate, the tenor of the instrument is shortened, which is equivalent to a 7-day monetary instrument, so it is hoped that it will accelerate the transmission of monetary policy and direct inflation in line with its target.

Monetary policy reformulation has three main objectives. First, it strengthens the signal for the direction of monetary policy. Second, strengthening the effectiveness of monetary policy transmission through its influence on movements in money market and banking interest rates. Third, encourage the deepening of financial markets, particularly transactions and the establishment of the interest rate structure in the interbank money market for a tenor of 3 months to 12 months.

In its implementation, monetary policy reformulation holds four principles. First, the reformulation does not change the monetary policy framework because Bank Indonesia continues to apply the Flexible ITF. Second, reformulation is not meant to change the current monetary policy stance. Third, reformulation makes policy interest rates reflected in monetary instruments and can be transacted with Bank Indonesia. Fourth, the determination of the operational target interest rate based on considerations can be influenced by the policy interest rate. In accordance with the second principle, this change does not change the monetary policy stance because both the BI Rate and the BI 7DRR policy interest rates are in the same interest rate structure (term structure) in directing inflation so that it is in line with the target.

The flexible implementation of the ITF is also supported by the exchange rate management policy. The exchange rate policy adopted by Bank Indonesia in order to manage the stability of the Rupiah exchange rate in accordance with its fundamental value while still encouraging the operation of market mechanisms. The exchange rate policy is carried out in order to reduce the turmoil that arises from the imbalance of demand and supply in the foreign exchange market, through a triple intervention strategy. The triple intervention strategy is carried out through selling interventions in the spot market, Domestic Non-Deliverable Forward market or foreign exchange futures market and purchasing Government Securities in the secondary market. The triple intervention strategy was carried out to maintain the stability of the exchange rate and at the same time maintain adequate liquidity of the Rupiah.

The implementation of Flexible ITF is also supported by exchange rate management policies. The exchange rate policy was adopted by Bank Indonesia to manage the stability of the Rupiah exchange rate in accordance with its fundamental value while still encouraging the operation of market mechanisms. The exchange rate policy is carried out in order to reduce fluctuations that arise from imbalances in demand and supply in the foreign exchange market through selling interventions in the spot market, Domestic Non-Deliverable Forward market or foreign exchange futures market as well as purchases of Government Securities. in the secondary market. This strategy is carried out to maintain the stability of the exchange rate and at the same time maintain adequate liquidity of the Rupiah.

These various policies are strengthened by policy coordination with the Government, particularly on the supply side. Government policies are primarily directed at maintaining price affordability, supply availability, smooth distribution, and effective communication for stabilizing food prices in order to support controlled inflation. The stronger coordination of inflation control policies between Bank Indonesia and the Government is realized through the Inflation Control Team forum at both the central and regional levels. Policy coordination with the Government is also carried out in order to strengthen financial system stability. Through the Financial System Stability committee, Bank Indonesia together with the Ministry of Finance, the Financial Services

Authority, and the Deposit Insurance Corporation set coordination steps and provide recommendations for monitoring and maintaining Financial System Stability (Bank Indonesia, 2011).

Fiscal and Monetary Policy in Islamic Economics

Fiscal policy in the flow of Islamic economics is an obligation of the state which is the right of the people, so that fiscal policy is not solely for economic improvement or for increasing people's welfare, but rather on creating a fair economic distribution mechanism. So a leader must be able to direct public money to those in need such as the common people and the poor, so that their welfare can be guaranteed (Tahir, 2013).

Since the early Islamic economy, fiscal policy has received serious attention. Fiscal policy has Sharia objectives. Its purpose is to increase prosperity while maintaining faith, life, intellectual property, wealth and ownership (Othman et al., 2017). Islamic principles regarding fiscal policy and budgets aim to develop a society regarding a balanced distribution of wealth by placing material and spiritual values on an equal level (Adinugraha, Ud Din, et al., 2021).

Fiscal policy and financing principles in Islam have the aim of forming a society based on a balanced distribution of wealth by positioning material and spiritual values at the same level. According to contemporary Islamic economists, among all existing scriptures, it is the only one that provides accurate guidance on national expenditure and income policies (Shinkafi et al., 2017). In the formulation process, fiscal policy can be based on the following four types: (1) functional financing, (2) budget management methods, (3) automatic budget stability, (4) balance of budget expenditures (Jaelani, 2018).

Fiscal policy in the perspective of Islamic economics is expected to be able to realize the function of distribution and stability in each country that is oriented towards values, morality, and certain social characteristics of the income and expenditure of Islamic countries. The Islamic taxation system must ensure that only the rich can benefit. Who bears the main tax burden. Fiscal policy according to the Islamic economic perspective has the following characteristics: State spending is based on income, so budget deficits are rare; Proportional taxation is based on the level of productivity. For example, the Kharaj tax is determined based on the fertility of the soil, the method of irrigation, and the type of crop; The calculation of zakat is based on the profit, not on the number of goods. For example, trade zakat, which zakat is issued is the result of profits, so there is no burden on production costs (Lubis, 2020).

Before reaching the Khilafah during the prophetic period, Muslims had a wealth of experience in using various methods as the fiscal policy of the Bedomar institution. Islamic history records the period from the early days of Islam to the peak of the era of Islamic glory. Fiscal policy in the Islamic economic system. How the role of the media developed. After the Middle Ages, with the decline of the Islamic government at that time, Islamic fiscal policy was gradually abandoned and replaced by another fiscal policy called the conventional economic system in the current economic system (Jahan, 2021).

From the perspective of Islamic economics, there are two ways of fiscal policy. First: Income or tax policy. Second: Expenditure policy. Both tools will be displayed in the APBN. Income policy tools include zakat, kharaj (land/agricultural taxes), usyur (import/trade duties), jizyah (tax imposed on non-Muslims), ghanimah (trophy), khums, hui, kaffarat and others. other. Legitimate business income. According to Islamic teachings (doctrine contained in the Qur'an and Sunnah), there is a basis for collecting Zakat, Kharaj, Giz and various other sources of income. Therefore, in Islam the obligation to pay taxes is a religious commandment and is encouraged to provide benefits to all levels of Muslim and non-Muslim society (Raies, 2020).

Based on Islamic history, fiscal policy is in a strategic position in the development plans and targets of national financial governance. At least in the early days of Islamic rule, the following fiscal policy tools were noted (Karim, 2008):

Increase national income and participation rate in work. Rasulullah SAW as a leader has taken a planned policy to strengthen community development. The brotherhood between Muhamjilin and Ansore Muslims, Ukhuwwah Islamiyah, was the key to elevating the prophet's national status. This led to a distribution of income, which resulted in an increase in the total demand for Medina. In addition, this kind of brotherhood has a positive impact on job opportunities, especially for Muhajilin. In its application, muzaara'ah, musaqah and mudaraba contracts are used.

Tax. The taxation policies implemented by the prophets, such as Haraj, Jizy, Qom and Zakat, resulted in price stability and a reduction in inflation. These taxes, especially general taxes, increase the stability of total income and production when there is a bottleneck and a decrease in total supply and demand. This policy will not cause prices or production to fall.

Budget. In preparing a funding, always prioritize expenditures that will give rise to the interests of the general public, such as the construction of public facilities or infrastructure. This creates economic growth and equity in society. Therefore, it seems that during the time of the prophet the state budget arrangements were carried out carefully, effectively and efficiently, even though wars often occurred, but budget deficits were rare.

Special fiscal policy. The Prophet specifically implemented fiscal policy on the basis of the Brotherhood. Among the application of policy tools are: First, providing voluntary assistance to Muslims who are unable to meet their daily needs. Second, you can borrow equipment or goods from non-Muslims for free, and guarantee that you can return the goods and get compensation in case of damage. Third, lend money to Muaraf. Fourth, implement policies that are incentives to maintain existing expenditures and increase participation in work and in production of Muslims (Kurniawati, 2019).

Monetary Policy in the flow of Islamic economics is based on the basic principles of Islamic economics as follows: a) The highest power belongs to Allah and Allah is the absolute owner; b) Man is the leader (kholifah) on earth, but not the real owner; c) Everything that is owned and obtained by humans is because of Allah's permission, and therefore his less fortunate brothers have the right to some of the wealth of his more fortunate brothers; d) Wealth should not be piled up or stockpiled; e) Wealth must be rotated; f) Eliminating the gap between individuals in the economy, can eliminate conflicts between groups; and g) Establish mandatory and voluntary obligations for all individuals, including poor members of society (Adinugraha, 2013).

Islamic financial monetary instrument is sharia law. The objective of monetary policy is to achieve and maintain stability in the value of the rupiah as stated in Law no. 3 of 2004 article 7 concerning Bank Indonesia (Rahmawaty, 2013). As for examples of the application of Islamic monetary policy instruments in several countries, namely the countries of Sudan, Iran, and Indonesia. The implementation of conventional economics, the function of money is equated with commodities, causing a separate market to emerge with money as the commodity and interest as the price. This market is a monetary market that grows parallel to the real market (goods and services) in the form of money market, capital market, bond market and derivatives market. As a result, in the conventional economy, a dichotomy between the real and monetary sectors arises (Rozalinda, 2014).

Bank Indonesia has taken the following steps in implementing monetary policy, such as continuing the Rupiah exchange rate stabilization policy to be in line with market fundamentals and mechanisms; strengthening monetary operations strategy; accelerate the steps of deepening the money market and foreign exchange market; strengthen the implementation of policies to encourage MSMEs; and strengthen the digital economy and finance ecosystem.

Conclusion

The findings of this study explain that fiscal policy in an Islamic economic review is an obligation of the state to become the rights of the people, so that fiscal policy is not only a necessity for economic improvement and increasing people's welfare, but rather on the creation of a fair economic distribution mechanism. Monetary policy in the view of Islamic economics should be free from elements of usury and bank interest. Because in the perspective of Islamic economics, usury which includes bank interest is strictly prohibited. With this prohibition, bank interest, which in a capitalist economy becomes the main instrument of monetary management, is no longer valid. The Indonesian nation as a country with a majority Muslim population is ideally able to implement fiscal and monetary policies that are in accordance with Islamic economic principles.

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