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Jurnal Studia Islamika



PUBLIC EXPENDITURE MANAGEMENT IN INDONESIA:

Islamic Economic Review on State Budget 2017

Aan Jaelani

ECONOMIC INDEPENDENCE OF PESANTREN:

The Study at Pekalongan Region

M. Nasrullah, Kuart Ismanto, Nalim

**DO GOVERNMENT AND PRIVATE SHARIA COMMERCIAL
BANKS PRACTICE SIMILAR FINANCIAL SOCIAL
RESPONSIBILITY DISCLOSURE?**

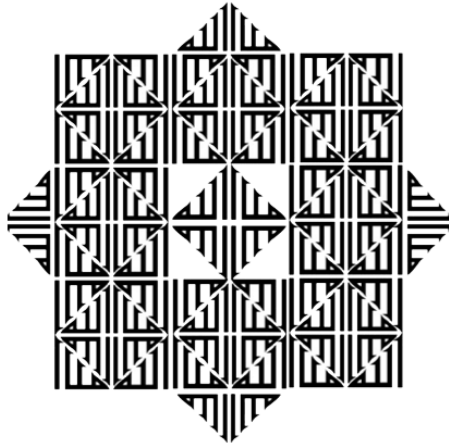
Nurdin, Mir'atun

**State Institute for Islamic Studies (IAIN) Palu
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Editorial Preface

This issue (Vol. 15 issues 2) of *Hunafa: Jurnal Studia Islamika* offers eight articles covering topics of Islamic economic. Various issues relating to Islamic economic are presented interestingly to contribute to the body of knowledge and practices. Academia and practitioners in Islamic economic may gain insight from reading these articles.

The first article is titled *Public Expenditure Management In Indonesia: Islamic Economic Review On State Budget 2017* by Aan Jaelani from Fakultas Syariah dan Ekonomi Islam IAIN Syekh Nurjati Cirebon. This paper discusses the management of public expenditures in Indonesia in State Budget 2017 from the theory of public expenditures, and the theory of public goods, then the author compared with the theory of public expenditure in Islamic economics. Public expenditure management in Indonesia has implemented a distribution system that divided public expenditure for central government expenditures, transfers to the regions, and the village fund.

The second article in the issue is titled *IKI SAE MAS as an Integrated Soft Skills Concept from The Qur'an and Sunna Perspective* by Aries Musnandar Universitas Islam Raden Rahmat (UNIRA) Malang. This paper highlights the function of instructional management of soft skills to the success of students' performance. The study employs a qualitative research method with multiple case study design, in which a meaning-making activity is underlined as the first objective of interpretive research in understanding social phenomena of education activities.

The third article is titled *Economic Independence Of Pesantren: The Study at Pekalongan Region* by M. Nasrullah, Kuat Ismanto, and Nalim Nalim from Fakultas Ekonomi dan Bisnis Islam IAIN Pekalongan. The article describes the economic map of Pesantren in Pekalongan region. The study found that almost all Pesantren in Pekalongan region have a business unit. The existing business

unit, mostly engaged in trade. The businesses itself is oriented to meet the internal needs of religious school, especially students.

The fourth article is by Mohammad Jeffry Maulidi BPN Praya Lombok Tengah. The article is titled *Halal Tours As The Form Of Islamic Civilization Progress: Special Economic Zone Mandalika Lombok*. The article discusses the implementation of da'wah in Halal tourism in Special Economic Zones (KEK) in Lombok. The application of Islamic cultural values through social construction and approach of education Sunnah can improve progress and contribution to society and quality of facilitation of educational development to increase understanding source of human power.

The fifth article is titled *Do Government And Private Sharia Commercial Banks Practice Similar Financial Social Responsibility Disclosure?* by Nurdin Nurdin and Mir'atun Mir'atun from Institut Agama Islam Negeri (IAIN) Palu, Sulawesi Tengah. The article discusses the differences between government and private owned sharia banks using six sharia banks samples. The sample was purposively selected from Indonesian Bank website. The data analysis shows that all three variables; independent commissioners, boards of directors, and sharia supervisory boards are significantly impacted the companies' corporate social responsibility practices.

The sixth article is titled *Islamic Economic Model in Reducing Gap of Growth and Unemployment* by Sumar'in Sumar'in and Iwan Kusnadi from Institut Agama Islam Sultan Muhammad Syafiuddin Sambas. The article discusses the effect of economic growth on unemployment. The article concludes that there is a negative influence toward economic growth in the rate of Indonesia and unemployment in 1998-2018. Economic development in Islamic economy perspective focuses on three elements such as forbidden interest (*ribā*) as instrument financial, optimization zakat and characteristics of an element of spiritual, moral, and material.

The seventh article is titled *Creative Economic Management Of Tangkit Lama Village Sungai Gelam Sub-District Muara Jambi District* by

Sumarto Sumarto from STAI Ma'arif Jambi. The article discusses the reality of the village of Tangkit Lama in Muara Jambi Regency in developing creative economic activities.

The last article is titled *Debt Policy Analysis as a Mediation of Financial Distress Predictions for Companies Registered at The Jakarta Islamic Index (JII) In 2013-2016* by Witri Aulia Maudy and Hendri Tanjung from Universitas Ibn Khaldun Bogor. The article discusses the effect of Debt Policy (DER) on Financial distress (Altman Z-score Modification) and the influence of Managerial Ownership (MOWN), Dividend Policy (DPR), Profitability (ROA), Liquidity (CR), Company Size (SIZE), to the Debt and Financial distress Policy.

I hope the articles presented in this issue adds further empirical evidence to the growing body of research that examines economic in the Islamic context. The articles could trigger other research related to Islamic economic across economic institutions in Indonesia.

Nurdin Nurdin

Editor-in-Chief

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ISLAMIC ECONOMIC MODEL IN REDUCING GAP OF GROWTH AND UNEMPLOYEMENT

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Abstrak. The theme of the article is based on economic principles of Islam. The purpose of research is to see economic development in the perspective of the Islamic economy especially research aims to analyze the effect of economic growth and unemployment in Indonesia period 1998-2017, the perspective of the Islamic economy. Economic development is one of the strategies to achieve the goals aspired nation. The goal is how poverty, unemployment, economic disparity and social resolved so as to realize human welfare. But in fact, the construction of which is expected to have an influence on society has not caused yet siding with the people. Increased poverty and unemployment occur. This type of research is an ex post facto. Technical documentation was applied for searching the data from Statistics Central Board, Indonesia Bank, BAPPENAS in Indonesia. Data analysis technique was Regression. Data analysis shows that: there is negative influences towards economic growth in the rate of Indonesia and unemployment in 1998-2018. Economic development in Islam economic perspective focus to three elements such as forbidden interest (*ribā*) as instrument financial, optimization zakat and characteristics of an element of spiritual, moral, and material, and activities tend to be multidimensional so that all business submitted to balance a variety of factors and does not cause inequality.

Abstrak. Tema artikel ini didasarkan pada prinsip ekonomi Islam. Tujuan penelitian adalah untuk melihat pertumbuhan ekonomi dalam perspektif ekonomi Islam, khususnya bertujuan untuk menganalisis pengaruh pertumbuhan ekonomi dan pengangguran di Indonesia pada periode 1998-2017, perspektif ekonomi Islam. Pertumbuhan ekonomi, merupakan salah satu strategi untuk mencapai cita-cita bangsa. Tujuannya adalah bagaimana kemiskinan, pengangguran, ekonomi dan sosial disparitas sehingga dapat mewujudkan kesejahteraan manusia. Namun nyatanya, pembangunan yang diharapkan memiliki pengaruh pada masyarakat

belum menyebabkan berpihak pada rakyat sehingga peningkatan kemiskinan dan pengangguran terjadi. Jenis penelitian ini adalah *ex post facto*. Dokumentasi teknis digunakan untuk mencari data dari Badan Pusat Statistik, Bank Indonesia, BAPPENAS di Indonesia. Teknik analisis data adalah regresi. Analisis data menunjukkan bahwa: ada pengaruh negatif terhadap pertumbuhan ekonomi pada tingkat Indonesia dan pengangguran pada tahun 1998-2018. Pembangunan ekonomi dalam ekonomi Islam terfokus pada tiga elemen seperti bunga terlarang (*ribā*) sebagai instrumen keuangan, optimalisasi zakat dan karakteristik unsur spiritual, moral, dan material, dan kegiatan cenderung multi dimensi sehingga semua bisnis diserahkan untuk menyeimbangkan suatu variasi, faktor, dan tidak menyebabkan ketidaksetaraan.

Keywords: economic development in Islam, economic growth, unemployment

DOI: <https://doi.org/10.24239/jsi.v15i2.521.341-365>

Introduction

All countries in the world must have the same goal of trying to be able to prosper the entire population. This can also be seen in Indonesia, which is found in the objectives of the Unitary State of the Republic of Indonesia (NKRI) and set forth in the opening of the fourth Alenia 1945 Constitution:

Then than that to form an Indonesian state government that protects the entire Indonesian nation and all the bloodshed of Indonesia and to advance public welfare, educate the life of the nation, and participate in carrying out world order based on freedom, eternal peace and social justice.¹

The aim of the Indonesian people was carried out for all aspects of the life of the Indonesian nation, including in the economic field. Of course, to realize these goals, it is very necessary to work hard by all parties, from the people to the government. The benchmark for the success of development can be seen from economic growth, economic structure, and the smaller income inequality between residents, between regions and between sectors.²

¹ Kata Data Ekonografik, *Perjalanan Ekonomi Indonesia 1945-2017* (Jakarta: Kementerian Koordinator Bidang Perekonomian RI, 2017).

² *Ibid.*, 127.

The explanation above shows that economic growth is one of the most important indicators in developing development performance, especially in the economic sector, especially to carry out an analysis of the results of economic development that has been carried out in a country or region. According to Boediono in Kuncoro³ it is said that economic growth is a process of increasing per capita output in the long run. Based on this understanding, the economy is said to experience growth if the production of goods and services increases from the previous year. Thus, economic growth shows the extent to which economic activity can generate additional income or welfare for a period of time. Economic growth of a country or a region that continues to show improvement, it illustrates that the economy of the country or region is developing well. Economic growth is a quantitative measure that describes economic development in a given year when compared to the previous year.⁴

Economic growth should be expected to have a positive impact on the level of people's welfare, especially on the unemployment rate so that the objectives of the Indonesian people as described above can be achieved. Unemployment is a problem for a country or region because unemployment will have a lot of negative effects especially for a country's economic growth and the level of people's welfare.⁵

Islam as a complete religion teaches and requires humans to achieve happiness in life. The implication of this is that Islam does explain not only the aspects of worship but also social and economic problems. Economics from the perspective of Islam has a vision that does not only prioritize economic growth in material aspects. More than that Islamic economics also views the importance of building a mental attitude that means building a

³ Ibid., 129.

⁴ Sadono Sukirno, *Makro Ekonomi, Edisi Ketiga* (Jakarta: PT. Raja Grafindo Persada, 2004), 234.

⁵ Prathama Rahardja dan Mandala Manurung, *Teori Ekonomi Makro: Suatu Pengantar* (Jakarta: Lembaga Penerbit Fakultas Ekonomi Universitas Indonesia, 2008), 5.

whole person. Not physical poetry, but also transcendental spiritual needs. This paper seeks to see how much the level of the gap between the influence of economic growth on the unemployment rate, which in turn this paper will also explain how the economic model of development provided by Islam as a solution in reducing the gap.

Theoretical Review

1. Economic Growth

Economic growth is one of the most important indicators in assessing the performance of an economy, especially to carry out an analysis of the results of economic development that has been carried out by a country or a region. The economy is said to experience growth if the production of goods and services increases from the previous year. Economic growth shows the extent to which economic activity can generate additional income or welfare for certain periods of time. Economic growth of a country or a region that continues to show improvement, it illustrates that the economy of the country or region is developing well.

In Kuznets's opinion in Jhingan that economic growth is a long-term increase in the ability of a country to provide more and more types of economic goods to its population; this ability grows according to technological progress, and institutional and ideological adjustments that it requires. This definition has 3 (three) components, namely: first, a country's economic growth can be seen from the continuous increase in inventory; second, advanced technology is a factor in economic growth that determines the degree of growth in the ability to supply various kinds of goods to the population; thirdly, the use of technology widely and efficiently requires adjustments in the institutional and ideological fields so that the innovations produced by human science can be utilized appropriately.⁶

⁶ M.L. Jhingan, *Ekonomi Pembangunan dan Perencanaan* (Jakarta: Rajawali Pers, 2010).

In the real world, it is very difficult to record the number of units of goods and services produced during a certain period, this is because the types of goods and services produced are very diverse and the units of measurement are different. Therefore the number used to estimate the change in output is the monetary value (money) which is reflected in the value of the Gross Domestic Product (GDP) based on constant prices. Because, by using a constant price the effect of price changes has been removed so that even if the figures that appear are the money value of the total output of goods and services, the value of Gross Domestic Product (GDP) changes and shows the number of goods and services produced during the period of use. The primary objective of calculating economic growth is to see whether the economic conditions are getting better. The size of bad good can be seen from the production structure (sectoral) or the area of origin of production (regional).⁷ According to Samuelson and Nordhaus in Widodo⁸ states that there are four sources of economic growth, namely:

- a. Natural Resources (SDA). The discovery of new natural resources will increase output.
- b. Population growth (labor force). The growth of population (workforce) accompanied by employment will be able to increase the output of the economy. Population growth here also includes the productivity of the workforce itself.
- c. Capital accumulation. The owner of capital will have the opportunity to invest again (reinvest) so that it will increase output.
- d. Changes in technology. The discovery of new technologies that support production and distribution will increase the economy in producing output.

⁷ Prathama Rahardja dan Mandala Manurung, *Teori Ekonomi Makro*, 129-131.

⁸ Paul A. Samuelson and William D. Nordhaus, *Ilmu Makro Ekonomi* (Jakarta: PT. MediaGlobal Edukasi, 2004), 82.

Furthermore, classical economists have long and continuously studied the symptoms of economic growth. The discussion of production theory in microeconomics that the classical production function is simple: $Q = f(K, L)$ where Q is output, K is capital goods and L is labor. From this function, it can be further developed to analyze economic growth into $Q = f(K, L, T, U, M, W, I)$ where Q is output or GDP, K is capital goods, L is labor, T is technology, U is money, M is management, W is entrepreneurship, I is information.⁹ The equation simply shows factors that influence economic growth. The following is an explanation of the factors of economic growth:

- a. Capital goods. For the economy to grow, the stock of capital goods must be added through investment provided that the net investment is greater than zero and it would be better if the addition of capital stock is also followed by an increase in quality.
- b. Labor. The addition of labor is generally very influential in increasing output, especially in developing countries. Labor. The addition of labor is generally very influential in increasing output, especially in developing countries.
- c. Technology. Higher use of technology greatly spurs economic growth, if only seen from increased output. But judging from the ultimate goal of economic growth (a just and prosperous society), the use of higher technology will lead to the loss of employment opportunities. Some economists try to reduce the separation between workplace safety and technology with the use of appropriate technologies, especially in developing countries.
- d. Money. The money will greatly contribute to economic growth as long as its use is very efficient. The level of efficiency of the use of money is also largely determined by the level of efficiency of the banking system.

⁹ Ibid.,136-139.

- e. Management. Management is a tool that is needed to manage the modern economy, especially for economies that rely heavily on market mechanisms.
- f. Entrepreneurship. The more entrepreneurship it will open the opportunity to work.
- g. Information. The requirement for a market to function as a tool for the efficient allocation of economic resources is the existence of perfect and balanced information. The more, the more correct, and the more balanced the flow of information, the economic actors can make decisions faster and better, the more efficient allocation of economic resources and more output will be generated so that it will support economic growth.

2. Economic Growth in Islam Perspective

According to Hasan,¹⁰ Islam sees economic development as growth in human society, where advances in the material must support spiritual maturity. Some important goals must be prioritized such as growth accompanied by full labor, economic stability, political attributes and concern for nature *maqāṣid al-syarīah*.

Meanwhile, another perspective was conveyed by Muhammad. By using Ibn Khaldun's approach, he concluded that ideal economic development is capable of meeting the basic needs of all human beings (basic needs), and dematerialization. Conversely, the phenomenon of excessive consumption, moral corruption, and economic greed are indicators of the fall of a civilization. In the economy of Islam, entrepreneurship is strongly encouraged. So is the use of the latest technology.

Economic growth and equity are not distinguished. That is, there is no inherent conflict between Islamic values with the

¹⁰ Zubair Hasan, "Measuring Efficiency of Islamic Banks: Criteria, Methods, and Social Priorities," *Review of Islamic Economics* 8, no. 2 (2004): 5-30.

economic value of development desired.¹¹ Despite the fact that many developing countries are predominantly Muslim countries.

3. Unemployment

Sukirno¹² defines unemployment as the number of workers in the economy who actively seek employment but have not yet obtained it. The International Labor Organization (ILO) provides a definition of unemployment, namely: (1) open unemployment is someone who belongs to a group of the working-age population who, during a certain period, do not work, and are willing to accept work, and are looking for work; (2) half unemployed are forced to be someone who works as a laborer and an independent worker (self-employed) who for a certain period is forced to work less than normal working hours, who is still looking for another job or is still willing to look for other jobs/additions. Meanwhile, according to the National Labor Force Survey (SAKERNAS) states that: (1) half of the unemployed people are forced to work less than 35 hours per week who are still looking for work or who are still willing to accept other jobs; (2) half of the voluntary unemployment is people who work less than 35 hours per week but are not looking for work and are not willing to accept other jobs.¹³

Unemployed is not the same as not working or unwilling to work. People who don't want to work cannot be said to be unemployed like rich people, mothers who have to take care of their children and young people who have to go to school or college first. In population science, people who are looking for work belong to a population group called the labor force. Based on age categories, the age of the workforce is 15 to 64 years. But not all people aged 15 to 64 are counted as the workforce. Calculated as a workforce are residents aged 15 to 64 who work and are looking for work, while those who do not seek work are not included in the workforce. Economically, high unemployment means that the

¹¹ Khursid Ahmad, *Pembangunan Ekonomi dalam Perspektif Islam, dalam Etika Ekonomi Politik* (Jakarta: Risalah Gusti, 1997), 128.

¹² Sadono Sukirno, *Makro Ekonomi*, 123.

¹³ Badan Pusat Statistik, *Penduduk Indonesia Hasil Sensus Penduduk 2000*, 14.

allocation of human resources is still not fair and or efficient because there are still a lot of unused human resources.

According to Rahardja¹⁴ unemployment is divided into several types, including:

- a. Optional unemployment. Unemployment that occurs if in a certain period the economy continues to experience rapid development, the number and unemployment rate will become even lower. In the end, the economy can reach the level of full employment, ie if unemployment does not exceed 4%. This type of unemployment is temporary and occurs because of the gap between job seekers and job openings.
- b. Structural unemployment. This happens because job seekers are not able to meet the requirements needed for available job vacancies. The higher and more complicated the production process and/or production technology used, the higher the labor requirements. Judging from the nature of structural unemployment it is more difficult to overcome compared to frictional unemployment. Besides requiring large funding, it is also a long time.
- c. Cyclic unemployment. It is unemployment caused by changes in economic activity. When economic activities decline, companies must be able to reduce their production activities, so that working hours will be reduced, some production machines will not be used and part of the workforce will be dismissed. Thus, economic decline will increase the number and level of unemployment.
- d. Seasonal unemployment. Unemployment is related to fluctuations in short-term economic activity, especially in the agricultural sector. For example, outside the planting and harvesting season, farmers are generally unemployed until they wait for planting and the next harvest.

¹⁴ Prathama Rahardja dan Mandala Manurung, *Teori Ekonomi Makro*, 184-185.

Research Method

This research is a type of ex-post fact research by using a quantitative approach emphasizing analysis on numerical data (numbers) which is processed by statistical methods. Quantitative research is a research method based on the philosophy of positivism, used to examine certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/statistical in order to test the hypotheses that have been set. The research data is taken from secondary sources mainly from data from the Central Bureau of Statistics, Bank Indonesia, BAPPENAS in Indonesia for data with the period 1998-2017. Data were analyzed using Regression analysis. The model of the equation in this study are:

$$Y = a + bX$$

Y : Unemployment

X : Economic Growth

A : Constanta

B : Slope

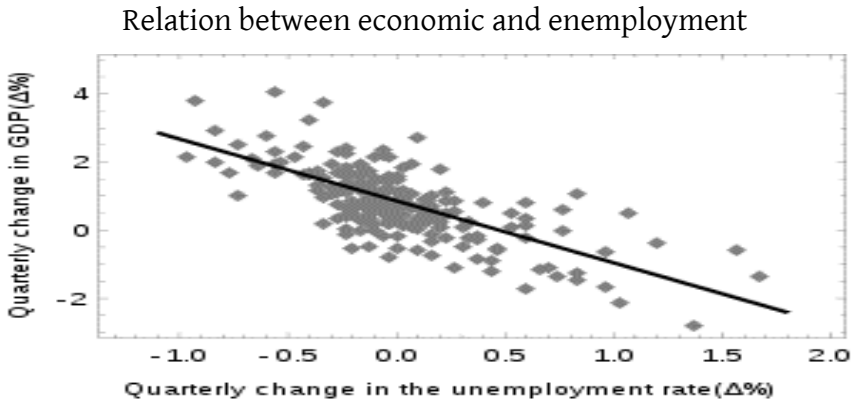
Analyses And Discussion

1. Economic Growth and Unemployment in Indonesia

All countries in the world want their country always to be a state of good economic growth and not want a high unemployment rate and have an impact on people's welfare. Where the economic growth will bring positive impact on welfare while unemployment will bring many negative impacts, but both are related/related to each other. The relationship between economic growth and unemployment is a negative relationship, where economic growth will have an impact on the unemployment rate is high, it will have an impact on the difficulty of economic growth. To be more clear, can we be seen by Arthur Melvin Okun, an American scientist or better known as Okun. The theory conveyed by Okun is known as Okun's Law. Okun's law states that for every 2 percent decrease in GDP is associated with potential GDP, the unemployment rate

increases by around 1 percent.¹⁵ Okun's law provides a very important relationship between market output and labor market, which illustrates the association between short-term movements in real GDP and changes in unemployment. The following is illustrated the relationship between economic growth and unemployment.

Figure 1

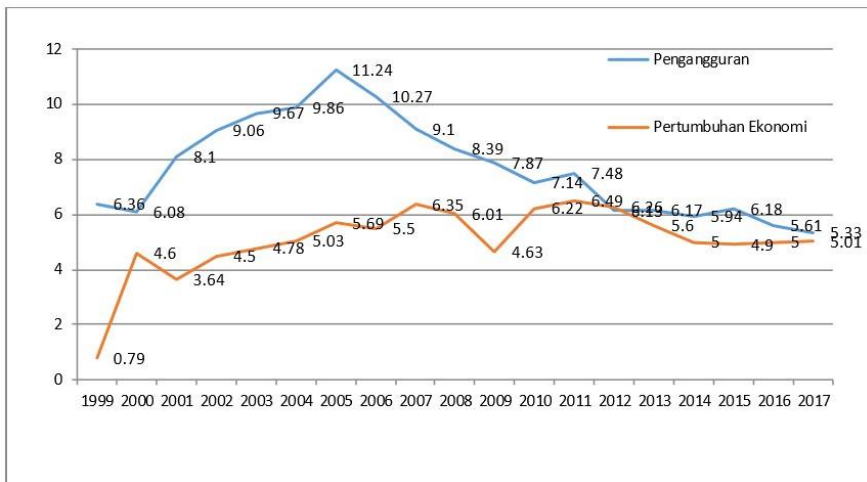


In the long run, the curve that forms the relationship between unemployment and economic growth is negatively correlated, as Okun in Okun's Law states that when the unemployment rate increases, productivity will decrease and the output obtained by the state will also decrease so that economic growth will decrease. In theory, any increase in economic growth is expected to absorb labor, so that it can reduce the number of unemployed. Unemployment is related to the availability of employment. Availability of employment is related to investment, while investment is obtained from accumulated savings, saving is the remainder of income not consumed. The higher national income, the greater the expectation for the opening of new production capacity which of course will absorb new workers. High national income is reflected in the high per capita income and positive growth. Thus, the relatively better economic growth, the greater the expectation for not being unemployed. And vice versa,

¹⁵ Paul A. Samuelson and William D. Nordhaus, *Ilmu Makro Ekonomi*, 365.

if economic growth falls, the greater the unemployment rate. In addition, it can also be explained that the change in the unemployment rate is more appropriate than the level of economic growth. Because economic growth is a result of an increase in production capacity which is a derivative of increased investment. So it is clear that economic growth is closely related to increased use of labor, as well as investment. With the increase in certain investment, the demand for labor will increase, so that the presence of economic growth caused by an increase in investment affects the decline in the unemployment rate assuming that investment is not capital intensive or that investment must be labor intensive. Data on economic growth (economic growth) and the unemployment rate in Indonesia can be seen in figure 2 below.

Figure 2
Economic Growth and Unemployment Rate in Indonesia
Year 1999-2017 (in %)

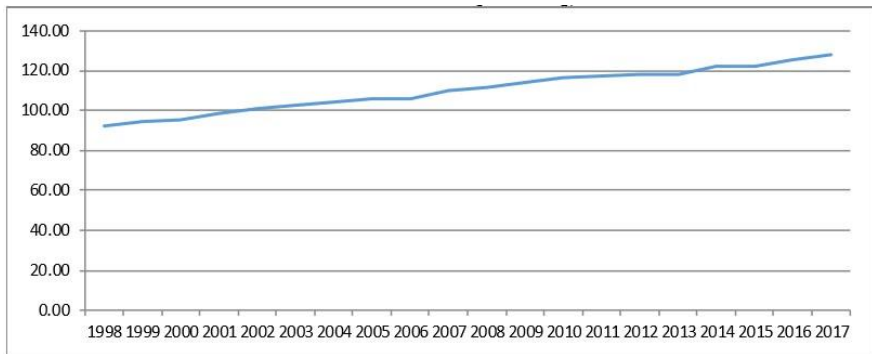


Source: Data Analyses, 2017.

The conditions described in the above theory do not seem to be in line with the conditions that occurred in Indonesia. The main and fundamental problem in employment in Indonesia is the problem of low wages and high unemployment. This is because the

increase in new labor is far greater than the growth in employment that can be provided each year. The growth of a larger workforce compared to the availability of employment resulting in unemployment. Unemployment is one of the main problems that is always faced by every country. Therefore, every economy and country must face the problem of unemployment, the namely natural rate of employment. The natural unemployment rate is a natural level of unemployment that cannot be eliminated. This natural unemployment rate is around 5-6 percent or less. This means that if the highest unemployment rate is 5 percent, it means that the economy is in full employment conditions. The following is presented in the Indonesian labor force data in Figure 3 below.

Figure 3
Workforce in Indonesia Year 1998-2017 (in million)



Source: <http://data books.kata data.co.id/data publish 2017/11/10-berapa-jumlah-angkatan-kerja-saat-ini>; and <http://data.go.id/dataset/angkatan-kerja-yang-bekerja-dan-menganggur>

The above was also confirmed by Indef researcher Ahmad Heri Firdaus who stated that Indonesia's economic growth was not qualified because based on data from the Central Bureau of Statistics the number of unemployed people in August 2017 increased by ten thousand compared to August 2016 due to a

decrease in labor absorption in the construction sector (project more capital intensive and the involvement of small and medium contractors has not been optimized) and agriculture (food prices have several times experienced deflation throughout 2017, which has reduced farmers' incentives to increase production). Meanwhile, economic growth in the third quarter of 2017 rose 0.05 percent to 5.06 percent compared to the previous quarter. every percentage of growth should be able to create additional jobs or reduce unemployment. Quality growth means reducing unemployment, imbalance, and poverty.

The above conditions are in line with the results of t-test statistical calculations obtained, where from the results of the calculation of the t-test statistics found that economic growth does not have a significant effect on the unemployment rate in Indonesia. Where t tailed is calculated at 0.472 with a significance level of $\alpha = 5\%$. Because sigt tailed is equal to $0.472 > 0.05$ and greater than the significance level, the hypothesis is accepted and stated that economic growth does not significantly influence the unemployment rate in Indonesia.

Furthermore, based on the results of simple linear regression, the results are $Y = 6.44 + 0.245 X$. This means that if economic growth rises or increases by one unit, unemployment will also increase by 0.24 units, this also shows that for Indonesia Okun's law does not apply which states that for every 2 percent decrease in GDP associated with potential GDP, the unemployment rate increases by around 1 percent.

The following are the results of calculations in Figure 4 below.

Figure 4
 Statistics Analyses
 t test and Lonear Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.446	1.733		3.719	.002
	X	.245	.333	.175	.735	.472

a. Dependent Variable: Y

Source: Data Analyses with SPSS 2018

Furthermore, based on the results of the calculation of the determination test obtained that the value of $R^2 = 0.031$ this can be interpreted that overall economic growth only affects unemployment of 3.1%, the remaining 96.9% is influenced by other variables not included in the model. The following is the result of the calculation of the determination test in Figure 5 below.

Figure 5
 Determination Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.175 ^a	.031	-.026	1.80479

a. Predictors: (Constant), X

Source: Data Analyses with SPSS, 2018

From the above analysis, it is explained that the effect of economic growth only had an impact of 3.1% to absorb unemployment in Indonesia. This means that the economic growth that has occurred in the last 20 years is actually unable to harmonize and reduce the unemployment rate. Therefore, solutions and policies are needed that are more impartial in alleviating the vulnerability.

2. Islamic Economic Development and Solution for Poverty Alleviation

Related problems regarding economic inequality are one form of evaluation that must be immediately carried out by the

government. Realizing this, the Indonesian government has compiled a comprehensive economic development plan. Economic development planning is the main means of achieving high economic growth. With economic development planning, a country can determine a series of economic targets quantitatively over a period of time. Through development planning, a country can mobilize limited resources to obtain optimal results smoothly, progressively and balanced. Such a thing will not be achieved by simply giving up on the market mechanism as the classics believe.

The Government of Joko Widodo (October 20, 2014-present) has made a development planning program known as the Nawacita program, which will catch up with the development of infrastructure to be able to be highly competitive. The state budget posture was overhauled to support productive activities, create a breakthrough to attract investment, and reorganize economic policies to encourage efficiency.¹⁶ At the beginning of his administration, President Jokowi chose to arrange the fuel subsidy allocation in the 2015 budget and divert productive sectors, such as infrastructure, education, and health development. The government also issued a policy package to support the acceleration of infrastructure development which covers 6 areas of reform (improving the investment climate, encouraging industrial competitiveness, increasing logistics efficiency, tourism promotion, stimulating exports, strengthening people's purchasing power). Furthermore, it also applies tax amnesty. Through tax amnesty or the elimination of debt tax, the government can increase revenues to finance development, such as infrastructure and improving people's welfare. According to Darmin Nasution as Coordinating Minister for Economic Affairs at the Coordinating Ministry for Economic Affairs' gathering in Karawaci on December 17, 2015, stated that through the deregulation package, we want to facilitate investment, encourage exports, and accelerate infrastructure development. This is all intended to spur Indonesia's economic growth.

¹⁶ Kata Data Ekonografik, *Perjalanan Ekonomi Indonesia 1945-2017* (Jakarta: Kementerian Koordinator Bidang Perekonomian RI, 2017).

a. Interest Forbidden

Islam as a comprehensive and universal religion also provides clear values and rules in economic development. In Islamic economics Economic development must prioritize balance. One form of balance in question is how economic practices must be balanced between real sectors and those obtained from savings. This is because Islam makes every public investment in the form of savings must be rolled out in the form of a real business, which is able to create jobs, not only in the form of investments obtained from unclear results, or in the practice of flowering money.

The flowering of money practiced by conventional economic systems today is actually the root of the large gap. The practice of usury as a practice that has become rooted in an analysis of investment and financial instruments that is justified en masse in every financial transaction has contributed much to economic inequality. This is because the variable usury (interest) is important in determining each calculation of the amount of depositors' results for depositors. This turned out to have a very severe impact on the pattern of the economy where the actual activities of money-making are one of the variables that reduce investment due to high expectations of the value of the investment. Irving Fisher explained in advance that the actual practice of flowering money is an economic model that is not well established. Because it does not have support, thus giving birth to a bubble pattern (bubble) where many people are in debt to benefit from the debt given to other parties. This pattern gives birth to debt deflation.

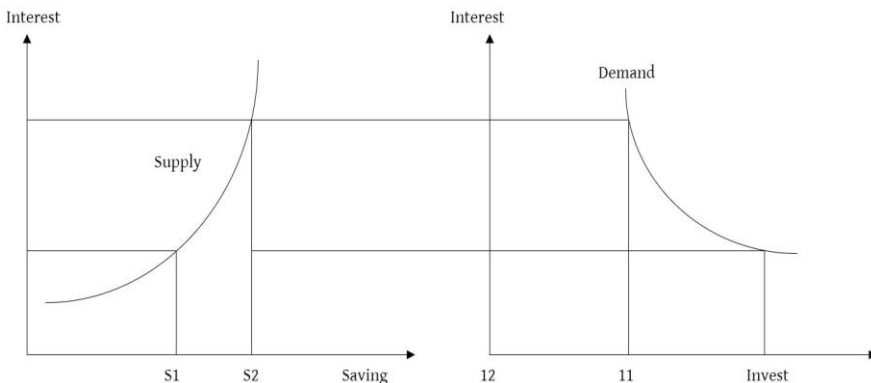
The high expectation of someone to deposit their funds in the bank to expect rewards in the form of indirect results actually raises the high expectations of the value of the investment. This is even though indirectly able to raise large funds for investment but on the one hand, it will also be able to reduce investment due to borrower interest rates. So that Keynes's opinion in *The General Theory* states that saving is equal to investment is completely incorrect. Because on the one hand when interest is raised which will lead to high saving behavior, on the other hand, it will also

cause a decrease in the value of investment due to the large expectation of business carried out as a result of the increase in interest rates.

Thus, according to Hyman P. Minsky, it was a mistake in the financial practices applied in the capitalist system. Furthermore, Minsky explained how the determination of investment in the real sector was due to the large behavior of depositors who expected high-interest rates without risk (no risk). So the scientific nature of the high-risk high return business is turning into a fragile economy that only stands still expecting upheaval and changing interest.

The picture below shows that interest rates greatly influence the behavior of depositors to increase their deposit amount. From the picture shows where when the interest is raised from S_1 to S_2 , it will affect the decrease in investment from I_1 to I_2 , this explains that with the increase in interest rates, the depositor will increase the amount of the deposit. But on the other hand, it will also reduce the amount of investment.¹⁷

Figure 6. Relationship Between Interest Rate, Saving and Investation



¹⁷ M. Umer Chapra, *Islam and The Economic Challenge* (United Kingdom: The Islamic Foundation and IIIT, 1992).

The above curve also explains that interest is actually one of the behaviors that greatly inhibits economic growth and equity. This is evident from the behavior of multiplying money that makes the rich richer and the poor will get poorer, besides the practice of flowering money will also hamper investment will automatically increase unemployment. Because savings interest will only increase the value of savings but does not automatically increase investment in the real sector and production.

Zakat Optimization

In the conventional economic outlook zakat is one of the instruments that will reduce income. And zakat is actually a wasteful expenditure that does not bring benefits to the owners of capital. But in the Islamic economy, zakat is a means of distribution in income distribution that is able to reduce inequality and empower people who cannot.

Therefore, zakat is an obligation that must be fulfilled for the owner of the capital that has arrived at the haul and his inheritance. Zakat as an economic institution has a very positive impact on moving the economic sector of society. Zakat is not necessarily the same as the tax. Many points are the difference between zakat and tax. Yusuf Qaradawi explained the differences based on zakat and tax include:¹⁸

1. The difference in meaning, where zakat has the meaning of purifying property, developing and blessing. While taxes are an obligation or responsibility.
2. Zakat is an obligation for property and is a pillar of Islam. Zakat is carried out in an effort to draw closer to Allah, which is required only by Muslims and a form of gratitude to Him. Tax is the obligation of all citizens without seeing religion.
3. Provisions of levels and *niṣāb* will not change with changes in the situation and social conditions. Another case with taxes will always change according to conditions and situations.

¹⁸ Hasan Aedy, *Teori dan Aplikasi Ekonomi Pembangunan Perspektif Islam: Sebuah Studi Komparasi* (Yogyakarta: Graha Ilmu, 2011).

4. The recipient has been determined in the Qur'an and the Sunna. While tax usage is determined based on government needs.
5. The relationship that occurs in zakat is the relationship between the servant and his god. And in the tax relations between the people and the authorities, if possible a people can be free from taxes. But for zakat has spiritual value and responsibility to Allah.
6. Assets issued in zakat must be from the results of work that is lawful and in accordance with Islamic law. Whereas in the property tax that must be issued is any work that generates money even though it is not in accordance with Islamic Sharia.

Said Saad Morton¹⁹ further explained that the domino effect of zakat for society includes:

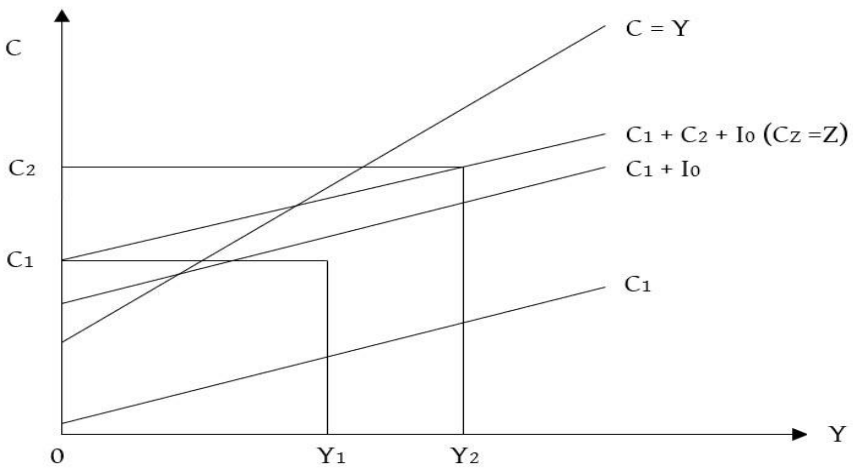
1. Increase production. Because of the even distribution of assets so that the basic consumption of the community will be able to be optimally realized and certainly will lead to more stable production.
2. Increasing investment, from stable consumption which also makes the number of production opportunities make the number of funds needed for investment. In addition, the deposited funds will be affected by zakat so that one of the things to avoid high zakat must be invested, so that a large turnover of money will occur.
3. The creation of jobs, automatically when consumption increases, production increases and investment increases will also increase the creation of jobs. In addition, the poor will be helped by capital to create business opportunities and create jobs from the zakat funds they receive.
4. Reduced unemployment and social security, zakat is a form of property distribution as well as efforts to equalize income from capital owners to marginalized people in need.

¹⁹ Irfan Syauqi Beik, *Ekonomi Pembangunan Syariah* (Jakarta: Raja Grafindo Persada, 2016).

5. Economic growth and equity, automatically when people's welfare increases, it will lead to growth as well as economic equality.

To prove that zakat can increase development, increase investment and jointly create the following equity, we draw a curve below.

Figure 7 Zakat Influencing on Consumption Rate



This curve assumes that the economic effect in closed economic policy where aggregate consumption will always be equal to aggregate income ($C = Y$). C curve is the initial function of consumption, and when added to the aggregate investment will increase to $C_1 + I_0$. But the effect and multiplier effect will be greater when the zakat variable is used as part of economic virtue. Where the consumption function of $C_1 + I_0$ will be $C_1 + C_2 + I_0$ which in fact consumption will rise to 2 forms, namely mustahik and muzakki in meeting basic needs. This certainly makes consumption and aggregate income increase at C_2 and Y_2 . This illustrates that zakat as an economic instrument is able to increase consumption and automatically increase production.

In addition, zakat will also have an impact on increasing investment value. This is because, in Islam, the deposited assets will be subject to compulsory zakat. In addition, the negative effects of the settling assets include:

1. Does not have economic functions.
2. Causing a buildup of wealth in one party and a gap on the other.
3. The value of assets will decrease in the future due to the reduction of zakat.

For this reason, in an effort to optimize *maṣlahah*, a Muslim must invest in order to achieve greater blessings. So that zakat will drive the investment and production sector. Rising production will have an impact in reducing unemployment, increasing and equitable distribution of income and will certainly lead to economic growth.

Balancing between Physical and Psychological Development

Islam sees economic development as the growth of human maturity, where the progress of material that exists at this time is unavoidable and it must be supported by the power of spiritual maturity. Some important goals must be prioritized such as growth accompanied by workers who are reliable and skilled in their fields, will be a quality of their own that has the results of quality work, economic stability, distributive justice and concern for nature.

Economic development according to Islamic economics has different philosophical foundations, namely: (1) *tawhīd al-rubūbiyyah*, ie this concept teaches that Allah is the creator of all things. He who created the world and nature. For humans who then set the model of development based on Islam; (2) justice, namely equitable economic development (growth with equity); (3) caliph, who stated that human beings are representatives of Allah. on the earth to prosper and be responsible for the management of resources entrusted to him, and (4) *tazkiyah*, which is to purify humans in their relationship with God, their fellow humans and the environment, society and country. The principles of Islamic economic development perspective include: (a) economic

development in Islam is comprehensive and contains spiritual, moral and material elements; (b) the main focus of development is humans with their cultural environment; (c) economic development is a multidimensional activity so that all efforts must be left to the balance of various factors and not cause inequality; and (d) the main emphasis in development according to Islam, lies in the utilization of resources that God has given to the human race.

The approach to the concept of Islamic economics is also very dependent on the quality of human resources owned by a nation or country. Humans are the subject and object of development. The quality of HR determines the level of achievement of the success of a country's economic development. Therefore, human resource development needs to get very serious attention by the nation. Moreover, the essence or aspect of progress of a nation in the world is determined by the quality of human resources possessed by the nation or country. There are several factors that will affect the growth of the economy. The forms of these factors are: (1) resources that can be managed (investment resources); (2) human resources (human resources), and entrepreneurship; and (3) technology. The specificity of growth and development in Islamic economics emphasizes earnest attention to the development of human resources as well as the empowerment of nature to enhance human dignity. It is not only manifested in the success of fulfilling material needs alone, but also the need and preparation for the afterlife that is very lasting and more secure.

Conclusion

From the description above, it can be concluded that economic growth is a condition that is desired by all countries or regions, because economic growth will have a positive impact on people's welfare, one of which is to reduce unemployment in a country or region with investment what is done is an investment that must be labor intensive. This is in line with the theory conveyed by Okun and better known as Okun's law. Okun's law illustrates the negative relationship between economic growth and unemployment. Thus, Islamic economic solutions are considered a

very strategic alternative to be implemented and are expected to reduce the gap. In the application of Islamic economics at least prioritizing three main aspects including the first aspect of interest prohibition which is considered as usury. Both aspects of zakat optimization and the third are economic development harmonize the balance between physical development and mental development.

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