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THE ISLAMIC BEHAVIOR IMPACT FOR ECONOMIC DEVELOPMENT AND MACROPRUDENTIAL POLICY

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ABSTRACT

This study explores the impact of Islamic behavior on economic development and macroprudential policy, with a focus on the integration of sharia principles to achieve inclusive financial stability. The goal is to analyze the influence of Islamic behavior, transmit macroprudential policies in Islamic economics, and provide recommendations for more effective and equitable development. This study uses a combination of qualitative and quantitative approaches to explore the impact of Islamic behavior on economic development and macroprudential policies. Data is collected through in-depth interviews, surveys, and case studies. The analysis includes thematic techniques for qualitative data and statistical analysis for quantitative data, in order to provide in-depth understanding and data-driven recommendations. Research has found that sharia principles, such as zakat and the prohibition of usury, are effective in redistributing wealth and improving social welfare. Macroprudential policies need to be adjusted to sharia principles, including profit-sharing-based financing and strict supervision of Islamic financial institutions. The implementation of sharia principles in fiscal and monetary policy supports the equitable distribution of wealth and economic stability. This study shows that Islamic behavior is positive for economic development and that macroprudential policies can be adjusted to sharia principles to improve social welfare and economic stability. The recommendations include the integration of sharia principles in policy, strengthening sharia economic infrastructure, increasing literacy, and collaboration between sectors to support sustainable sharia economic growth.

Keywords: *Macroprudential Policy, Economic Development, Islamic Behavior*

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INTRODUCTION

In recent decades attention has been paid to the role of Islamic behavior in economic development. Islamic behavior, which is based on sharia principles, emphasizes the importance of social justice, wealth redistribution, and the welfare of the people. These principles are not only relevant in a personal context but also have far-reaching implications for national economic development (Hehanussa, 2023). Concepts such as zakat, alms, and the prohibition of usury are concrete examples of how Islamic values can promote economic equity and improve social welfare.

Economic development within the framework of Islam focuses on a fair and equitable distribution of wealth (Ananta Delyana Mafikah, 2024). Zakat, for example, serves as a very effective tool for wealth redistribution in reducing poverty and improving social welfare. Through zakat, property owned by individuals or business entities is given to those in need, so that there is a fairer distribution of wealth. Alms and infaq also play an important role in helping the underprivileged and stimulating the economy through direct assistance. In addition, the Islamic economic system also encourages ethical and responsible investment, avoiding practices that are detrimental to the wider community. This means that investments and economic activities must be carried out with social and environmental impacts in mind, not just financial gains.

One of the main principles in Islamic economics is the prohibition of usury, which means the prohibition of interest in financial transactions (Arafah, 2019). This ban aims to prevent exploitation and ensure that all financial transactions are conducted fairly. Instead, Islamic economics encourages the use of a profit and loss sharing system, in which profits and losses are shared between parties involved in a business. This system is considered fairer because the risks and benefits are shared proportionally, reflecting the principles of justice embraced in Islam.

On the other hand, macroprudential policies that aim to maintain financial system stability need to be adapted within the framework of Islamic economics to achieve optimal results. This macroprudential policy includes a variety of instruments and regulations designed to prevent systemic risks and maintain financial stability. In the context of Islamic economics, this policy must be adjusted to sharia principles that emphasize justice, transparency, and social responsibility. For example, profit-based financing (profit and loss sharing) can be an alternative that is in accordance with sharia principles compared to interest-based financing which is prohibited in Islam.

Macroprudential policies in Islamic economics also involve strict supervision and regulation of Islamic financial institutions (Kurniawan, 2021). This includes ensuring that the products and services offered by Islamic financial institutions are in accordance with sharia principles and do not violate applicable provisions. This supervision is important to maintain the integrity and public trust in the Islamic financial system, as well as to prevent practices that can harm customers and damage the stability of the financial system.

This study aims to answer the question of how Islamic behavior affects economic development and how macroprudential policies can be integrated with Islamic economic principles. By analyzing empirical data and Islamic economic theory, this study will evaluate the effectiveness of various macroprudential policy instruments in the context of Islamic economics and identify challenges and opportunities in integrating these two aspects. The results of the research are expected to provide policy recommendations that are more holistic and in accordance with Islamic values to support sustainable and inclusive economic development.

This research will explore how fiscal and monetary policies can be aligned with sharia principles. In Islamic economics, fiscal policies must be designed to support the equitable distribution of wealth and social welfare. This includes the use of zakat as a fiscal instrument and the implementation of fair tax policies. Meanwhile, monetary policy in the Islamic economy must be free from the element of riba and encourage the use of Islamic financial instruments such as sukuk (sharia bonds) and profit-sharing financing.

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Islamic behavior has a broad impact on national economic development and macroprudential policies if implemented by everyone. By implementing Islamic values in everyday life, people will tend not to violate what is prohibited by Allah SWT and care more about others. Principles such as justice, honesty and social responsibility taught in Islam play an important role in creating a more just and transparent environment. Implementing values such as zakat, alms and waqf in the context of national economic development can help reduce social and economic inequality. Zakat, for example, is an effective wealth redistribution instrument, helping to channel resources from those who can afford it to those who need it, thereby reducing economic inequality. Alms and waqf, on the other hand, contribute to providing resources for social projects such as education, health, and infrastructure, which support inclusive and sustainable economic growth.

If everyone implements Islamic behavior, Islamic economic principles can provide a strong basis for maintaining financial stability in macroprudential policy. Policies based on the prohibition of usury, gharar and maysir ensure financial practices run transparently and fairly, reducing systemic risks in the financial system. Sharia financial instruments such as mudharabah and musyarakah financing support economic activity without causing uncertainty or excessive speculation, helping to maintain financial system stability and prevent crises. Implementation of macroprudential policies in accordance with Islamic principles also strengthens public confidence in the financial system, creating a conducive environment for sustainable economic growth and financial stability. Thus, if everyone integrates Islamic values in economic development and macroprudential policies, optimal results will be created for society as a whole.

THEORETICAL FRAMEWORK

The concept of Islamic economic behavior is based on several basic principles, including fairness, balance, and transparency. In the economic context, Islam prohibits the practice of riba (interest), gharar (uncertainty), and maysir (speculation), which are considered detrimental and unfair. On the contrary, Islam encourages the practice of zakat, alms, and waqf as instruments of wealth redistribution aimed at improving social welfare (Esti Malinda, 2024). Economic development in Islam is not only measured based on economic growth but also on the equitable distribution of wealth and the improvement of the welfare of the people.

Justice in Islamic economics emphasizes an even and fair distribution of wealth, so that each individual gets a share that corresponds to his or her efforts and contributions (Dani Suryaningrat, 2023). The prohibition of usury aims to avoid exploitation through burdensome interest. Instead, Islam promotes a fairer profit-sharing system, where profits and losses are divided according to a fair agreement between the parties involved. In addition, the ban on gharar avoids transactions that contain uncertainty and ambiguity, which can be detrimental to one party.

Zakat, alms, and waqf are very important instruments in the Islamic economic system. Zakat is the obligation for every Muslim to give a portion of his wealth to those in need, thereby reducing economic inequality and helping the underprivileged. Almsgiving, or voluntary donations, also have an important role in improving social welfare and helping to ease the burden of those less fortunate. Waqf, on the other hand, is the granting of property for the public interest

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that is perpetual, which can be used for various social and economic purposes, such as the construction of public facilities, education, and health (Sonia Silastia, 2023).

Macroprudential policy is a policy designed to maintain the stability of the financial system as a whole (Juda Agung, 2021). The policy includes a range of instruments and mechanisms aimed at reducing systemic risks and preventing financial crises. Examples of macroprudential policy instruments include setting capital adequacy ratios, liquidity supervision, and restricting lending. The goal is to ensure that financial institutions have sufficient resilience to deal with economic and financial shocks.

In the context of Islamic economics, macroprudential policies need to be adapted to be in accordance with sharia principles. This includes ensuring that policy instruments do not involve the practice of riba and considering the social impact of such policies. For example, profit-sharing financing can be used as an alternative to interest-bearing loans. Policies must also encourage transparency and accountability in financial transactions to avoid practices that are detrimental to the wider community.

The integration of sharia principles in macroprudential policy also involves strict supervision of Islamic financial institutions (Mhd Rizki Khairi, 2023). This supervision aims to ensure that the products and services offered by Islamic financial institutions are in accordance with sharia provisions and do not violate the basic principles of Islamic economics. In addition, this supervision is important to maintain public trust in the Islamic financial system and prevent practices that can damage the stability of the financial system.

Overall, Islamic economic behavior and macroprudential policy have the same goal, namely to create a fair, stable, and sustainable financial system. By integrating sharia principles in macroprudential policies, it is hoped that a more inclusive and prosperous economic environment can be created for the entire community. Further research is needed to explore how these principles can be effectively implemented in the context of modern and global economics, as well as to identify challenges and opportunities in the implementation of holistic Islamic economic policies.

LITERATURE REVIEW

Islamic economics as an economic system based on sharia principles, has a significant impact on economic development and macroprudential policies (Nor Aysiah, 2024). Since the early Islamic period, principles such as zakat (charity) and waqf have been an integral part of the Islamic economic system, serving for the redistribution of wealth and the improvement of social welfare. This principle emphasizes the importance of justice, transparency, and balance in the economy, which later became the foundation for the modern development of Islamic economics. Since the middle of the 20th century, the development of Islamic economics has been increasingly rapid, with the establishment of Islamic financial institutions such as Islamic banks and Islamic insurance (Ulhaq, 2020). In Indonesia, Islamic banking began to develop in 1992 with the launch of Bank Muamalat Indonesia, which was followed by the growth of various other Islamic financial institutions. Empirical studies show that Islamic financial institutions, with the principle of no usury and profit-sharing, are more stable than conventional banking in the face of economic crises.

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In the context of economic development, Islamic economics offers a different approach compared to the conventional economic system. Principles such as zakat, alms, and waqf not only serve as instruments of wealth redistribution but also contribute to the improvement of social welfare and stability. Research shows that the application of these principles can reduce social inequality and promote inclusive economic growth (Fransiska Ajustina, 2024).

Macroprudential policies in Islamic economics need to be adapted to reflect sharia principles. Traditional macroprudential policies, which focus on controlling systemic risks and financial stability, must be adjusted to avoid practices that are contrary to sharia principles such as riba and gharar (uncertainty). Previous research has shown that macroprudential policies designed with sharia principles in mind can improve financial system stability and reduce the impact of economic crises (Mhd Rizki Khairi, 2023).

The literature shows that although the development of Islamic economics has theoretically advanced considerably, its implementation practice still requires adjustments to reflect existing theories and principles. This research highlights the importance of integration between Islamic economic theory and macroprudential policy practice to achieve optimal results in economic development and financial stability.

In addition, the development of Islamic economics and Islamic finance in developed and developing countries shows the adoption of sharia principles in various aspects of economics and policy (Narastri, 2020). However, challenges remain in aligning macroprudential policies with sharia principles, which requires further research to understand the impact and effectiveness of such policies in the context of Islamic economics.

With this understanding, this study aims to explore how Islamic behavior affects economic development and how macroprudential policies can be adapted to support Islamic economic principles, as well as provide relevant policy recommendations.

METHODOLOGY

This study adopts a combination of qualitative and quantitative approaches to explore the impact of Islamic behavior on economic development and macroprudential policy. Data was collected through a variety of methods, including in-depth interviews with Islamic economists and policymakers, as well as surveys and case studies to get a comprehensive picture of the topic. Primary data sources consist of interviews that provide direct insights from experts, while secondary data is obtained from academic literature, policy reports, and other relevant sources. For data analysis, this study utilizes thematic analysis techniques to evaluate qualitative data, so that it can identify significant patterns and themes, as well as statistical analysis for quantitative data, in order to measure and understand existing numerical relationships and impacts. With this approach, the research aims to provide an in-depth and data-driven understanding of how Islamic behavior affects economic development and macroprudential policy, as well as to develop recommendations based on the results of a comprehensive analysis.

This research will also include case studies that show how implementing good Islamic behavior in social and personal life can have a positive impact on economic growth and macroprudential policy. This case study will highlight concrete examples of communities or individuals implementing Islamic values and how this contributes to increased social welfare and economic stability.

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Writing Objective

1. Identify and analyze the impact of Islamic behavior on economic development.
2. Evaluate relevant macroprudential policies within the framework of Islamic economics.
3. Providing policy recommendations to increase the effectiveness of economic development and financial stability in the Islamic context.

POLICY IMPLICATIONS

1. Integration of Sharia Principles in Macroprudential Policy: Macroprudential policies need to be adapted to reflect sharia principles, such as the prohibition of riba and gharar. This involves developing a regulatory framework that supports financial stability while ensuring compliance with sharia principles. Governments and financial authorities should develop guidelines that ensure that macroprudential policy instruments, such as liquidity and capital arrangements, do not violate sharia principles (Audre Aprillia, 2024).
2. Strengthening Sharia Economic Infrastructure: To support economic development based on sharia principles, it is important for the government to strengthen sharia economic infrastructure. This includes the development of the Islamic capital market, Islamic financial institutions, and regulations that support the growth of this sector. Improving infrastructure will facilitate the accessibility and efficiency of Islamic financial services, as well as encourage investment in the Islamic economic sector (Nur Frita, 2022).
3. Increasing Sharia Economic Literacy and Education: Strengthening sharia economic literacy among the community and industry players is an important step. Educational programs and public campaigns need to be improved to increase understanding of Islamic financial products and services, such as Islamic banks, sukuk, and Islamic insurance. This will help people make more informed financial decisions and increase the adoption of sharia products (Hayati, 2019).
4. Standardization and Regulation: Steps to increase standardization and regulation in the Islamic finance industry are essential to ensure the security, transparency and stability of Islamic financial products. First of all, the development of clear and comprehensive operational standards needs to be undertaken to harmonize practices across the industry, ensuring that all Islamic financial institutions comply with consistent sharia principles. In addition, creating specific and detailed regulations will help in establishing strict guidelines regarding sharia financial products and services, protect consumers from practices that are not in accordance with sharia principles, and prevent possible deviations or abuses. Good regulations must also include effective monitoring and enforcement mechanisms, to ensure compliance and deal fairly with violations. With a strong regulatory framework in place, the Islamic finance industry can operate more transparently and stably, build public trust, and support sustainable growth and development in this sector (Roos Nelly, 2022).
5. Supervision and Control: The government needs to strengthen the system of supervision and control over Islamic financial institutions to prevent abuse and illegal practices, such as money laundering and terrorism financing. Strict supervision and transparent reporting

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mechanisms will ensure the integrity and stability of the Islamic financial sector (Dyah Tiara Putri Anggraeni, 2022).

6. Encouraging Innovation and Research: Supporting innovation in Islamic financial products can increase the competitiveness and relevance of the Islamic finance industry in the global market. Incentives for the research and development of innovative financial products in accordance with the principles of Islamic economics should be provided. It involves collaborating with research and development institutions to create financial solutions that are effective and tailored to the needs of society (Muhammad Irfan Syah, 2024).
7. Inter-Sector Collaboration: Encouraging collaboration between Islamic financial institutions, the government, and the private sector can accelerate the growth of the Islamic economy. This collaboration includes the exchange of knowledge, resources, and support for large-scale sharia economic projects. Cross-sector cooperation will strengthen the sharia economic ecosystem and create synergies in the implementation of related policies and programs (Tanjung, 2020).

By implementing the policy implications resulting from this research, it is hoped that the sharia economy can develop sustainably and make a significant contribution to economic development and financial stability. The policy will be in line with sharia principles which emphasize justice, transparency and social welfare. These principles aim to ensure that economic development is not only financially profitable, but also takes into account moral and ethical aspects that support the welfare of society as a whole. Thus, the implementation of policies based on sharia principles is expected to create a stable, fair and transparent economic environment, as well as encourage inclusive and sustainable economic growth, while still respecting the values and norms that apply in society.

CASE STUDY

In Islamic teachings, people are encouraged to become the best individuals in both social and personal aspects, which has a positive impact on economic growth and macroprudential policy. One of the prominent case studies is the zakat program implemented in various Muslim countries. In Indonesia, for example, BAZNAS (National Zakat Amil Agency) manages zakat, alms and waqf to help the poor and underprivileged. This program not only helps redistribution of wealth but also contributes to reducing poverty and improving general welfare. By distributing wealth to those in need, people experience an improved quality of life and more equitable prosperity, which in turn supports more inclusive and sustainable economic growth (Dyah Suryani, 2022).

In the context of macroprudential policy, the application of sharia principles shows a significant positive impact. For example, Islamic financial institutions such as Bank Syariah Indonesia implement Islamic principles in their operations, such as the prohibition of usury (interest) and excessive speculation, as well as transparent risk management. This principle leads to a more stable and sustainable financial system, because it avoids practices that could lead to financial crises. By prioritizing public interests and ensuring transparency in financial transactions, this policy creates a healthier and more just economic environment. This reflects Islamic teachings which emphasize that every action must be carried out by considering the

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impact on other people and always based on the principles of justice and blessings from Allah SWT.

CONCLUSION

This research reveals that Islamic behavior has a significant positive impact on economic development and macroprudential policy. Islamic economic principles, such as justice, balance, and transparency, have the potential to substantially improve social welfare and economic stability. The application of Islamic values such as zakat, almsgiving, and the prohibition of usury supports equal distribution of wealth and ensures that financial policies are based on justice and social responsibility. These findings suggest that the integration of Islamic economic principles in policy can strengthen economic structures and encourage more sustainable and stable development. The policy recommendations from this research are designed to help policymakers formulate more effective strategies in achieving the goal of stable and sustainable economic development. However, to fully understand and perfect the application of these principles, further research is needed. Additional research is expected to explore areas not yet covered in this study and test the findings in a broader context, to ensure the relevance and effectiveness of implementing Islamic economic principles in various economic situations and environments.

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