Jurnal Penelitian Hukum Ekonomi syariah

Relevance of Inflation Control According to M. A. Mannan With Law No. 3 Of 2004

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Abstract

This research is motivated by the frequent inflation challenges faced by Indonesia, attributed to the limited integration of sharia principles in maintaining economic stability. The study aims to analyze the compatibility of M. A. Mannan's inflation control mechanisms with the provisions of Law No. 3 of 2004 on Bank Indonesia, particularly Article 10 Paragraph 1. Mannan's concept offers a mechanistic approach to understanding the factors affecting inflation and effective control methods. This study examines the alignment between Mannan's principles and existing legal frameworks, including the role of Bank Indonesia in ensuring price stability. The findings reveal that, despite theoretical and practical differences, Mannan's proposed mechanism complements the strategies outlined in the law, providing valuable insights for effective monetary policymaking. This research adopts a normative juridical approach and descriptive analysis method, with data collected and analyzed using qualitative techniques. The results indicate notable differences and similarities between Indonesia's inflation control and Mannan's monetary policy concept. The findings underscore the importance of integrating Mannan's approach into Indonesian monetary policies to enhance inflation control and national economic stability.

Keywords: Inflation Policy, Islamic Economy, M.A.Mannan, Bank Indonesia, Price Stability.

Abstract

Penelitian ini dilatarbelakangi oleh tantangan inflasi yang kerap dihadapi Indonesia akibat belum optimalnya penerapan prinsip syariah dalam menjaga stabilitas ekonomi nasional. Penelitian ini bertujuan untuk menganalisis kesesuaian mekanisme pengendalian inflasi menurut M. A. Mannan dengan ketentuan dalam Undang-Undang Nomor 3 Tahun 2004 tentang Bank Indonesia, khususnya Pasal 10 Ayat 1. Konsep yang ditawarkan Mannan menggunakan pendekatan mekanistik untuk memahami faktor-faktor yang memengaruhi inflasi serta metode pengendalian yang efektif. Penelitian ini mengkaji kesesuaian prinsip-prinsip Mannan dengan kerangka hukum yang ada, termasuk peran Bank Indonesia dalam menjaga stabilitas harga. Temuan penelitian menunjukkan bahwa meskipun terdapat perbedaan pendekatan teoritis dan praktik, mekanisme yang diusulkan Mannan dapat melengkapi strategi pengendalian inflasi dalam undang-undang, memberikan wawasan baru dalam kebijakan moneter. Penelitian ini menggunakan pendekatan yuridis normatif dan metode analisis deskriptif; data dianalisis menggunakan teknik analisis kualitatif. Hasil penelitian menunjukkan adanya perbedaan dan kesamaan antara pengendalian inflasi di Indonesia dan gagasan kebijakan moneter Mannan. Temuan ini menegaskan pentingnya adopsi mekanisme tersebut ke dalam kebijakan moneter Indonesia untuk mengendalikan inflasi dan menjaga stabilitas ekonomi nasional.

Kata Kunci: *Kebijakan Inflasi, Ekonomi Syariah, M.A.Mannan, Bank Indonesia, Stabilitas Harga.*

Introduction

Inflation is one of the most important economic indicators and can affect the economic stability of a country. In Indonesia, the challenge of controlling inflation is becoming increasingly complex along with the dynamics of the global and domestic economy. Thus Bank Indonesia as the monetary authority has the main responsibility in maintaining price stability, which is mandated in Law No. 3 of 2004 article 10 paragraph 1. Likewise, M. A. Mannan said how the mechanism of inflation control and then he gave an in-depth thought about the approach that can be taken to overcome this problem. In that context, it is important to explore the relevance of Mannan's theory with the prevailing legal provisions in order to develop a more effective inflation control strategy. This study aims to analyse the inflation control mechanism according to M. A. Mannan and evaluate its compatibility with the policy stipulated in the Bank Indonesia Law. Therefore, with a better understanding of the synergy between theory and practice, it is expected that the results of this study can contribute to the development of monetary policy in Indonesia.

According to previous researchers, the causes of inflation around the world are caused by several things including energy prices and external factors such as monetary policy and exchange rate fluctuations (Ifeacho & Choga, 2023). Then it is influenced by the relationship between inflation and unemployment where an increase in unemployment causes inflation to increase, especially during COVID-19 (Grabia & Bywalec, 2024). In addition, it is caused by a shift in social goals that fuelled poverty and weakened public confidence in economic institutions and government officials responsible for monetary policy, creating economic inequality problems (Misztal, 2023). In addition, it is caused by rising energy prices (Ifeacho & Choga, 2023), as well as variations in price values in different regions but the same magnitude when inflation occurs (Abbas & Arshed, 2023). Likewise, the impact of monetary policy during the pandemic has had a significant impact on stock performance in the banking sector in the US, Europe and Asia (O'Donnell et al., 2024). However, one solution is to adopt Flexible inflation Targeting which provides benefits in reducing inflation in countries in the world (Ito, 2024). Furthermore, Central bank transparency is crucial to ensure inflation control aligns with state policies (Sethi et al., 2024). While inflation in Indonesia is often caused by energy prices, the exchange rate, and monetary policy have an inequality effect on inflation, as well as a subsidy policy that is considered important to control inflation, so that the country does not experience a monetary crisis (Arintoko et al., 2024).

All of the studies mentioned above only focus on the relationship between central bank transparency and inflation targeting in the economic sector and discuss the relationship between inflation and unemployment in the United States, Japan, and Germany due to the economic crisis caused by Covid-19. In addition, it only examines the dynamics of energy prices in Sub-Saharan Africa and their impact on inflation, and examines the effects of global energy and food price inequality to the dynamics of the exchange rate on the needs of each country. Thus, the difference between this research and what the author does is to examine the relevance of the inflation control mechanism according to M. A. Mannan with Law No. 3 concerning Bank Indonesia mentioned in article 10 paragraph 1. Therefore, from various existing problems, it is necessary to understand that how to control inflation through monetary policy and how the application of sharia principles is applied in maintaining national economic stability, so that this is very important in monetary policy in Indonesia so that inflation does not always occur.

Method

The research methodology used is qualitative approach with descriptive-analytical method to understand deeply the concept of inflation control mechanism according to M. A. Mannan and its relevance to Law No. 3 of 2004 on Bank Indonesia which is regulated in Article 10 Paragraph 1. This type of research (legal research) focuses on the analysis of Islamic economic theory in the context of monetary policy regulation in Indonesia. The data source of Law No. 3 of 2004 and M. A. Mannan's work on the mechanism of controlling inflation in Islamic economics is done by literature study (legal research), then the data obtained is analysed for its suitability between the mechanism proposed by M. A. Mannan with Bank Indonesia's policy as stipulated in Law No. 3 of 2004, so as to produce conclusions that can provide solutions to control solutions for inflation in Indonesia (Peter Mahmud Marzuki, 2016).

Inflation Dynamics: Causes, Impacts, and Strategic Policies for Economic Stability in Indonesia

Inflation is a generalised and sustained increase in the prices of goods and services over a period of time. This phenomenon is one of the major economic issues faced by countries around the world and controlling it is very important because uncontrolled inflation can cause economic instability, reduce people's purchasing power, and adversely affect economic growth. Therefore, many countries implement various policies and mechanisms to keep inflation under control (R et al., 2024). Among these policies are interest rate and money supply provisions as one of the main mechanisms used by central banks around the world to control inflation. Then fiscal policy as a control of government spending and taxes and includes the regulation of government spending aimed at influencing aggregate demand in the economy ((Jumiati, 2022).

The definition of Inflation in general is a condition where there is a general and continuous increase in the price of goods and services within a certain period of time, which has an impact on the decline in people's purchasing power (F. M. Sari et al., 2024). Inflation is also caused by various factors such as rising production costs or exceeding supply, as well as monetary policies that affect the amount of money circulating in society. Meanwhile, according to Bank Indonesia (BI), inflation is more inclined to the general increase in prices over time, which is seen as an indicator of price stability and overall economic conditions (Bank Indonesia, 2024). Inflation that is too high is considered bad because it can reduce people's purchasing power and hamper economic growth, while controlled inflation is a sign of a healthy and growing economy.

However, in the context of legislation, inflation is often defined as the percentage increase in the price of goods and services in a certain period of time as measured by the Consumer Price Index. Law No. 23/1999 on Bank Indonesia, which has been updated through Law No. 6/2009, stipulates that one of the main tasks of Bank Indonesia is to maintain the stability of the rupiah, which is realised through price stability or inflation control (Law No. 23, 1999). Excessive inflation is detrimental to the economy as it can cause uncertainty for businesses and the public in managing budgets and investments.

Inflation in Indonesia can occur due to various interrelated factors, both from within the country (domestic) and from outside the country (external) and some of the main causes are rising food and energy commodity prices, disruption of goods distribution, loose monetary policy, depreciation of the rupiah exchange rate, high demand (Hendayanti & Nurhidayati, 2018). With the above factors, inflation in Indonesia is the result of a combination of external pressures, domestic economic policies, and structural challenges faced in the process of distribution and production of goods in the country ((Rozeqqi & Asriati, 2024).

Inflation is an economic phenomenon characterised by a general increase in the prices of goods and services in an economy over a period of time and occurs when the purchasing power of money declines, meaning that consumers can buy fewer goods and services with the same amount of money than before. Inflation can be caused by a variety of factors, including higher demand than supply (demand-pull inflation), an increase in the cost of production (cost-push inflation), or even inflationary expectations that cause consumer and producer behaviour to change. Moderate inflation can be considered a sign of healthy economic growth, but high or uncontrolled inflation can hurt the economy by creating uncertainty, disrupting investment, and reducing savings. Therefore, controlling inflation is one of the main tasks for central banks and governments in maintaining economic stability (Mayasari & Mahinshapuri, 2022).

Inflation has a significant influence on unemployment in Indonesia. In the long run, inflation contributes to a decrease in national and urban unemployment. Specifically, a 1% increase in inflation reduces national unemployment by 0.09% and urban unemployment by 0.15% (Fajri et al., 2024). To address this by activating the home-based production industry as it plays a positive role in absorbing local labour and contributing to the local economy. This is because it provides employment opportunities for local residents as economic justice to become sustainable in reducing unemployment so that they have income (Muamar et al., 2024). In addition, it uses an internal control system because it has a positive impact on budget efficiency and the achievement of development goals in the fields of health, education, and a stable economy (Firdauzi et al., 2024), so that the national economy can be stabilised because it is in accordance with the provisions of sharia-compliant inflation control.

Problems in inflation regulation around the world are caused by the foreign trade policies of the Russian and US governments after the Crimean War and the American Civil War, which have conflicting views and protectionist measures and trade balance approaches to macroeconomics of these countries are not optimal (Epifanova, 2023). There is also the problem of the proportion of Keynesian and monetarist methods where measures implemented by Eastern Europe, Caucasus, and Central Asia countries to regulate the labour market in monetary policy when managing inflation and financing (Sabyrzhan et al., 2021). Policy problems also occur in Brazil because it is not optimal in controlling inflation and managing distributive conflicts as desired. This has led to an exchange rate that is not always guaranteed and the distributional effects of interest rates are ambiguous and depend on the appreciation of the domestic currency (Rolim, 2024). In Turkey, inflation is controlled through a tax amnesty policy to increase state revenues, but if its use is not appropriate, it can cause manipulation of macroeconomic variables and be used for political purposes to get votes during elections. However, this is done in order to overcome the shortage of domestic resources (Kanca & Bayrak, 2024), so that from the various problems that exist require regulations that can control inflation in accordance with the vision of the State in order to avoid monetary crises.

While the inflation problem in Asia can be seen from the results of previous studies such as policies that affect the growth and success of derivatives markets in various regions, Asia-Pacific, America, and Europe, and the differences between developed and developing markets have varying effects in various regions due to the uncertainty of economic regulation (Samarakoon et al., 2023). Other influences such as the transport-logistics system, which occurred in Russia due to the changing foreign policy situation and sanctions that reduced the volume of key non-resource exports from Russia, necessitated government regulation to develop the transport-logistics system to prevent excessive inflation (Abdullina et al., 2024). On the other hand, inflation occurs due to the impact of the shadow economy and corruption on economic growth in developing Asian countries. Therefore, with a negative impact on economic growth, policies that specifically regulate it are needed (Nguyen & Luong, 2020). Muhammad Abdul Mannan's inflation policy will be more effective when integrated with state policies addressing issues that drive excessive inflation.

Likewise, the problem of inflation policy in Indonesia has a negative impact caused by the Covid-19 pandemic on the stock market is not good because it affects interest rates, money supply, and commodity prices, which can affect inflation policy in general (Rahmayani & Oktavilia, 2020). It is also said that inflation theory does not always match the phenomena that occur, such as a decrease in the volume of SR-007 Sukuk issuance when the inflation rate is low (Shintyawati et al., 2020). Then the existence of inflation volatility which does not have a significant effect on original sin in Asian countries and the high level of currency mismatches in Indonesia can cause a financial crisis, even within controlled limits as it is today (Venkatesh & Hiremath, 2021). There is a causal relationship between unemployment and inflation in Jordan from 1984 to 2011, but the results state that there is no trade-off relationship between unemployment and inflation during the study period in Jordan (Micah et al., 2021). As well as the existence of the monetary policy trilemma in an open economy, especially in the context of the influence of the exchange rate and foreign capital flows on the performance of the inflation targeting framework (ITF) in Indonesia (Rakhmat et al., 2022). There is also the influence of tobacco price strategy with the theory of mid-price band growth (MG) and premium price band growth (PG), which has a significant effect on inflation (INFL) in countries, if it can increase it can control inflation in Asia (Ahsan et al., 2022). Corruption in Indonesia contributes to income inequality, as policies lack significant impact (Syarif, 2023).

The high price of rice in Indonesia, which is more expensive compared to other rice-producing countries, is due to strict import policies, high production costs including agricultural labour wages, land rent, and high logistics costs. The effect on the vulnerability of poor families is that their expenditure accounts for 76.7% of total household expenditure

(Kusumaningsih, 2023). In addition, there is a monetary policy that involves the money supply, interest rates and inflation rates that have no influence on sustainable economic growth in Indonesia and are not effective in achieving sustainable economic growth (Handoko et al., 2023). Furthermore, inflation is considered a monetary phenomenon that indicates a sustained increase in the general price level but reduces people's purchasing power as real incomes also decline. Inflation is not considered a major contributor to unemployment, but in reality it only accounts for 18.6% of unemployment, while 80.4% is caused by other factors, so it has a negative effect despite its policies ((Lapian et al., 2023). In addition, it has a very significant negative effect on firm profitability, especially in the construction sector, as inflation can cause an increase in construction material prices and production costs, which in turn can reduce the profitability of construction companies (Rifai et al., 2024). The effect on the policy lies in the negative effect on non-performing loans (NPL) in the Indonesian banking sector, so that when inflation increases, NPLs tend to decrease (Annas et al., 2024).

Based on the overall problems outlined above, there are several aspects of the economy in Indonesia such as, the price of rice in Indonesia has become more expensive compared to other rice producing countries due to strict import policies and high production costs, which has an impact on the level of vulnerability of poor families due to their high expenditure, reaching 76% of total household expenditure. In addition, monetary policies involving money supply, interest rates and rates are not effective in achieving sustainable economic growth. Inflation also has a significant negative effect on corporate profitability, especially in the construction sector, and affects non-performing loans (NPLs) in the banking sector. The Covid-19 pandemic also had a negative impact on the stock market and affected inflation policy. In addition, there is a high currency mismatch in Indonesia which can lead to a financial crisis. Furthermore, monetary policy in an open economy also faces a trilemma regarding the exchange rate and foreign capital flows. Corruption in Indonesia also causes income inequality although the policy does not have a significant relationship. Therefore, this shows that inflation policy according to Muhammad Abdul Mannan is needed in developing the economy and maintaining Indonesia's inflation.

Inflation control in Indonesia is carried out by several institutions that have a strategic role in maintaining price and economic stability, playing a role in controlling inflation Bank Indonesia is the main institution responsible for controlling inflation through monetary policy (Rozeqqi & Asriati, 2024). Bank Indonesia, as the central bank, has the mandate to maintain the stability of the rupiah exchange rate, including ensuring price stability or inflation. BI uses various monetary policy instruments, such as interest rate setting (BI-7 Day Reverse Repo

Rate), money supply control, and open market operations. Bank Indonesia also intervenes in the foreign exchange market to maintain exchange rate stability, which plays a role in controlling inflation from the import sector. Then the central inflation control team is responsible for coordinating inter-agency policies in order to control inflation (Ivanka et al., 2024). The team consists of several ministries and agencies, including the Ministry of Finance, Ministry of Trade, Ministry of Agriculture, and Bank Indonesia. It functions to formulate joint strategies and policies in managing inflation, especially in strategic sectors such as food, energy, and transport. Furthermore, there are also regional inflation control teams that are tasked with controlling it in their respective regions and taking coordinative steps between local governments, Bank Indonesia representatives, and other related agencies to maintain price stability in the region, which plays an important role in controlling inflation caused by problems in the distribution of goods in the regions, especially related to food commodities (Prihadyatama & Kurniawan, 2022). Thus, inflation control requires a comprehensive approach through central monetary policy and regional coordination.

Another measure is through price controls and subsidies as a way to protect consumers from the direct impact of inflation, especially on basic goods such as food and energy. In addition, a country's currency exchange rate policy has a significant influence, as a weak currency can increase the price of imported goods, thus contributing to inflation. In addition, wage setting policies, because when wages increase too quickly, this can push up production costs, which are ultimately passed on to consumers in the form of higher prices (Nisfah et al., 2022). To prevent this by using the method of setting a cap on wage increases or introducing collective bargaining that takes inflation into account. Other mechanisms are applied through structural policies to increase economic productivity and through financial market supervision and regulation to prevent asset bubbles or financial system collapse that can exacerbate inflation. Therefore, each country faces different conditions, so there is no single approach that can be applied universally, but the main objective of all inflation control mechanisms is the same to maintain price stability to support sustainable economic growth and improve people's welfare (Warjiyo, n.d.).

The strategy to prevent uncontrolled inflation can have a negative impact on the economy, especially in reducing people's purchasing power, increasing the cost of living, and creating uncertainty for businesses. Therefore, it is important for the government and monetary authorities to design and implement appropriate strategies to prevent excessive inflation (Rizani et al., 2023). Therefore, the control strategy is to make the right monetary policy, balanced fiscal policy, price control, increase production capacity, encourage exchange rate stability, manage inflation expectations and economic diversification. By implementing the various strategies above, inflation can be prevented or at least controlled so that it does not reach a level that is detrimental to the economy through a combination of effective monetary policy, prudent fiscal policy, and increased production capacity and economic diversification can ensure that prices remain stable and people's purchasing power is maintained (Faizin, 2021).

According to Muhammad Abdul Mannan's view, inflation is defined as a general and sustained rise in the prices of goods and services in a country over a certain period. He also explains inflation as a decline in the purchasing power of money that occurs due to rising prices of goods and services. In an economic context, inflation is a very important issue because it can affect a country's economic stability, people's purchasing power, as well as individual and corporate financial planning. Thus high inflation can cause uncertainty in the market and lower investor confidence, which in turn has a negative impact on economic growth (Muhammad Abdul Mannan, 1995).

The causes of inflation can be categorised into several factors First, there is demand-pull inflation, which occurs when demand for goods and services increases beyond production capacity. This results in high consumer demand and limited supply, and producers will raise prices to compensate for this imbalance. Factors that drive increased demand may include rapid economic growth, rising incomes, as well as loose monetary policies, such as lower interest rates that make borrowing more affordable. Secondly, cost-push inflation, which is caused by an increase in production costs, occurs when the price of raw materials, labour, or other costs increase, producers will attempt to maintain profit margins by raising the selling price of their products. Factors such as rising oil prices, natural disasters, or government policies that increase taxes can also cause cost-push inflation. Third, built-in inflation, occurs when inflationary expectations in society become a driver of higher wage demands, causing producers to raise prices to cover higher wage costs. This cycle can continue, creating a vicious cycle of inflation. Caused by several factors Overall, inflation is a complex phenomenon that is influenced by a variety of factors. Understanding its causes is important to formulate appropriate economic policies to overcome the negative impacts of inflation, both for the economy as a whole and for individuals (Romanda, 2020).

To prevent inflation and monetary crises, Muhammad Abdul Mannan provides several approaches and strategies that can be applied in economic management. The application of these measures is important so that economic stability can be maintained and people's purchasing power is maintained. Among the things that can be done to deal with inflation and monetary crisis. Tight monetary policy, monitoring of fiscal policy, diversification of income sources, exchange rate stability, economic counselling and education, infrastructure development and local production, international collaboration and improving the quality of human resources. By implementing these measures, it can be expected that inflation and monetary crises can be minimised. Good economic management, both in terms of monetary and fiscal, as well as active participation of the community in economic management, is the key to achieving long-term economic stability. The application of the principles described by Muhammad Abdul Mannan will not only prevent inflation and monetary crises but also support sustainable and inclusive economic growth (Mannan, 1986).

Inflation Control in Indonesia: Policy Approaches and the Relevance of Muhammad Abdul Mannan's Economic Perspectives

In Indonesia, inflation control uses strategies and steps in the face of complex challenges and multifaceted approaches in order to be controlled in accordance with the expectations and ideals of the State to control the economy. Thus, there are several measures such as monetary and fiscal policies, price controls, subsidies, exchange rate stabilisation, financial sector supervision, food security, public education, international cooperation, and technological innovation all contribute to efforts to control inflation (Marta et al., 2024). In its implementation, these strategies must be adapted to the ever-changing economic conditions and have many challenges. Therefore, controlling inflation with a collaborative strategy between the government, Bank Indonesia, and all elements of society is key to achieving sustainable price stability. Through coordinated measures and adaptive policies, it is hoped that Indonesia can overcome inflation challenges and achieve inclusive and sustainable economic growth (Y. Sari, 2024). Because it can lead to justice to social, economic and environmental welfare (Andatu & Hilabi, 2023).

Inflation control does not only involve monetary and fiscal policies but includes various other aspects Law Number 3 Year of 2004 on Bank Indonesia explains in Clause 7 that the main objective of Bank Indonesia is to achieve and maintain rupiah stability. Previously, this was also regulated in Law No. 23/1999 on Bank Indonesia, before it was replaced by Law No. 3/2004, which provided the legal basis for Bank Indonesia in managing monetary policy. Meanwhile, Law No. 17/2003 on State Finance regulates the management of state finances, including aspects of government revenue and expenditure (Adrian Sutedi, 2022). Then through Law No. 30 of 2000 on Business Competition Supervisory Commission although it does not directly regulate inflation, this law has an important impact on price control and market stability. Furthermore, Government Regulation No. 58/2008 on Inflation Control Policy regulates inflation control measures at the national level including price control of basic goods, distribution arrangements, and price monitoring. In addition, through Minister of Trade Regulation No. 57/2017 on the Determination of the Highest Retail Price (HET) for basic necessities, such as rice, sugar, and cooking oil and through Bank Indonesia Regulation on Monetary Policy and inflation control as well as guidance for BI in making monetary policy decisions to achieve price stability. Therefore, inflation control in Indonesia is regulated by various laws and regulations that cover monetary, fiscal, and market supervision aspects to create price stability and maintain people's purchasing power (Juhro & SE, 2023).

This research examines the policy stipulated in article 10 paragraph 1 of Law No 3 of 2004 concerning Bank Indonesia, which is the legal basis for BI in controlling and ensuring the stability of the rupiah. The strategy in this policy has several steps that must be taken, including determining interest rate policy as one of BI's main tools in controlling it, conducting open market operations to regulate liquidity in the market, monitoring and analysing core inflation, which is inflation that is not influenced by food and energy prices. As well as implementing an inflation target policy to maintain inflation expectations in the community, as the direction of monetary policy. Therefore, even though there are various challenges with this policy as a step to maintain public welfare and national economic stability (Wardhono et al., 2019).

The relevance of inflation policy in Indonesia with inflation thinking according to Muhammad Abdul mannan about inflation where inflation policy in Indonesia is focused on controlling price stability and the value of the rupiah. This task is only owned by Bank Indonesia to keep it within the set limits, which range from 3% to 5%. To achieve this goal, BI uses various monetary policy instruments, including setting the benchmark interest rate, open market operations, and regulating liquidity in the market (Ismail & Syarifudin, 2023). While according to Muhammad Abdul Mannan has identified several factors that influence it, including monetary policy, fiscal policy, and external factors, because in controlling inflation that relying on monetary policy to control inflation alone is not enough, especially in countries that have dependence on imports and are strongly influenced by fluctuations in global commodity prices, so developing countries need to carry out structural reforms in the production, distribution, and consumption sectors to achieve better economic resilience (Ema, 2023).

In terms of inflation policy, it can be seen from three perspectives. First, both Indonesia and Mannan recognise the importance of the central bank's role in controlling inflation, as

Bank Indonesia has the authority to set monetary policy, while Mannan also emphasises the important role of the central bank in maintaining price stability. Second, both agree that inflation policy should be based on a deep understanding of the factors that affect inflation. However, the existing policy in Indonesia prioritises the analysis of core inflation, inflation expectations, and external factors to be an important part of the policy implemented by BI (Nawati, 2019). Meanwhile, Mannan emphasises the need for a thorough analysis of the existing economic structure and market dynamics. Third, in the context of communication, both Indonesia's inflation policy and Mannan's views highlight the importance of transparency and good communication between the central bank and the public in Indonesia BI actively conducts socialisation and counselling to the public to improve understanding of monetary policy and inflation (Janwari & Al-Hakim, 2024).

The relevance of the policy provisions on inflation mentioned above has three fundamental differences such as First, the policy focus where Indonesia's inflation policy is more oriented towards short-term price control through monetary policy, while Mannan emphasises the importance of structural policy for the long term as it should include real sector reforms, such as agriculture and industry, to increase domestic production capacity. Secondly, in terms of market intervention, Indonesia often uses price controls on basic goods to protect the public from price spikes. Mannan, on the other hand, is more sceptical of price controls, as he believes that such measures can cause market distortions and reduce incentives for producers to increase supply. Thus policy should focus on improving production and distribution efficiency rather than controlling prices directly. Third, in terms of emphasis on target inflation, Indonesian policy tends to have a clear and measurable inflation target. In contrast, Mannan argues that inflation policy should not always be tied to a specific numerical target, but rather to the creation of sustainable economic stability. This suggests a more flexible approach to inflation control, where policy objectives are not just focussed on numbers, but on broader economic impacts.

The aim of incorporating Muhammad Abdul Mannan's thoughts in Indonesia's inflation control policy will not only help in addressing the inflation problem itself, but will also contribute to the development of a more stable and sustainable economy on social and environmental economics. By integrating the principles of ethics, justice and social responsibility in economic policy, Indonesia can build a stronger foundation for inclusive economic growth. In the long run, this approach will not only help control inflation, but also improve people's overall welfare, which in turn will support national economic stability.

Therefore, Mannan's thoughts should be used as a reference in formulating policies that are more effective and responsive to the economic challenges faced by Indonesia today.

Conclusion

This study concludes that inflation control in Indonesia should not only focus on short-term policies, such as price controls, but must also involve structural reforms in the real sector to achieve sustainable economic stability. In the context of the relevance of Muhammad Abdul Mannan's thoughts to Law No. 3 of 2004 concerning Bank Indonesia, this study shows that the inflation mechanisms proposed by Mannan provide added value in supporting existing inflation control strategies. Mannan emphasizes the importance of long-term structural policies, including reforms in the agricultural and industrial sectors, to increase domestic production capacity. Additionally, Mannan's views on the importance of production and distribution efficiency as an alternative to direct price control align with Indonesia's need to strengthen its economic resilience. While Indonesia's inflation policies tend to adopt a numerical approach with clear targets, Mannan advocates for a more flexible approach aimed at achieving comprehensive economic stability, rather than merely maintaining a specific inflation rate. This study also highlights that the ethical principles, justice, and social responsibility proposed by Mannan should be integrated into economic policies to address inflation challenges and improve societal welfare. Therefore, adopting Mannan's ideas into Indonesia's monetary and fiscal policies can provide more comprehensive solutions for maintaining national economic stability, enhancing people's purchasing power, and supporting inclusive and sustainable economic growth.

This study is limited to the analysis of the relevance of M. A. Mannan's inflation concepts to Law No. 3 of 2004 concerning Bank Indonesia, as well as the lack of in-depth empirical data on the implementation of inflation policies in the real sector. Although this research provides important insights into the integration of sharia principles in inflation control, there is room for further study. Future research is recommended to explore the application of Mannan's ideas in the context of more comprehensive inflation policies using quantitative approaches, including the analysis of structural reforms' impact on price stability and purchasing power. Additionally, comparative studies on inflation policy practices in other countries with Islamic economic systems could provide additional perspectives for developing more adaptive monetary and fiscal policies in Indonesia.

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