
Islamic Economic Studies Driving Indonesia's Economy: An Epistemological Perspective

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Abstract

This study aims to propose a scientific formula of Islamic economics that can foster growth and contribute to the national economy. This study is the result of research studies reinforced empirical data, using a content analysis with epistemological approaches. The study concluded, in epistemological, Islamic economic sciences can be developed with the inductive model-empirical character in Indonesia and its localities. This Formula has two advantages; First, can parse the economic problems of the nation simultaneously and continuously. Second, the character of Indonesia and its locality to converge with the power of social economic capital owned by the Indonesian nation. With the combination, the implementation of sharia economics can promote economic stability and accelerate the pace of its contribution to the national economy.

Keywords:

*Islamic economics; epistemology;
economic problems; stability*

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1. Introduction

The development of Islamic Economics study in Indonesia is faced with two issues. First, the slow growth of sharia economic industry. Then, the second, the lack of studies on Islamic economics from the perspective of philosophy, especially related to epistemology and Indonesian character. Both of these issues are possible to be one of the root causes, why the Islamic economic contribution on national economic development has not been significant.

Sharia banking market share from national banks as of June 2018 only reached 5.70% with assets of Rp 444.43 trillion and third party funds of Rp 348.8 trillion. The third-party funds came from 27.27 million accounts (OJK Sharia Banking Snapshot, June 2018) or else, only 11, 85% of the 230 million total national populations. The number is far from expectations when compared to the potential economic resources, especially Muslims. This achievement misses the blueprint projection on the development of the sharia economic industry which has almost passed three decades since 1991. In the scenario of Islamic financial master plan, it is expected to reach 20.7% in 2024 (Bapenas, 2015: 35). Meanwhile, the national economy is faced with the problem of weakening the economy as well as the economies of Asian countries. The conflict of American-Chinese economic interests influences that situation. The economic condition indicates the instability of economic pillars. The weakening of almost all currencies of Asian countries since early 2018 is because of the impact of the interest rate cycle policy in the United States (US) and world oil prices are a real indication. Bank of Indonesia confirms three causes of weakening, which are the increasing rate of Fed's interest, the expansive United States fiscal policy, tax reduction, fiscal deficit, and geopolitical risk, global uncertainty and US-China trade war (Hanifah, 2016). In that position, Rupiah only slightly won over Rupees and Pesos, making it the third weakest position in Asia (Aditiasari, 2018). On July 3, 2018, the Rupiah dropped to Rp. 14,420 per US dollar and as of September 30 become Rp. 14,897 per US dollar. It was due to the Fed's interest rates and the global world trade war (Ramadhan, 2018). With these economic issues, the study of Islamic economics is demanded to contribute more. Although the scientific study of Islamic economy has been quite intense with the presence of Islamic economics on higher education, however, the range of the study is still a lot of stuck-on praxis economics, especially Islamic banking, Islamic insurance and Islamic capital markets. The study of Islamic economic strategic institutions based on Indonesian characteristics and locality is still not much studied by people. From 150 Islamic economic study programs in 2018, the most popular programs are sharia banking, sharia accounting, and sharia business management. While the Islamic economic study program which should focused on the development of Islamic economy has not been well developed. Research on Islamic Economics to drive the nation's economy, one of them is research conducted by Ozsoy (2016) which provides several solution regarding the country's economy through Islamic Economics. Previous research that discussed about study of Islamic Economics also conducted by Butta (2014), Hamid (2018), Juliana et al (2018), and Pratiwi (2018). Some research does not discuss too deeply the perspective of Islamic Economics, and this paper will discuss more about Islamic Economics in epistemological perspective in Indonesia.

Under these conditions, how is the development of Islamic economics that can encourage the stability of the national economy? This paper offers the development of Islamic economics that has the character of Indonesia and locality to encourage economic stability. This study is a qualitative study based on the content analysis of several Islamic economic references and problems and the problem regarding the lack of strength on the national Islamic economic industry. The analysis was confirmed and strengthened by the results of interviews with several practitioners and academics of Islamic economics participated.

2. Research Method

This study is a qualitative study of the philosophy of Islamic economics. Research is based on empiric data based on literature that is strengthened by the data of interviews with Islamic epistemology approach. Data collection techniques use documentation and interviews against a number of practitioners and Islamic economics academics. The entire data is organized and processed through reduction and data display by following per under the research aims to offer Islamic economics that has the character of Indonesian economic reality and localities. Data analysis using content analysis and triangulation.

3. Results and Discussions

3.1. The Problem of Islamic Economics Studies

All science comes from a worldview of the producers of science that cannot be separated from certain ideologies. Wina's circle as a producer of science embarked on the progress of Western civilization and revealed its ideology. Likewise, Baitul Hikmah era al-Makmun Baghdad had created a civilization of science that very strong with Islamic ideology. Incompatibility of Western ideology as a producer of science can be a "Trojan horse" or a fifth invisible colony. (Hidayat Nataatmadja, 1983). Based on this perspective, the dominance of scientific results of Western production will not be overcome but through epistemological studies.

In that condition, the study of the epistemology of Islamic economics has not been as much as praxis studies, especially in the fields of sharia banking, sharia insurances, and capital markets. Even though, epistemology is a theory of science which is able to test the strength and the direction of science. Moreover, Epistemology also is the study about the process of the development of science and who agreed on the result of the science. RJ Hollingdale in Western Philosophy defines, "the theory of the nature of knowledge and how we know (RJ. Hollingdale, 1993). Epistemology questions the basic things about science, its characteristics, its variety, and its relationship with the truth and to test the nature of science and its validity (Sudarsono, 1993).

According to Baqir Sadr, the capitalist and socialist economic system were born and developed from the doctrines about economics. Thus, Islamic economics must be originated and developed from the economic doctrines of the Qur'anic traditions which imply empirical descriptive assumptions. The doctrines mainly developed through contextualization with the reality of the community (Nurohman, 2012: 246). From this perspective, Islamic economics studies is a social science inspired by the values of Islamic teachings that are intertwined with local cultures to form the patterns of mutual influence.

Islamic economics should involve two things; first, as an intense study focusing on the economics reality that has taken place. Secondly, as a comprehensive institutional economy that produces a moral economic system of social markets that is full of value-based economics. The success of economy is not limited to the measurement of economic growth, but it must include five (5) aspects: (1) economic and social inclusion or participatory economy, (2) economic independence (3) the quality of life of people with dignity (human dignity) (4) social justice and socio-economic security, (5) sustainable development (Rahardjo, 2012).

Economic development should not only involve the material aspects but cultural and spiritual aspects. Based on that perspective, Islamic economics is the study of human behavior in resource management, by avoiding bad activities and doing good activities, to achieve safety, peace, and the welfare of human life (*falah*). In reality, this ideal purpose of Islamic

economics has not yet been realized. One of the factors is the development of Islamic economic studies which is still influenced by: First, the orientation of the needs of the practical aspects of Islamic economics including Islamic banking, Islamic insurance, Islamic capital markets. Second, the islamization of science over the conventional economics theories. Third, it is influenced by Islamic economic development models in other countries. Fourth, the development of Indonesian character-based Islamic economic studies has not yet developed.

The above tendency causes Islamic economics studies to be at a crossroads, especially in the aspects of sources, processes and consensus on the structure of science and its contribution in moving the new economic locomotive (Muqorobin, 2004). This is where the importance and strategic study of the epistemology of Islamic economics studies are responsive as the development of the civilization that it is originated from. Every science will be more developed if along with the progress of civilization for the purpose of improving people's lives (scient for life) (Suharto, 2005)

With the issues of the Western ideology power on one side and four trends above, Indonesian Islamic economics studies will be appropriate if it is developed from the cultural and ideological roots of the Indonesian people. Kuntowojoyo (2004) explicitly offers the concept of Islamic science, namely Islamic studies or Islamic scholarship as the science itself Islam with its teachings contains and the treasures that have been owned can create a basic of unique Islamic science. Likewise, the treasures of Islam in Indonesia which has been integrated in the socio-cultural life as the Muslims of the archipelago.

Islamic economics in Indonesia is precisely developed from observing empirical problem of real economic problems in society. The system of production and distribution of goods and services must be based on the reality of the economic needs of the community. Referring to Abu Yusuf, the theory of supply and demand is the result of observation of the needs of the community at that time. Ibn Khaldun examined empirically and actual economic, social and state problems. Likewise Ibn Taymiyah, Ibn Rusyd, Imam Syafii were among the figures who put forward the inductive approach. Thus, mainstreaming the empirical or inductive approach in the development of Islamic economics meets the strong normative and rational reasons. Especially from an axiological perspective regarding the needs of applicable Islamic economics studies,, responsive and solutive to the problems of the national economy and even developing countries.

Entering the third decade, since the momentum of the recognition of Islamic economic study programs, Islamic accounting in the 1990s, Islamic economic studies are still at the normative-idealist level. This approach is easily believed by people but problematic in its application. The gap issues between industry needs, poverty problems, weakness in productivity of the community and the competence of Islamic economics study program graduates are still real. Bachelor of Islamic economics has not fully met the expectations of the national Islamic financial industry market needs (Rozalinda, 2015).

The strength of the idealist normative level, for example, is reflected in Abdul Mannan's work which positions the Islamic economy as an independent science derived from the Al-Qur'an Hadith, ijma 'qiyas and other ushul fiqh methodologies, but in its operation, production, consumption, distribution are still inseparable conventional economics, except for the spirit of ethical morals as a basic foundation and action (1997). Likewise Yulizar (2010), Islamic economics is a divine economy, an integral part of the Islamic teaching system. The starting point is from Allah, aiming for the pleasure of Allah whose methods do not conflict with His Shari'at. It was not born as an alternative product to the current system; socialist or capitalist, but it is sunnatullah, which must be applied throughout the history of human

civilization. Through approach, the practical aspects of economic problems are difficult to describe.

The book of Islamic Macro Economics by Adiwarman Karim (2006), is among the most influential books in Indonesia. In this book the market balance in macroeconomy, money in Islamic economics, economic stability in various systems, economic value of time, inflation, stability of the value of domestic money, exchange rates, monetary policy, the government as the mother of all markets, the government as a large saver, the government as a large buyer and the government as a large investor.

In chapter five, it is discussed economic stability filled with many exposures to various views about currencies and ending with the discourse of dinar as a currency that has a more stable value. Unfortunately in the effort to implement it, it only strengthens the position of gold as a media that holds a more stable value of money compared to the rupiah. In the discussion of monetary policy, the historical side of Islamic monetary policy and its management is presented, the demand for money in Islam, the iqtishaduna schools, mainstream schools, alternative schools, monetary sector relations with the real sector and money illusion, without discussion of contextualization and implementation in Indonesia.

Likewise, the book *The Islamic Economy: Analytical of the Functioning of the Islamic Economic System*, Monzer Kahf translated by Machnun Husein, Islamic Economics Analytical Study of the Function of the Islamic Economic System. In this book, Islamic economics is discussed with scientific logics as developed by conventional economics. Kahf (1995) tries to explain macroeconomics with graphs and models of economic equations.

The book of Islamic economics studies by the P3EI team of the Islamic University of Indonesia is a third generation book of Islamic economics schools published in 2009. This book is considered by many people to be a representative book as a reference. This book was written by Munrokhim Misanan and a team with the support of Bank Indonesia. In his study, this book uses a deductive method that is implemented into economic logic to produce economic postulation.

Postulations are presented in the form of illustrations which are packaged in an implied and expressive presentation in a separate box in each chapter. This book carries the principles of *falah* and *maslahah* as axioms of Islamic economics that are implemented in all economic functions such as consumption, production, distribution, input markets, general equilibrium and others. Efforts to build Islamic economic theories and avoid the confusion of conventional economic infiltration are among the strengths of this book. In each discussion, the key concepts from the treasures of Islamic economic thought are presented.

However, if we consider as a whole, this book is discuss more about microeconomics than macro. In this book, macro economic themes have not been discussed, such as Islamic monetary policy based on the money supply. How to maintain the currency rates, how to make the national economy more stable in terms of inflation, unemployment and international balance of payments. How is the implementation of Islamic economic development.

3.2. Anatomy of the national Islamic economic industry

Most ASEAN countries, including developing countries, have a strong dependence on imported commodities from developed countries. The export activities of these countries have not been surplus and the economic fundamentals are not strong enough. That position caused economic conditions to be susceptible to global economic turmoil. If we compared to ASEAN countries and even Asia, Indonesia has very rich natural resources. However, when

optimizing natural resources relies heavily on the semi-finished goods industry, it has not been able to overcome the dependence on foreign products. Likewise, when manufacturing industries such as automotive, electronics, foreign-owned, it creates consequences on the import. Within that position, national economic conditions are often vulnerable to global economic turmoil. Among the vulnerabilities of the national economy, one of them is the unstable economic fundamentals, as well as economic growth.

Economic growth is an economic development that causes the production of goods and services by the community can increase. Economic growth is determined by the significant increase in goods and services produced. Economic growth is calculated from real national income which is Real Gross National Product, based on the prices of goods in force in a certain year. Economic growth is a measure of the success of a country in a certain period of time. National GDP per September 2017 is 5.06, an increase of 0.5 compared to the same month in 2016 and an increase of 0.4 compared to September 2015. (LIPI, 2018). It shows that there is a decent economic growth.

However, the achievement of economic growth has not yet significantly reduced poverty. According to World Bank MDGs Report, Indonesia has succeeded in reducing poverty rates by a total of 446 million in descent from 1990 to 2005. This reduction is still below the expected goals. There were still 918 million poor people in 2015 or roughly 53 million above estimates. On the one hand, this condition is caused by the economic crisis also caused by economic growth that has not pushed poverty reduction. Appropriate governmental intervention is needed for the process of accelerating poverty alleviation (Ikhsan, 2010).

The problem of fluctuations in prices, especially fuel and staples, is the next cause. Releasing part of the fuel price, following the mechanism of the global market, can push inflation on one side, weakening people's purchasing power and reducing the economic productivity of the community, especially the lower middle class. Macroeconomic stability or price stability affects the level of poverty through several channels; (i) economic growth, (ii) the impact of distribution on household groups and (iii) implications for the development of anti-poverty policies.

The weakening of the national economy was affected by the problem of supply-side distribution (producer industries) which stagnated due to the invasion of cheaper imported goods. This has a direct impact on the weakening of the home industry due to lack of demand. In the macroeconomic policy aspect, with a large number of government infrastructure projects being taken over by foreign parties, the economy has weakened further (Interview with NP, 2018).

In such a condition of the national economy, the development of sharia economy is expected to contribute more. Support from Bank Indonesia, OJK, Ministry of Finance, Ministry of Religion, Ministry of BUMN, Ministry of Cooperatives and SMEs, Coordinating Ministry for Economic Affairs, National Sharia Council-Indonesian Ulema Council, the actors of Islamic finance industry, professional associations of the Sharia Economic Society, the Association of Islamic Economics Experts, and universities have not been able to move the sharia economic growth quickly. Presence of the National Sharia Finance Committee (KNKS) which was inaugurated on July 27 2017, by President Joko Widodo is expected to fulfill that hope. The committee is directed to accelerate coordination and synergy between communities, ministries/institutions and stakeholders for the development of the national Islamic financial industry (Kominfo, 2017).

The overall performance and impact of the Islamic economic industry on the national economy is still small compared to the conventional financial industry. The market share of

Sharia Banking as of June 2018 is only 5.70% of national banks. Its total assets are IDR 444.43 Trillion, third party funds IDR 348.8 Trillion and financing IDR. 303.54 trillion rupiah. From the total financing of Rp. 303.54 Trillion New Rupiah was absorbed by 5.24 million accounts. Meanwhile, national Islamic banking third party funds amounting to Rp 348.8 trillion came from 27.27 million accounts or only 11.85% of the 230 million population (OJK, 2018).

Likewise, it is still small compared to Malaysia and the Gulf Cooperation Council (GCC) countries or the co-operative councils of the Gulf countries namely Kuwait, Saudi Arabia, Bahrain, Qatar, United Arab Emirates and Oman. These countries have focused on investment banking and capital markets, while the national Islamic financial market is still oriented towards retail and segmented BMT (Baitul Maal wat Tamwil) micro-finance institutions, Islamic People's Financing Banks, Islamic banking, Islamic businesses and capital markets sharia. In this decade, the world's first retail Sukuk and Shariah Online Trading System (SOTS) developed (Bapenas, 2015).

Among the obstacles to the growth of the sharia economic industry is the lack of vision and coordination among various stakeholders. Government support for the development of the sharia economic industry has not been sustainable from upstream to downstream. Public and business sector awareness of the sharia economy is still low. Moreover, the quality and the quantity of sharia economic human resources that still not good enough. The concentration of the Islamic economic industry is too focused on the retail market. There is still limited capital for all Sharia Commercial Banks and Sharia People's Financing Banks. The unstable capacity of Islamic financial institutions in product variation, price competition, IT system facilities, services and distribution. The lack of sharia capital market liquidity, and banking and non-banking capital market liquidity. The lack of supervision in microfinance, and lack of transparency and governance in the Islamic religious fund sector, including the fund of hajj, zakat, and waqf etc.

The Islamic economic industry in most Muslim-populated countries does not necessarily increase its growth. Many factors are the obstacles to growth, at the level of regulation, practitioners, academics, society and culture. In the aspect of regulation, various obstacles are found. Efforts to boost the expansion of the Islamic bank market to commercial or corporate businesses are constrained by the regulation that large SOE projects can only be financed by state-owned banks. Non-BUMN sharia banking can only do this through a syndication program between Islamic banks that requires a longer process (HP Interview, 2018).

In the capital aspect, the limited capital of some of Islamic banks is a barrier to entering the world financial market. Moreover, the sources of bank operational funds originating from non-cheap sources of funds, namely deposits. The limitation of sharia financing guarantor institutions is an obstacle, especially in the aspect of assessing their guarantee capabilities. In the aspect of human resources, it is still limited in quantity and capacity. Graduates of higher education in sharia economics, sharia accounting, sharia business management, sharia economic law are still few and have not occupied strategic positions in ministries / institutions, sharia economic industry. Until now, human resources practitioners of Islamic economics industry are the training/certified products. In this position, a strong commitment is needed from stakeholders in the sharia economy industry to the president (HP, Interview, 2018).

To strengthen sharia banking, KPPS strategy is needed. This is the strategy to strengthen the fields of finance, production, marketing, and human resources. This strategy will provide a significant strength in overcoming banking competition in the era of the ASEAN economic community (MEA) (Indra, 2017). On the level of society, the culture strengthening is necessary so that the Islamic economics can be a strong and deeply rooted business economic

ecosystem. The majority of Moslem community has not massively cultivated Islamic economics, both at the individual, community, and institution level including educational institutions. Many are still utilizing and optimizing Islamic Banks and other Islamic business institutions. Several parties are still struggling in discourse and understanding differences; Islamic banks are no different from conventional banks; Islamic banks are not familiar, etc. (APN Interview, 2018).

There are five fields of Islamic economic development must be continuously strengthened; First, strengthening the real sector of the Islamic economy through the development of the halal industry. Second, improving the efficiency of Islamic finance. Third, strengthening the Islamic economic studies research through improving the quality of human resources in the field of Islamic economics studies. Fourth, the establishment of the Halal Product Guarantee Agency (BPJPH) (Media Finance, 2019: 26). Fifth, the developments must be based on Indonesian economic characteristics. Indonesia is expected to become a Global Halal Hub for the international world. The application of ethical values, governance and regulation, human resources (HR) in the corridor of Islamic economics, supports the realization of the guidance of Sustainable Development Goals (SDGs), and technology. Sharia economics can not only be measured in terms of financial, but also on the spiritual individual, social community, to the environment.

Those five fields above, epistemologically focused on strengthening Islamic economic studies. A strengthening process that puts forward the inductive methodology based on the characteristics of the national and Indonesian economy. The facts of national and regional economic problems must be a reference in every scientific development as well as sharia economic development policies by the government and related stakeholders. With this pattern, Islamic economic studies will be easy to apply.

Besides, the massive sustainable socialization is needed in order to synchronize the perception in Islamic economic culture, so that the Islamic economy becomes a strong ecosystem. During this time, the program of socialization of Islamic products by the FSA is still constrained by the budget, because it only relies on internal contributions of Islamic banks. Sustainable socialization contains the aspects of Islamic economic superiority such as a more profitable economy, full benefits, reassuring, practical, first preaching, business follow, business partners, halal food, halal lifestyle, and others. With this pattern, sharia-based economic awareness will flourish and its service products become easily accessible and massive. Unfortunately, Bappenas as the "National Kitchen" has not included the development of sharia economics as its blue print program. It is more than acting as a facilitator among regulators who will develop Islamic economics (Interview with CM, 2018).

At the level of praxis, the national Islamic economic industry has begun to develop into commercial business and international business by opening branches in major cities in several target countries such as commercial businesses that target the government and state-owned projects. Furthermore, the Islamic economic digitalization program which is the service based on android play store applications, financial inclusion has been carried out to reach some remote areas and increase sharia financial literacy. Increased access to regions to drive financial inclusion and improve people's welfare (Wibowo, 2018). Synergy programs such as the national Amil Zakat Agency, ACT, are carried out in the context of expanding literacy primarily through the quality of Islamic economic education.

In the service business sector, such as Islamic hotels, there has been significant development. In 2016 Indonesia won 12 categories of world halal tourism awards from 16 categories in the World Halal Tourism Award in Abu Dhabi, United Arab Emirates. West Nusa

Tenggara, Aceh and West Sumatra have been designated as the main halal tourism destinations (www.tempo.com). In 2018 it reached the second rank of the World halal tourism destination set by the Mastercard-Crescent Rating on the Global Muslim Travel Index (GMTI). Indonesia managed to move up one rank, although it remained below Malaysia which was ranked first (www.cnnindonesia.com).

Thus, the development of the sharia economic industry is experiencing growth and expansion of outreach among the people although not as expected. For the acceleration of growth, the inductive approach of national and local economic characteristics should be put forward in the overall development of Islamic economic studies especially through formal education at every level. In Islamic religious higher education institutions and general tertiary institutions that open Islamic economic study programs, they have started, but Islamic economic studies in its various branches are still normative and has not been separated from the shadows of conventional economic scholarship. It is at this point that books on Islamic economics are needed from the results of research with an inductive and empirical approach.

3.3. The Solution to the Inductive-Empirical Approach

According to Necati Aydin (2013) Islamic economics studies is a new paradigm based on Islamic world views with an epistemological and theological anthropological approach that departs from microeconomics to cover the crisis of Capitalism. The view is to develop Islamic economic studies with an inductive approach and have Indonesian character. The empirical and experimental studies are needed which can include data and economic models that are grounded from an Islamic perspective. Epistemologically, according to Masudul Nature Choudhury and Hafizah Abdul Rahimhal this thing is right because Islamic economic study is open to various existing studies to fill the gap between conventional economics and Islamic economics.

Furthermore, Eri Wibowo concludes as an open study and positioning of cultural wisdom as a source of values that influence the shape and practice of economics in society. The economic concepts initiated by the founding father about cooperative economics are metamorphoses of Islamic economics that are uniquely Indonesian. Primary cooperatives based on the real sector of agricultural trade are a form of defense mechanism to fight *riba*, *gharar*, speculation, detrimental monopolies. Cooperative economics is "The Third Way" to fight, counter or balance the hegemony of capitalistic economics (Wibowo, 2011).

With an inductive-empirical study pattern, then the development of Islamic economics will be based on the real and applicable economic problems to encourage the acceleration of the contribution of the Islamic economy to the regional and national economy. The vulnerability of the national economy as explained earlier, can be used as a starting point in building theories of Islamic economics. Islamic economic theory emphasizes on strategic aspects, especially Islamic macroeconomics. Although it is recognized that macroeconomic conditions will be good if the microeconomic performance is already good as well.

Inductive and deductive paradigms have already competed for so long in the development of various Islamic studies. The exclusion of the inductive paradigm by Muslim scientists became a precursor to the decline of Muslim civilization. Even the inductive paradigm has been misunderstood as belonging to the West. For the sake of scientific progress, Muslims have no choice but to optimize the inductive paradigm precisely as an epistemological and methodological tool in the development of science, social humanities and Islamic sciences (Hilmy, 2013).

Islamic economics study is a more appropriate study developed with an empirical

inductive paradigm to become a study that drives and empowers the people's economy. Islamic microeconomics is driven by the acculturation of the economic attitudes of individuals, families and companies, especially MSMEs. While Islamic macroeconomics emphasizes on the policy aspects that support the culture of productive economic behavior. Islamic economics education in Islamic economic study programs at state / private Islamic religious universities (PTKI) which is now dominated by normative-deductive paradigms, then it must immediately be shifted to the inductive-empirical paradigm.

The problem of the decline in national economic stabilization, for example, must be observed in the Islamic macroeconomy of at least three things. First, the inflation rate, Second, the stability of the unemployment rate, then the third, the balance of the international payments. How does Islamic economics provide solutions to these three aspects? What is the right policy in controlling it? What kind of inflation can be tolerated? Islamic economics can tolerate inflation caused by the pull of demand caused by increasing public purchasing power. Increased purchasing power is meaningful, there is an economic expansion that is strongly driven by the Islamic economy. While inflation due to cost-push, means a decline in economic performance (contraction). This inflation is not tolerated by Islamic economics. Thus, government policies that cause prices to rise because they are triggered by rising costs are not compatible with Islamic economics. The policy of "giving up" some fuel prices to the mechanism of the world market, is also not in tune with the guidance of the Islamic economy, because it creates a domino effect of rising costs causing an increase in inflation.

The problem of national economic dependence on foreigners in meeting the needs of several products must be eliminated, with the spirit of religious nationalism that prioritizes domestic products. Religious nationalism is developed from the basic values of Islamic economics as the implications of the principle of monotheistic philosophy: equilibrium, moderation, saving (parsimony) and avoiding waste (extravagance). Balance between individual and general interests. Between rights and obligations as a social economic being (Madnasir, 2010).

How can the government be able to maintain the value of a currency based on the amount of currency in circulation? How do you manage the imbalance in the international balance of payments, which has declined this year? How the implementation of Islamic development economics can encourage national economic growth. Development that can reduce unemployment. The model of economic development in developing countries, including Indonesia, tends to emulate those from developed countries that do not have the same economic problem characteristics. Likewise, there is no similarity in the socio-cultural and political aspects. As a result, not a few of the development programs implemented cannot move the economy of the community.

The national economy has at least three characteristics. First, the population is very large, with domicile that is widespread in the regions of the archipelago with a diverse regional economic character. With this character, Islamic economics that is developed must be a labor-intensive economy based on territoriality and the character of each local economic potential.

Secondly, the majority of Indonesia's territory is agricultural land, forestry, maritime affairs and fisheries. The strength of these lands, is undoubtedly responded to optimally in the development of Islamic economics, both on the theoretical and practical levels of financial institutions. Islamic banking products are made by adjusting the economic strength of agriculture, forestry, marine, and fisheries. In this context, the government is certainly present actively backing up Islamic banking products that are characteristic of the strengths of national and regional economic forces. to be able to update (modify) Islamic banking products.

Third, the economic characteristics of mutual cooperation, shadaqah economy in a culture with a strong social relationship. Indonesian society is a society full of socio-cultural relations in strong communities with diverse locality characters. The celebration of eid fitr, eid adha, hajj, umrah and the celebration of Islamic holidays in the archipelago is a very strong socio-economic asset. How can the strength of social-economic asset based on Islamic teachings become one of the characteristics of Indonesian Islamic economic? The socio-economic asset can be developed into a model of Islamic economic production, distribution and also the consumption. This is a real challenge, the development of Islamic economics based on Indonesian character and locality.

4. Conclusion

The national economic issues faced by the Indonesian people are the real agenda and challenge for the development of Islamic economic studies. Furthermore, the problem regarding the slow growth and contribution of the Islamic economic industry in the world's most populous Muslim country. Epistemologically, during this time, the level of normative idealism of Islamic economics should be changed by promoting an inductive-empirical approach to the problems of the nation's economy both on micro and macro. The diversity of national economy, instability of prices, poverty and unemployment rates, declining international balance of payments, implementation of unproductive economic development models, etc. are an urgent agenda on Islamic economics studies.

The inductive-empirical construction of Islamic economics has two advantages: first, it can solve the nation's economic problems simultaneously. Secondly, the development of Islamic economic scientific studies formulas that have the characteristic of Indonesia and locality, so that they converge with the strength of the nation's socio-economic capital. With this combination, Islamic economics studies will accelerate the rapid movement of Islamic economic contribution to the national economy. The construction of inductive-empirical Islamic economics is also possible to be strengthened by an irfani epistemology that emphasizes spirituality. A benefit of real economic problems will be tested in spirituality aspects. Thus, the outward standard of inductive-empirical welfare should also meet its inward standards.

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