Jurnal Ilmu Komputer, Ekonomi dan Manajemen (JIKEM)
E-ISSN: 2774-2075

Vol. 2 No. 2, Year [2022] Page 2619-2622

Actualization of Islamic Monetary Policy in Macro Economic Problem Islam

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Abstract

At the time of the Prophet Muhammad and Khulafaur Rashidin, monetary policy was implemented without using interest instruments. The Islamic Central Bank requires an interest-free instrument to control monetary economic policy in an Islamic economy. In this case, there are several interest-free instruments that the central bank can use to increase or decrease the money supply. The abolition of the interest system did not hinder the control of the money supply in the economy. The Islamic central bank should pursue its monetary policy to produce a growth in the circulation of money sufficient to finance the potential growth in output over the medium and long term within the framework of stable prices and other socioeconomic goals. The aim is to ensure the right monetary expansion, not too slow and not too fast, but enough to be able to produce adequate growth that can produce equitable welfare for the community. Be realistic and cover the medium and long term. To realize this Islamic goal, it is not only necessary to reform the economy and society in line with Islamic lines, but also requires a positive role for the government and all state policies including fiscal, monetary and income must in sync. Monopolistic practices must be eliminated and every effort must be made to promote all factors capable of producing an increase in goods and services.

Keywords: Monetary, Central Bank,

Introduction

The development of the Islamic banking sector should run side by side with the financial sector as a sharia investment area. The development of the sharia banking sector should run side by side with the real sector and the financial sector as a sharia investment area At the time of the Prophet Muhammad and *Khulafaur Rashidin,* monetary policy was implemented without using interest instruments. The economy at that time (the Arabian Peninsula) was a trading economy, not a natural resource-based economy, oil had not been discovered and other natural resources were limited. Instruments There are four main instruments used to regulate the money supply. *First,* open market operations *(Open Market Operations).* The government controls the money supply by selling or buying government securities (government security).3 *Second,* the discount facility *(Discounto Rate).* What is meant by the discount rate is the interest rate set by the government on commercial banks that guarantee to the central bank. *Third,* the reserve *requirement ratio.* The determination of the mandatory reserve ratio can also change the money supply. If the reserve ratio is increased, the bank's ability to provide credit will be smaller than before. *Fourth,* Moral *Persuasion.* With a moral appeal, the monetary authority tries to direct or control the money supply.In principle, the objective of Islamic monetary policy is no different from the objective of conventional monetary policy, namely maintaining currency stability (both internally and externally) so that the expected economic growth separated from the goal of sincerity and openness in dealing with humans.

Although the achievement of the end goal is no different, however In its implementation, in principle, sharia monetary is different from sharia monetary conventional ones, especially in the selection of targets and instruments. The basic difference between the two types of instruments is Sharia principles do not allow any guarantee of the value of nominal and rate of return (interest rate). Therefore, if associated with the target of implementing monetary policy, then automatic implementation of sharia-based monetary policies does notallows setting interest rates as targets operational.

Monetary Policy According to Several Schools of Islamic Economics 1. Iqtishoduna School: Baqir as-Sadr

In the early days

of Islam, it can be said that there is no need for a monetary policy because there is almost no banking system and the minimal use of money. So there is no sufficient reason to make changes to the money supply through discretionary policies. In addition, credit has no role in money creation because credit is only used among traders and government regulations on *promissory notes* and *negotiable instruments* are designed in such a way that it does not allow the credit system to create money.

Promissory notes or bills of exchange can be issued to purchase goods and services or to obtain fresh funds, but these letters cannot be used for credit purposes. The creditor can sell the letter, but the debtor cannot can sell money or commodities before he receives the letter. That's why there is no market for buying and selling negotiable instruments, speculation and the use of the money market becomes non-existent. So the credit system does not create money.

These rules affect the balance between the goods market and the goods market based on cash transactions. In Nasaÿi or in transaction rules, when a commodity is purchased at this time while the payment is made later, the money is paid or received to obtain the commodity or service. In other words, money is exchanged for something that actually adds value to the economy. Other transactions such as gambling, usury, kalibi kali, buying and selling *superficial* promissory *notes* are prohibited in Islam so that the balance of the flow of money and goods or services can be maintained. If you look closely, you can see that the velocity of money in a certain period is the same as the value of goods and services produced in the same time span.

Another instrument used at this time to regulate the amount of money circulating and regulate short-term interest rates, namely OMO (through the sale and purchase of government securities) clearly did not exist in the early days of Islamic development. In addition, it is clear that raising or lowering interest rates is contrary to Islamic teachings.The system implemented by the government related to consumption, saving and investment, as well as trade has created an automatic instrument for the implementation of monetary policy.

On the one hand, this system guarantees the balance of money and goods or services and on the other hand prevents the use of savings for purposes other than creating a more tangible welfare in society. In addition, there is a reward from Allah SWT for business and other forms of economic activity. The Qur'an describes the concern of Muslims in using the resources provided by Allah ÿ ÿÿÿÿ to further motivate Muslims. in investment activities channeling wealth through qard hasan, infaq, and waqf.

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