



**STABILITY OF OUTPUT AND EMPLOYMENT IN ISLAMIC MACROECONOMIC
MODELS**

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Abstract

This study addresses the persistent challenge of global financial instability and the inability of conventional macroeconomic frameworks to resolve socio-economic disparities, such as high unemployment and poverty in Indonesia. The primary objective is to qualitatively analyze the mechanisms through which Islamic macroeconomic models achieve stability in output and employment, focusing on the synergy between risk-sharing financial structures and social justice institutions. The research utilizes a qualitative approach with a naturalistic descriptive method, where the researcher acts as the key instrument to explore emic perspectives. Data collection is conducted through triangulation of in-depth documentation studies (library research), drawing from primary classical fiqh muamalah texts and secondary contemporary academic journals and policy reports. The main findings reveal three core themes: (1) the synchronization of the real and financial sectors through risk-sharing mechanisms (Mudharabah and Musharakah); (2) the function of Zakat as an automatic stabilizer for aggregate demand by penalizing idle capital; and (3) an ethical commitment to full employment, viewing labor as a spiritual obligation (ibadah). These findings contribute to a holistic understanding of economic resilience driven by the internalization of falah (holistic welfare). Theoretically, this research implies the need to redefine stability parameters to include distributive justice. Practically, it suggests strengthening coordination between Indonesian monetary authorities and social finance institutions like BAZNAS. Future research should consider empirical calibrations using real-time post-pandemic data.

Keywords: *Islamic Macroeconomic Models, Output Stability, Employment Stability, Risk-Sharing Mechanisms, Zakat*

Introduction

The recurring episodes of global financial instability, most notably the 2007–2008 financial crisis and the historic Great Depression, have forced a critical reassessment of the viability of the laissez-faire capitalist framework (Askari et al., 2015). Conventional macroeconomic models, which are deeply anchored in fractional reserve banking and interest-based debt instruments, are increasingly criticized for fostering "financialization" (Maynard, 1930). This phenomenon creates a significant decoupling where the financial sector expands independently of the real economy, leading to credit pyramids that inevitably burst and paralyze national output (Askari et al., 2015). Consequently, the global academic community is searching for a more resilient and ethical

alternative that can maintain long-term stability (Zahro et al., 2024).

Islamic macroeconomics offers a unique paradigm shift centered on rules-based compliance, risk-sharing, and ethical constraints. The system's foundations, laid down in the Quran and practiced through the Sunnah, emphasize that financial transactions must be anchored to tangible productive assets. In this framework, financial assets are contingent claims where returns are determined *ex post facto* by real-sector performance rather than fixed *ex ante rates*. This design ensures that the financial sector remains a servant to real economic productivity rather than a source of speculative volatility (Askari et al., 2015).

In the national context of Indonesia, despite showing steady growth over the past decade, the benefits of development have often failed to reach the broader population. Empirical data indicates that the country continues to struggle with persistent challenges such as poverty, income inequality, and high unemployment rates (Romadhan et al., 2025). As of 2025, Indonesia's poverty rate stood at approximately 8,57 percent, while the unemployment rate reached 4,74 percent (Badan Pusat Statistik Indonesia, 2025). These indicators suggest that conventional monetary and fiscal management has not fully resolved the multidimensional aspects of economic welfare and social justice required for equitable growth (Romadhan et al., 2025).

The field also reveals a continuous monetary economic deficit in Indonesia from 2019 to 2024, reflecting immense fiscal pressure on the national budget. This persistent deficit underscores the urgent need for integrated policies that align national monetary management with more stable, Sharia-compliant mechanisms (Romadhan et al., 2025). Furthermore, current reports from the National Labor Force Survey (Sakernas) in 2025 show that out of 147,95 million people in the labor force, a significant portion remains underemployed or trapped in part-time work (Badan Pusat Statistik Indonesia, 2025). This reflects an inability of the current economic structure to fully absorb productive human resources into the active production cycle (Muthoharoh & Wahyudi, 2023).

Labor market dynamics in Indonesia also face a structural "mismatch" between job seekers' qualifications and industrial requirements. This structural unemployment results in a waste of productive resources that could otherwise contribute to national output (Aziz et al., 2024). In the view of Islamic macroeconomics, such unemployment is not merely a statistical figure but a violation of the individual's spiritual and social obligation to contribute to the community's welfare (Askari et al., 2015).

The urgency of researching this issue from a socio-religious perspective is grounded in the Islamic view of human beings as "trustees" (*khalifah*) on earth. In Islamic thought, work is not just a right but a spiritual dimension of faith and a form of worship (*ibadah*) (Muthoharoh & Wahyudi, 2023). Conversely, idleness and voluntary unemployment are viewed as a waste of human potential and a violation of the trust bestowed by the Creator (Subhan, 2018). This research is vital because it

shifts the focus from purely materialistic GDP growth to a holistic framework of well-being (*falah*).

Islamic macroeconomic models offer a unique stabilization mechanism through risk-sharing instruments such as *Mudharabah* and *Musharakah* (Bakhroni & Muchlis, 2025). Unlike the conventional system where debt creates a rigid burden regardless of business outcomes, Islamic financing ensures that the financial structure adjusts in tandem with real performance. Furthermore, the requirement of 100% reserve banking eliminates the ability of the financial system to create "money out of thin air," which often triggers the boom-and-bust cycles that disrupt national output (Askari et al., 2015).

Regarding employment stability, Islamic macroeconomics provides an institutional commitment to achieving the "natural rate" of full employment (Askari et al., 2015). Public policy within this framework utilizes redistributive instruments like Zakat and Waqf to empower the economically weak and ensure active circulation of wealth (Sukma et al., 2024). Zakat on uninvested wealth acts as a "penalty" on idle capital, forcing wealth holders to re-inject funds into productive sectors, thereby creating a continuous demand for labor (Misanam, 2023).

Despite these conceptual strengths, a significant research gap remains in the existing literature. Previous studies on Islamic macroeconomics in Indonesia have primarily focused on theoretical concepts, quantitative mathematical measurements, or isolated technical banking regulations. There is a noticeable lack of qualitative exploration that delves into the "meaning," "process," and actual experiences of stakeholders in navigating the transition toward an interest-free environment. Existing literature tends to be fragmented, lacking an integrated qualitative understanding of how risk-sharing synchronizes the real and financial sectors to ensure long-term stability.

Based on the identified gaps and problems in the field, this study addresses the following research questions: (1) How do stakeholders perceive and interpret the "process" of implementing risk-sharing mechanisms to achieve output stability in the Indonesian context? (2) What are the qualitative experiences and challenges faced by institutions in utilizing ZISWAF as an automatic stabilizer for employment? (3) How does the synergy between risk-sharing financial structures and social justice institutions redefine the meaning of macroeconomic resilience?.

The primary objective of this study is to qualitatively analyze the mechanisms through which Islamic macroeconomic models achieve stability in output and employment. This research focuses on the synergy between risk-sharing financial structures and the institutionalization of social justice through distributive instruments. Theoretically, this study contributes to the development of Islamic economic thought by reinforcing the role of asset-backed transactions in creating resilient economies. Practically, it offers critical insights for Indonesian policymakers to strengthen coordination between Islamic financial institutions and the central bank, ultimately aiming to realize

equitable national welfare.

LITERATURE REVIEW

1. Theoretical Foundations: Justice, *Khalifah*, and *Falah*

The theoretical framework of Islamic macroeconomics is anchored in the principle of divine oneness (*Tawheed*), where humans are designated as trustees (*khalifah*) responsible for managing the earth's resources productively while strictly avoiding wealth hoarding (Budiman, 2024). Unlike conventional models driven by materialistic utility, this paradigm integrates spiritual values to achieve *falah*, a state of holistic welfare encompassing both worldly prosperity and spiritual salvation (Askari et al., 2015). Operationally, Islamic macroeconomics is defined as the study of comprehensive economic phenomena aimed at ensuring distributive justice and equilibrium through national policies that align with Sharia principles (Hayati et al., 2024).

2. Mechanisms of Output Stability and Risk-Sharing

Output stability in Islamic models is achieved through the total prohibition of interest (*riba*) and the institutionalization of risk-sharing mechanisms such as *Mudharabah* and *Musharakah*. These contracts establish a "one-to-one mapping" between the financial and real sectors, ensuring that financial assets remain contingent claims tied to actual economic productivity (Askari et al., 2015). In this framework, investment demand is no longer a function of speculative interest rates but is driven by the marginal productivity of capital and the profit-sharing ratio (μ) (Daulay et al., 2019). Mathematically, the Islamic investment function can be represented as:

$$I=f(Y,\mu)$$

Where, investment (I) responds to national income (Y) and the agreed-upon sharing ratio (μ), creating a more stable incentive for capital deployment than volatile debt-based systems (Daulay et al., 2019).

3. Zakat as a Driver of Economic Growth and Output Stability

Zakat serves as a fundamental driver of economic growth by facilitating the continuous circulation of wealth and preventing capital stagnation (Mutmainnah, 2024). Empirically, research conducted by Mohamad Anton Athoillah (2018) on the island of Java demonstrates that zakat acquisition has a positive and significant effect on economic growth. Specifically, a 1% increase in zakat collection is correlated with a 0.025% increase in per capita regional GDP, proving that zakat acts as a productive catalyst in the economy. Beyond driving growth, zakat ensures output stability by functioning as a "built-in stabilizer".

4. Employment Stability and Zakat as an Automatic Stabilizer

Islamic macroeconomics prioritizes the achievement of full employment because labor is viewed as an inseparable dimension of faith and a form of worship (*ibadah*) (Budiman, 2024).

Stability in the labor market is reinforced by redistributive instruments, specifically Zakat, Infaq, and Waqf (ZISWAF), which serve as automatic stabilizers for aggregate demand. Zakat on idle wealth acts as a "penalty" that incentivizes wealth owners to re-inject funds into productive sectors to avoid principal depletion (Mutmainnah, 2024). The equilibrium national income incorporating Zakat (z) and Infaq (γ) is derived as:

$$Y = \frac{a + I_0 + G_0}{1 - b(1 - t) - (1 - b)(z + \gamma)}$$

Where:

- Y : Equilibrium national income
- a : Autonomous consumption
- b : Marginal Propensity to Consume (MPC)
- t : Tax rate
- I_0 : Autonomous investment
- G_0 : Government expenditure
- z : Zakat rate
- γ (*gamma*) : Infaq/charitable spending rate

This model proves that the presence of z and γ increases the multiplier effect, enhancing the economy's capacity to absorb shocks and maintain employment levels even during downturns (Priyono, 2013).

RESEARCH METHODS

This study employs a qualitative approach with a naturalistic descriptive method to deeply explore the concepts of output stability and employment within the framework of Islamic macroeconomic models. This approach is selected because macroeconomic variables in an Islamic context are viewed as a holistic interaction of Sharia values and complex social phenomena that cannot be fully captured by statistics alone. In this research, the researcher serves as the key instrument, actively capturing emic perspectives from authoritative literature to construct a comprehensive understanding of economic equilibrium without experimental manipulation (Sugiyono, 2013).

Data collection is conducted through triangulation, specifically focusing on in-depth documentation studies (library research) (Chand, 2025). Data are gathered from primary sources, including classical fiqh muamalah texts and contemporary Islamic macroeconomic models, as well as secondary sources such as academic journals and policy reports (Sya'Bany et al., 2023). To ensure the validity of the findings, a credibility test is performed via source and technique triangulation. Furthermore, an audit trail (dependability test) is implemented by systematically documenting all

research activities from focus determination to conclusion drawing, ensuring the process is transparent and allows for limited replication by others (Sugiyono, 2023).

The data analysis method follows the interactive model developed by Miles and Huberman, which consists of three simultaneous stages: data condensation, data display, and conclusion drawing or verification. During data condensation, the researcher selects, simplifies, and focuses raw data regarding output and employment stability into core thematic categories. These categorized data are then organized into a data display, using narrative text or relationship diagrams to make the functional patterns within Islamic macroeconomic models easily understandable. The final stage involves drawing conclusions inductively based on valid and consistent literary evidence until data saturation is reached (Sugiyono, 2023).

RESULTS AND DISCUSSION

Result

The qualitative data analysis process, conducted through document studies and a systematic literature review, reveals three primary themes regarding output and employment stability within Islamic macroeconomic models:

1. Synchronization of the Real and Financial Sectors through Risk-Sharing Mechanisms

The primary findings indicate that output stability in the Islamic model is rooted in the abolition of interest (*riba*), replaced by risk-sharing instruments such as *Mudharabah* and *Musharakah* (Karim, 2024). Unlike the conventional system that allows the financial sector to expand independently (financialization), the Islamic model mandates that every financial transaction be anchored to tangible productive assets (Mutmainnah, 2024). Documentation shows that profit-sharing-based financing provides flexibility for business actors, particularly SMEs, as the financial burden adjusts according to real business performance (Bakhroni & Muchlis, 2025). Expert informants in the literature emphasize the significance of this process: "*The profit-sharing system ensures that financial institutions act not merely as creditors but as partners sharing the same fate as the real sector, so that a shock in one sector does not create a domino effect of bankruptcies that paralyzes national output*" (Chapra, 2000).

2. Zakat as an Automatic Stabilizer for Aggregate Demand and Investment

The data reveals a unique pattern where redistributive instruments, specifically Zakat, function as automatic stabilizers in the economy. Zakat on uninvested or idle wealth acts as a "penalty," incentivizing capital owners to re-inject their funds into productive investments to avoid the depletion of their principal (Misanam, 2023). This consistently maintains levels of investment and aggregate demand. Patterns found in institutional reports (such as BAZNAS) reflect that the distribution of productive zakat effectively strengthens the purchasing power of the mustahik group,

which in turn absorbs national output and prevents economic stagnation (Priyono, 2013).

3. Ethical Commitment to Full Employment

In the context of labor, the meaning of "work" in Islamic macroeconomics transforms from a mere economic activity into a dimension of worship and a mandate as a *khalifah* (trustee) (Chapra, 2000). Findings show that the Islamic system gives high priority to achieving full employment because unemployment is viewed as a waste of sacred human resources (Aziz et al., 2024). Through ZISWAF (Zakat, Infaq, Shadaqah, and Waqf) instruments, new jobs are created in the micro-sector, which tends to be more resilient against global economic fluctuations (Mutmainnah, 2024). Documentation of successful zakat-based economic empowerment programs shows a pattern where capital reinforcement for marginalized communities not only reduces poverty but also stabilizes the labor market at the grassroots level (Mabrukah & Sadiq, 2024).

Discussion

The interpretation of these findings confirms that Islamic macroeconomic stability is achieved by integrating moral values into market mechanisms. This aligns with the theory proposed by Askari and Mirakhor, which states that a one-to-one mapping between the financial and real sectors eliminates the asset-liability mismatch that frequently triggers systemic banking crises.

Compared to previous research, these results strengthen the findings of Romadhan et al., (2025), which state that Islamic monetary instruments are effective in managing liquidity and reducing unemployment. However, this study offers a new perspective by highlighting that stability is not just a result of instrumental efficiency but a process of internalizing the concept of *falah* (holistic welfare) by stakeholders. While (Misanam, 2023) mathematically proved equilibrium through the FF-IP locus, this qualitative study explains the "process" behind that equilibrium: the mechanical pressure from zakat and the social commitment from profit-sharing.

The theoretical implication of this research is the need to redefine macroeconomic stability parameters, moving beyond mere GDP growth to include inclusivity and the distribution of social justice. Practically, these findings suggest that Indonesian policymakers should strengthen coordination between monetary authorities and social finance institutions like BAZNAS and the Indonesian Waqf Board (BWI). Utilizing digital technology to increase literacy and transparency in ZISWAF management is crucial to optimizing its role as an economic stabilizer.

Critical reflection on the data shows that although this model has conceptual advantages, a significant challenge lies in low Sharia financial literacy and the fragmentation of policies between the Sharia banking sector and national monetary policy. Failure to integrate these instruments systemically could result in the potential of Islamic economics remaining merely a theory on paper without a significant impact on national stability.

Suggestions for future research include conducting in-depth case studies in countries that have implemented full-fledged Islamic financial systems to compare cultural adaptation processes with Indonesia's dual system, and performing empirical calibration of output stability models using real-time post-pandemic data.

Conclusion

This research concludes that stability in output and employment within Islamic macroeconomic models is achieved through three interconnected pillars: the synchronization of the real and financial sectors via risk-sharing mechanisms (*Mudharabah* and *Musharakah*), the role of Zakat as an automatic stabilizer for aggregate demand by penalizing idle capital, and a profound ethical commitment to full employment as a spiritual obligation (*ibadah*). These findings contribute to the existing literature by shifting the focus from purely instrumental efficiency to a qualitative understanding of how the internalization of *falah* (holistic welfare) drives economic resilience.

Theoretically, this study implies the necessity of redefining macroeconomic stability parameters to include distributive justice and inclusivity rather than focusing solely on GDP growth. Practically and for policy formulation, the results suggest that Indonesian authorities should strengthen coordination between the central bank and social finance institutions such as BAZNAS and the Indonesian Waqf Board (BWI), while utilizing digital technology to enhance ZISWAF literacy. To further deepen this understanding, future research should involve comparative case studies in countries with full Islamic financial systems and empirical calibrations using real-time post-pandemic data to test the model's resilience against modern global shocks.

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