

MONETARY MISGOVERNANCE AND INFLATION IN INDONESIA: REVISITING AL-MAQRĪZĪ THROUGH SIYASAH MĀLIYAH AND VECM EVIDENCE

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Keywords:

*Inflation;
al Maqrīzī;
Siyasah Māliyah;
Monetary
Misgovernance;
Governance
Integrity;
VECM.*

ABSTRACT

This article examines inflation in Indonesia as a problem of monetary misgovernance through the lens of al Maqrīzī's siyasah māliyah. While inflation is commonly analyzed through money supply, exchange rate movement, and institutional quality, this study argues that these variables also reflect deeper ethical questions concerning monetary authority, fiscal accountability, and distributive justice. Using a sequential explanatory mixed method design, the study first applies a Vector Error Correction Model to quarterly Indonesian data from 2000 to 2024. The model examines the long term relationship between inflation, broad money supply, real exchange rate movement, and the Corruption Perception Index, here abbreviated as CPerI to avoid confusion with the Consumer Price Index. The findings show that a 1 percent increase in broad money supply raises inflation by 0.28 percent within three quarters, a 1 percent real exchange rate depreciation increases inflation by 0.19 percent, and a one point decline in CPerI increases inflation by 0.12 percent within two quarters. These quantitative findings are then interpreted through textual analysis of al Maqrīzī's Ighāthat al Umma and expert interviews. The integrated analysis shows that al Maqrīzī's critique of excessive fulūs circulation, currency debasement, and corrupt fiscal extraction corresponds to contemporary problems of irresponsible liquidity expansion, currency instability, and weakened governance integrity. The article contributes to Islamic public finance by developing an ethical institutional model of inflation, in which price instability is understood not only as a macroeconomic outcome, but also as a failure of amanah, wilayat al mal, and distributive justice.

Received:

December 10, 2025,

Accepted:

June 8, 2026

Published:

June 29, 2026

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How to cite:

Rusnaena, R. Amiruddin., M. M., Umaima, U., Padila, N. I., (2026). MONETARY MISGOVERNANCE AND INFLATION IN INDONESIA: REVISITING AL-MAQRĪZĪ THROUGH SIYASAH MĀLIYAH AND VECM EVIDENCE. Jurnal Al-Dustur, 9(1).

INTRODUCTION

Inflation in predominantly Muslim economies should be perceived not solely as a technical increase in the overall price level, but as an indicator of the management of monetary authority, fiscal governance, and public trust by the state. When inflation diminishes purchasing power, exacerbates inequality, and imposes economic hardships on average households, it prompts a moral enquiry regarding the extent to which public authority has accomplished its obligation to safeguard wealth and uphold distributive fairness¹. This enquiry is fundamental to *siyasah māliyah*, which regards the administration of finances, taxation, public revenue, and market regulation as an ethical obligation of the sovereign. From this viewpoint, inflation represents not merely a macroeconomic disruption, but also an indication of potential monetary mismanagement². It may arise when liquidity surpasses genuine economic capacity, when currency value diminishes, or when corruption undermines the integrity of governmental institutions. These requirements are especially pertinent to Indonesia, where inflation management is frequently addressed via monetary policy, exchange rate stability, and fiscal coordination, however the ethical standards of public financial authority are often overlooked in theoretical discourse. This paper contends that inflation must be analysed through a cohesive framework that links macroeconomic facts with Islamic public finance.

Al Maqrīzī's intellectual significance is in his capacity to interpret inflation as a consequence of moral decay and institutional disarray. In *Ighāthat al Umma*, al Maqrīzī characterised the economic crisis of Mamluk Egypt not merely as a market imbalance, but as a result of excessive *fulūs* circulation, currency debasement, inequitable taxation, corrupt governance, and the misuse of fiscal power. demonstrates that currency is not a neutral tool when mismanaged by leaders and officials³. The excessive issuance of *fulūs* undermined public confidence, skewed market transactions, and exacerbated societal hardships⁴. The debasement of currency undermined the integrity of money as a vehicle of equitable trade. Corrupt financial appropriation has altered governmental authority from a trust into a tool for personal or political advantage. These issues render al Maqrīzī's ideas particularly pertinent to modern inflation research, especially in scenarios where monetary instability coincides with inadequate governance and distributive inequity.

The relationship between al Maqrīzī's historical analysis and Indonesia's current inflation trends can be established through the notion of monetary mismanagement. In Mamluk

¹ Miar, "Achieving Wellbeing through Economic Growth and the Role of Social Factors in Sustainable Development," *Discover Sustainability* 6, no. 1 (2025), <https://doi.org/10.1007/s43621-025-01947-7>.

² Alla Semenova, "Rising Temperatures and Rising Prices: The Inflationary Impacts of Climate Change and the Need for Degrowth-Based Solutions to the Ecological Crisis," *Globalizations* 21, no. 1 (2023): 103–20, <https://doi.org/10.1080/14747731.2023.2222482>.

³ Stumper Mulia Harahap, "Money and Inflation in Al-Maqrizi's Islamic Economic Theory," *Al-Masharif: Jurnal Ilmu Ekonomi Dan Keislaman* 11, no. 1 (2023): 1–12, <https://doi.org/10.24952/masharif.v11i1.7660>.

⁴ Muhammad Khairi Zainal, "INFLATION: LESSONS FROM AL-MAQRĪZĪ," *TAFHIM: IKIM Journal of Islam and the Contemporary World* 13, no. 2 (2020): 85–113, <https://doi.org/10.56389/tafhim.vol13no2.4>.

Egypt, pervasive corruption within the bureaucracy, rampant currency issuance, and fiscal inequity undermined market confidence and led to price volatility⁵. In modern economies, analogous mechanisms may manifest through other institutional structures, including extensive monetary growth, currency devaluation, and diminishing governance integrity⁶. The Corruption Perception Index, abbreviated as CPerI to prevent confusion with the Consumer Price Index, serves not just as a political metric but also as an inverse proxy for the integrity of public authority. A decrease in CPerI signifies a deterioration of governance integrity, potentially elevating transaction costs, diminishing policy credibility, and distorting fiscal allocation. The deterioration signifies a decline in *wilayat al mal*, which pertains to the state's authority to administer public wealth equitably and honestly⁷. This bridge facilitates the connection between al Maqrīzī's indictment of corrupt fiscal authority and current empirical measures of inflation.

The current literature on al Maqrīzī and Islamic economic thinking can be categorised into three principal areas. The initial theme pertains to monetary integrity, particularly the significance of currency quality, *fulūs* circulation, and the erosion of public confidence in money⁸. This literature emphasises that inflation can occur when currency ceases to serve as a dependable and equitable medium of exchange. The second subject is to fiscal power, encompassing taxation, *kharaj*, public revenue, and the accountability of rulers in the administration of economic affairs^{9 10 11}. This discourse illustrates that inflation is frequently exacerbated when fiscal authority becomes coercive, extractive, or disconnected from public good. The third theme is to market oversight and distributive equity, including the function of *hisbah*, *baitul mal* responsibility, and the ethical duty to avert harm in commercial dealings¹². While these works are significant, they frequently remain historical, normative, or textual, lacking adequate integration with contemporary empirical models of inflation.

Contemporary inflation theories offer significant insights; yet, they are insufficient without an ethical institutional perspective. Monetarist theories underscore the significance of money supply in influencing inflation, which continues to be pertinent in elucidating the impact

⁵ Desmadi Saharuddin and Ali Rama, "Currency System and Its Impact on Economic Stability," *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah* 9, no. 2 (2017): 289–310, <https://doi.org/10.15408/aiq.v9i2.4749>.

⁶ Dimas Fadilah, Abdul Rosyid, and Wartoyo Wartoyo, "Kebijakan Fiskal Dan Moneter Dalam Ekonomi Islam Perspektif Pemikiran Al Maqrizi," *Jurnal Inovasi Global* 3, no. 7 (2025): 1040–47, <https://doi.org/10.58344/jig.v3i7.367>.

⁷ A. (2022). The Role of Law En K., Ermawati, Jumansyah, Sumardjo, M., & Nopiyanti, "Forcement on Moderating the Relationship between Government Size, Fiscal Decentralization, Audit Finding and Corruption.," *Universal Journal of Accounting and Finance* 10(1) (2022), <https://doi.org/10.13189/ujaf.2022.100122>.

⁸ Saharuddin and Rama, "Currency System and Its Impact on Economic Stability."

⁹ M Muchsin, "Historical Development of Tax During The Early Islamic Period," *Jizyah and Kharaj Journal of Al-Tamaddun* 14, no. 9 (2019): 1–7.

¹⁰ I Muhammad, "The Empirical Evidence on Taxpayers' Intention to Claim Zakat Payment as A Tax Rebate," *International Journal of Business and Society* 22, no. 2 (2021): 687–652, <https://doi.org/10.33736/ijbs.3748.2021>.

¹¹ W Sahir, "KRelevance of Al-Šaman Al-'adl on Modern Transaction. Al-Kharaj," *Journal of Islamic Economic and Business* 8, no. 1 (2021).

¹² Ahmada Khoirul Umam, "The The Concept of Al-Hisbah in Indonesia's Modern Islamic Economy: Sharia Supervision in the Era of Blockchain and AI," *Jesya (Jurnal Ekonomi & Ekonomi Syariah)* 9, no. 1 (2026): 262–73, <https://doi.org/10.36778/jesya.v9i1.2552>.

of liquidity expansion on price levels^{13 14}. Structuralist approaches emphasise supply limitations, exchange rate pressures, imported inflation, and manufacturing bottlenecks, which are equally significant for open developing economies like Indonesia. Western institutional economics enhances these hypotheses by demonstrating that governance quality, corruption, credibility, and institutional capacity affect macroeconomic stability¹⁵. Nevertheless, these viewpoints typically evaluate institutions based on efficiency, transaction costs, and policy credibility, rather than on amanah, justice, and wealth protection. Fiqh al mu'āmalāt provides a unique theoretical perspective by assessing economic transactions based on equity, the prohibition of injury, the avoidance of uncertainty, and the safeguarding of property. Siyasaḥ māliyah broadens this ethical foundation to the public sphere by inquiring whether the state administers finances, fiscal power, and markets in a manner that upholds distributive justice and public trust.

This paper examines the gap by re-evaluating al Maqrīzī through the lens of siyasah māliyah and VECM evidence from Indonesia. It analyses the long-term relationship among inflation, money supply, real exchange rate fluctuations, and governance integrity, interpreting these variables through al Maqrīzī's critique of monetary and fiscal mismanagement. The objective is not alone to examine the impact of macroeconomic variables on inflation, but also to illustrate how these variables signify profound ethical and institutional deficiencies. The money supply is understood in the context of fulūs overproduction and imprudent monetary expansion. Exchange rate depreciation is understood in the context of currency devaluation and the erosion of monetary confidence. The decline in governance is understood in the context of the misuse of budgetary authority and the violation of wilayat al mal. This article enhances the Islamic public finance literature by merging econometric findings with a textual analysis of Ighāthat al Umma, thereby establishing an empirically substantiated, theoretically unique, and pertinent ethical institutional model for inflation governance in contemporary Indonesia.

METHODS

This study employs a sequential explanatory mixed method design to examine inflation in Indonesia as both a macroeconomic phenomenon and a problem of monetary governance within the framework of siyasah māliyah. The design begins with a quantitative phase using a Vector Error Correction Model and continues with a qualitative interpretive phase through textual analysis of al Maqrīzī's Ighāthat al Umma and expert interviews. This design was selected because the article does not merely aim to measure the statistical relationship between inflation and macroeconomic variables, but also to interpret those relationships through Islamic public finance. In this sense, VECM is not treated only as an econometric tool, but as an analytical instrument for examining how public authority manages money, currency value, and institutional integrity. The qualitative phase then explains the ethical meaning of the quantitative findings by

¹³ L. Gao, "Dynamic Quantity Theory of Money," *Research on Monetary Cycle and Business Cycle Based on the Concepts of Issuing Money and Operating Money. Proceedings of Business and Economic Studies* 5, no. 1 (2022).

¹⁴ F. G. Vatsa, P., & Mixon, "Money, Prices, and Output: Stylised Facts and Implications for the Quantity Theory of Money," *International Journal of Monetary Economics and Finance* 15, no. 6 (2022).

¹⁵ M. S. Siregar, R. A., & Abdul Majid, "Macro : Inflation And Economic Stability In Islam," *International Journal of Science, Technology & Management* 8, no. 5 (2022), <https://doi.org/10.46729/ijstm.v3i5.592>.

connecting them with al Maqrīzī's critique of monetary disorder, fiscal abuse, and the decline of public trust.

The quantitative phase uses quarterly Indonesian data from 2000 to 2024. The dependent variable is inflation, while the explanatory variables are broad money supply, real exchange rate movement, and the Corruption Perception Index. To avoid confusion with the Consumer Price Index, which is commonly abbreviated as CPI in macroeconomic studies, this article uses the abbreviation CPerI for the Corruption Perception Index. The data were obtained from Bank Indonesia, Statistics Indonesia, Transparency International, and international macroeconomic databases. The selected variables are not merely technical indicators, but are theoretically connected to the principles of *siyasah māliyah*. Money supply represents the authority of the state and monetary institutions in managing liquidity. Real exchange rate movement represents the integrity of currency and the stability of purchasing power. CPerI represents the quality of public authority and the integrity of fiscal governance.

The use of CPerI as an inverse proxy for governance integrity is grounded in al Maqrīzī's diagnosis of inflation in *Ighāthat al Umma*. Since the original index assigns higher scores to cleaner governance and lower scores to higher perceived corruption, a decline in CPerI is interpreted as a deterioration of public integrity. In this study, CPerI is not used as a general political variable, but as an empirical approximation of the concept of *amanah al hukam* and *wilayat al mal*. Al Maqrīzī connects economic hardship with corrupt officials, unjust fiscal extraction, and the abuse of public authority. Therefore, a weakening of CPerI is interpreted as a weakening of the state's ethical responsibility to protect public wealth, maintain market trust, and prevent distributive injustice. This interpretation builds an epistemological bridge between a contemporary governance indicator and the classical Islamic concept of accountable fiscal authority.

Table 1. The theoretical operationalization of the variables is presented as follows.

Variable	Econometric Function	Siyasah Māliyah Interpretation	Al Maqrīzī's Conceptual Link
Inflation	Dependent variable measuring price instability	Indicator of weakened purchasing power and distributive justice	Market hardship caused by monetary and fiscal disorder
Broad money supply	Explanatory variable measuring liquidity expansion	Indicator of monetary authority and liquidity discipline	Excessive circulation of <i>fulūs</i>
Real exchange rate movement	Explanatory variable measuring currency pressure	Indicator of currency integrity and purchasing power stability	Currency debasement and loss of trust in money
CPerI	Explanatory variable measuring governance integrity inversely	Indicator of <i>amanah al hukam</i> and <i>wilayat al mal</i>	Corrupt administration and abuse of fiscal authority

Before estimating the VECM, several preliminary procedures were conducted. The stationarity of each variable was examined using unit root testing. After confirming the order of integration, Johansen cointegration testing was used to identify the existence of a long term equilibrium relationship among the variables. Lag length selection was carried out using standard information criteria to ensure that the model captured the appropriate dynamic structure. The VECM was then estimated to examine both short term adjustment and long term equilibrium. Impulse response functions were used to trace how shocks in money supply, exchange rate movement, and CPerI affected inflation over time. Variance decomposition was applied to identify the relative contribution of each variable to inflation dynamics. Model diagnostics, including residual autocorrelation, normality, heteroskedasticity, and stability tests, were conducted to ensure that the model was statistically reliable.

The qualitative phase was conducted through focused textual analysis of al Maqrīzī's *Ighāthat al Umma*. The analysis focused on three major themes that correspond to the quantitative variables: excessive money issuance, currency debasement, and abuse of fiscal authority. These themes were coded in relation to the concepts of *al siyasah al naqdiyyah*, *wilayat al mal*, *amanah al hukam*, *hisbah*, and distributive justice. The study also conducted expert interviews with scholars of Islamic economics, Islamic jurisprudence, and monetary policy. The interviews were used to clarify the contemporary relevance of al Maqrīzī's thought and to validate the interpretation of macroeconomic variables through *siyasah māliyah*. The qualitative data were not used to replace the econometric findings, but to provide a normative and institutional explanation of their meaning.

The integration of quantitative and qualitative findings was conducted during the interpretation phase through a joint explanatory procedure. First, the VECM results identified the direction, magnitude, and timing of the relationship between inflation and the selected variables. Second, each empirical result was mapped onto a corresponding Islamic public finance category. Money supply was linked to excessive *fulūs* circulation and irresponsible monetary expansion. Exchange rate depreciation was linked to currency debasement and the weakening of monetary trust. CPerI deterioration was linked to the abuse of fiscal authority and the weakening of *wilayat al mal*. Third, textual evidence from *Ighāthat al Umma* and expert interview data were used to interpret the ethical and institutional meaning of these statistical relationships. The integration therefore occurred through theoretical dialogue, not through simple juxtaposition. Quantitative findings provided empirical structure, while qualitative interpretation provided normative depth.

Several procedures were used to strengthen the validity of the study. In the quantitative phase, model diagnostics were used to assess statistical reliability and stability. In the qualitative phase, thematic consistency, source triangulation, and expert validation were used to improve interpretive credibility. The use of al Maqrīzī's primary text ensured that the Islamic public finance interpretation was grounded in classical sources rather than imposed externally. At the same time, expert interviews helped connect the classical concepts with contemporary monetary and fiscal governance in Indonesia. This combination allows the study to develop a methodologically integrated analysis of inflation as a measurable macroeconomic phenomenon and as an ethical institutional problem within *siyasah māliyah*.

RESULTS AND DISCUSSION

Econometric Evidence of Structural Inflation

Before interpreting the substantive findings, the VECM specification was examined through several diagnostic procedures to ensure that the model was statistically reliable. The unit root test indicated that the variables became stationary after first differencing, confirming their suitability for cointegration analysis. The Johansen cointegration test showed the existence of a long term equilibrium relationship among inflation, broad money supply, real exchange rate movement, and the Corruption Perception Index, here abbreviated as CPerI to avoid confusion with the Consumer Price Index (Aswar et al., 2022). The selected lag structure was adequate to capture the dynamic interaction among the variables. Residual diagnostic tests did not indicate serious autocorrelation or heteroskedasticity problems, while the stability test showed that the inverse roots of the characteristic polynomial were located within the unit circle. These diagnostic results indicate that the VECM is stable and appropriate for analyzing both short term adjustment and long term equilibrium among the selected variables.

This research utilizes the Vector Error Correction Model (VECM) to examine long-term correlations among macroeconomic indicators in Indonesia. The Vector Error Correction Model (VECM) is a robust statistical method utilized to evaluate cointegration and short-term dynamics among time-dependent variables. The research verifies the existence of cointegration between inflation and three fundamental variables: money supply (M2), the real exchange rate, and the Corruption Perception Index (CPI). M2 signifies the total liquidity within the economy, with an increase suggesting heightened inflationary pressure. The actual exchange rate acts as an indicator of currency quality; depreciation indicates diminished purchasing power and elevates import-related price levels. In this study, the CPI is inverted so that greater values indicate increased corruption, reflecting institutional integrity and public trust. Collectively, these variables establish a structural basis for the inflationary dynamics in Indonesia.

The Johansen trace statistics demonstrate considerable cointegration at the 5% level, affirming long-term equilibrium among the variables. In the medium term, VECM estimates indicate that inflation reacts considerably to shocks in monetary policy, exchange rates, and governance (Focacci & Focacci, 2024; Ting, 2017). A 1% augmentation in M2 results in a 0.28% escalation in annual inflation over three quarters. A 1% decline in the real exchange rate results in a 0.19% increase in inflation within the same period. A one-point reduction in the CPI score (indicating increased corruption) accelerates inflation by 0.12% over two quarters. These studies collectively confirm that inflation is affected by both technical and institutional factors.

Table 2. Summary of VECM Diagnostic Results

Diagnostic Procedure	Purpose	Result Interpretation
Unit root test	To examine the stationarity of the variables	Variables became stationary after first differencing
Johansen cointegration test	To identify long term equilibrium among variables	Cointegration relationship was detected

Lag length selection	To determine the appropriate dynamic structure	Selected lag was adequate for VECM estimation
Residual autocorrelation test	To examine serial correlation in residuals	No serious autocorrelation problem was detected
Heteroskedasticity test	To examine the consistency of residual variance	No serious heteroskedasticity problem was detected
Stability test	To assess model stability	Inverse roots were located within the unit circle

These diagnostics are important because the study does not only seek to establish statistical association, but also to use the econometric model as an empirical entry point for interpreting monetary misgovernance. A stable model allows the subsequent interpretation of monetary expansion, currency depreciation, and governance deterioration as measurable dimensions of inflationary pressure. Therefore, the VECM results can be read not only as macroeconomic estimates, but also as indicators of how public authority manages money, currency credibility, and fiscal integrity.

This finding is consistent with previous monetarist studies that emphasize the role of money supply in explaining inflation. It supports the argument that excessive liquidity can generate price instability, particularly in developing economies where monetary transmission may be affected by weak production capacity and volatile expectations^{16 17}. However, the finding also refines earlier studies by showing that the effect of money supply is moderate and delayed. This means that inflation in Indonesia cannot be explained by money growth alone, but must be interpreted together with exchange rate movements and governance quality.

The result partly supports the monetarist theory of inflation, especially the proposition that inflation is associated with the growth of money supply. However, the finding also challenges a rigid monetarist interpretation because the coefficient is less than proportional and works through a time lag. From the perspective of Islamic economic thought, particularly al-Maqrīzī’s monetary analysis, this finding can be linked to the problem of excessive fulūs circulation¹⁸. Al-Maqrīzī viewed excessive money issuance not only as a technical monetary problem, but also as a failure of public authority to protect the value of money and the welfare of society.

Practically, this finding suggests that Bank Indonesia and fiscal authorities should evaluate liquidity expansion not only from the perspective of macroeconomic stabilization, but also from its social consequences. Monetary expansion should be directed toward productive sectors, employment creation, and real economic growth rather than activities that intensify price pressure. In addition, coordination between monetary and fiscal policy is necessary to ensure that liquidity growth does not become a hidden burden on society through inflation.

¹⁶ M Hansen, B., & Friedman, “Studies in the Quantity Theory of Money,” *Ekonomisk Tidskrift* 59, no. 8 (1957), <https://doi.org/10.2307/3438608>.

¹⁷ Nouredine Krichene and Hassan Belkacem Ghassan, “The Pre-eminence of Gold and Silver as Shariah Money,” *Thunderbird International Business Review* 61, no. 5 (2019): 821–35, <https://doi.org/10.1002/tie.22040>.

¹⁸ A. W. al. (n.d.-a) Akbar, N., & Faizin, “PROVING AL-MAQRIZI’S CONCEPT OF THE DETERMINANTS OF INFLATION: CROSS BORDER ANALYSIS,” *RePEc: Research Papers in Economics. Retrieved*, n.d., <https://jimf-bi.org/index.php/JIMF/article/view/1142/790>.

VECM Evidence on Inflation Dynamics

The VECM results show that inflation in Indonesia is significantly shaped by three interrelated factors: broad money supply, real exchange rate movement, and governance integrity. A 1 percent increase in broad money supply raises inflation by 0.28 percent within three quarters. A 1 percent depreciation of the real exchange rate increases inflation by 0.19 percent, with the effect appearing immediately and persisting for up to three quarters. A one point decline in CPerI, indicating worsening perceived corruption and weaker governance integrity, increases inflation by 0.12 percent within two quarters. These findings demonstrate that inflation in Indonesia is not produced by monetary expansion alone, but by the interaction between liquidity growth, currency weakness, and institutional deterioration.

Table 3. Dynamic Effects of Macroeconomic and Institutional Shocks on Inflation

Variable	Shock	Impact on Inflation	Time Lag	Siyasah Māliyah Interpretation
Broad money supply	1 percent increase	0.28 percent increase	3 quarters	Weak monetary discipline and excessive liquidity
Real exchange rate	1 percent depreciation	0.19 percent increase	Immediate to 3 quarters	Erosion of currency integrity and purchasing power
CPerI	1 point decline	0.12 percent increase	2 quarters	Weakening of governance integrity and wilayah al mal

The magnitude of these effects should be interpreted carefully. The 0.28 percent inflation response to money supply growth supports the monetarist proposition that excess liquidity contributes to inflation, but the less than proportional effect also shows that inflation is mediated by other variables, including exchange rate movement, governance quality, and market expectations. The 0.19 percent response to real exchange rate depreciation is consistent with exchange rate pass through in open developing economies, where imported inputs, energy prices, and external payment conditions influence domestic prices. The 0.12 percent effect of CPerI deterioration is theoretically important because it confirms that governance integrity is not merely a background institutional condition. It is part of the inflation transmission mechanism. This finding expands previous macroeconomic studies that commonly focus on money supply and exchange rates by showing that corruption and weak fiscal integrity also carry measurable inflationary consequences.

Indonesia's economy remains connected to imported goods, imported raw materials, energy prices, global food prices, and foreign-denominated production costs¹⁹. When the domestic currency depreciates, imported goods and production inputs become more expensive. Producers then transfer part of these higher costs to consumers through price increases. The immediate effect indicates that exchange rate movement is quickly absorbed by market actors,

¹⁹ Nila Atikah et al., "Islamic Economic Position as a Breakfast to Reducing Inflation," *Jurnal Multidisiplin Madani* 3, no. 1 (2023): 48-54, <https://doi.org/10.55927/mudima.v3i1.2423>.

while the persistence of the effect shows that depreciation may continue to influence prices through production chains, distribution costs, and inflation expectations.

The novelty of this finding lies in its integration of VECM-based econometric evidence with al-Maqrīzī's classical Islamic monetary thought. While many studies discuss the relationship between money supply and inflation from a conventional macroeconomic perspective, this study interprets monetary expansion through the ethical framework of *siyasah māliyah*. This enables the study to argue that excessive liquidity is not only inefficient, but may also become unjust when it weakens purchasing power and transfers the cost of policy failure to the public.

Theoretically, this finding supports structuralist explanations of inflation, which argue that price instability is shaped by external shocks, import dependence, and supply-side constraints. However, from the perspective of al-Maqrīzī's thought, exchange rate depreciation can also be interpreted as a modern form of declining monetary credibility. Although al-Maqrīzī discussed the quality of coinage in a medieval monetary system, the underlying principle remains relevant: when money loses credibility, society bears the cost through price increases and weakened trust in exchange.

Dialogue with al Maqrīzī's Monetary Thought

The quantitative findings correspond closely to al Maqrīzī's diagnosis of monetary and fiscal disorder in *Ighāthat al Umma*. His critique of excessive *fulūs* circulation parallels the empirical finding that money supply growth increases inflation. His concern with the decline of currency quality parallels the finding that real exchange rate depreciation raises domestic prices. His criticism of corrupt officials and unjust fiscal extraction parallels the finding that the deterioration of CPerI contributes to inflation²⁰. This correspondence does not mean that Mamluk Egypt and contemporary Indonesia are historically identical. Rather, it shows that al Maqrīzī's categories can be translated into modern analytical terms.

The following Arabic passage is used as the central textual anchor of this interpretation:

وصاروا يضرّون الفلوس ضرباً كثيراً حتى طفحت بها الأسواق، وارتفعت الأسعار، وضاق الناس ذرعاً بذلك

“The authorities minted *fulūs* excessively until the markets were flooded with them, prices rose, and people became severely burdened by this condition.”

This passage shows that al Maqrīzī regarded inflation not only as a market event, but as the consequence of irresponsible monetary authority. The overproduction of *fulūs* was a policy failure because it expanded nominal circulation while weakening real purchasing power²¹. In contemporary terms, this resembles irresponsible seigniorage, namely the extraction of value from society through excessive money creation. The VECM result showing that a 1 percent increase in money supply raises inflation by 0.28 percent gives empirical relevance to this classical

²⁰ Awaluddin Awaluddin, “INFLASI DALAM PRESPEKTIF ISLAM (ANALISIS TERHADAP PEMIKIRAN AL-MAQRIZI),” *JURIS (Jurnal Ilmiah Syariah)* 16, no. 2 (2017): 197, <https://doi.org/10.31958/juris.v16i2.973>.

²¹ Akbar, N., & Faizin, “PROVING AL-MAQRIZI'S CONCEPT OF THE DETERMINANTS OF INFLATION: CROSS BORDER ANALYSIS.”

insight. From the perspective of *siyasah māliyah*, money creation becomes unjust when it imposes inflationary costs on households, wage earners, and small traders without producing proportional real economic benefits.

Currency depreciation also reflects al Maqrīzī's concern with the integrity of money. In his analysis, monetary disorder occurred when the quality and credibility of currency declined, damaging public trust in exchange. Although modern fiat currency differs from medieval coinage, the ethical logic remains comparable. Currency weakness reduces the purchasing power of society and may transmit external shocks into domestic prices²². The finding that real exchange rate depreciation increases inflation by 0.19 percent confirms that the stability of money remains central to social welfare. In *al siyasah al naqdiyyah*, maintaining the credibility of currency is part of the state's obligation to protect wealth and ensure fairness in exchange²³. Therefore, exchange rate instability should not be treated only as an external macroeconomic problem, but also as a question of whether monetary authority is fulfilling its mandate to preserve public trust in money.

The CPerI finding provides the strongest bridge between al Maqrīzī's thought and contemporary institutional economics. A one point decline in CPerI increases inflation by 0.12 percent within two quarters. In conventional terms, this means that worsening perceived corruption contributes to inflationary pressure. In the language of *siyasah māliyah*, however, corruption represents a betrayal of *wilayat al mal* because public authority is no longer exercised as *amanah*. Al Maqrīzī's criticism of corrupt officials, unjust tax collectors, and abusive fiscal practices shows that governance failure can weaken markets, increase transaction costs, and intensify social hardship. Thus, the 0.12 percent inflationary effect is not merely a technical coefficient. It is an empirical sign that the ethical quality of public authority matters for price stability.

The strength of this finding lies in its ability to connect a conventional macroeconomic variable with an Islamic ethical concept of monetary integrity. Previous studies usually explain exchange rate depreciation through external balance, import prices, or financial market expectations. This study adds a distinctive contribution by arguing that currency depreciation can also be read as a problem of trust, fairness, and protection of wealth. This creates a new bridge between exchange rate economics and Islamic monetary ethics.

Islamic Ethical Institutional Model of Inflation

The integration of VECM findings and al Maqrīzī's textual evidence leads to an Islamic ethical institutional model of inflation. This model connects economic variables, institutional factors, ethical violations, and inflationary outcomes. It explains inflation not only through the quantity of money or external price pressure, but also through the ethical condition of monetary and fiscal authority.

²² Dian Ikha Pramayanti, Yadi Janwari, and Dedah Jubaedah, "Monetary Theory According to Imam Al Maqrizi," *International Journal of Law Social Sciences and Management* 1, no. 4 (2024), <https://doi.org/10.69726/ijlssm.v1i4.38>.

²³ Eko Nur Cahyo, Sya'na Sekar Izaty, and Alfi Khilmi Khusnia, "FRIEDMAN'S MONETARY THEORY: A CRITICAL REVIEW BASED ON AL-MAQRIZI'S PERSPECTIVE," *Iqtishaduna: International Conference Proceeding* 1 (2025): 183-88, <https://doi.org/10.54783/s3dg7639>.

Table 4. Islamic Ethical Institutional Model of Inflation

Level	Main Components	Explanation
Economic variables	Money supply growth, exchange rate depreciation, CPerI deterioration	Observable macroeconomic and institutional indicators affecting inflation
Institutional factors	Monetary authority, fiscal administration, market supervision, public sector integrity	Channels through which policy decisions and governance quality shape inflation
Ethical violations	Irresponsible seigniorage, currency debasement, corruption, weak hisbah, abuse of fiscal authority	Normative failures identified through fiqh al mu‘āmalāt and siyasah māliyah
Inflationary outcomes	Declining purchasing power, distributive injustice, weakened market trust, welfare loss	Social and ethical consequences of inflation

The model clarifies the theoretical contribution of this article. Western institutional economics explains inflation through institutions, credibility, transaction costs, and governance performance. This approach is important, but it usually treats institutions as functional arrangements for efficiency and stability. The Islamic ethical institutional model proposed here evaluates institutions through a deeper normative lens. Fiqh al mu‘āmalāt provides principles of fair exchange, prohibition of harm, avoidance of uncertainty, and protection of wealth. Siyasah māliyah extends those principles to the public sphere by asking whether the state manages money, taxation, and market order in accordance with amanah, ‘adalah, and public welfare. Therefore, inflation is not only inefficient. It is unjust when it results from monetary excess, currency instability, and corrupt public authority.

Corruption can increase transaction costs, weaken policy credibility, distort public spending, and reduce the efficiency of price-stabilization policies. Corruption in procurement, licensing, distribution, subsidy allocation, and public administration may create additional costs that are eventually passed on to consumers. Weak governance can also reduce public trust in monetary and fiscal institutions, making inflation expectations more difficult to control (Zainal & Zainal, 2020). In addition, corrupt practices may create artificial scarcity, rent-seeking behavior, and market inefficiency, all of which can intensify price increases.

Inflation governance must include institutional reform. Price stability cannot be achieved only through interest rate policy, liquidity control, or exchange rate management. It also requires transparent fiscal administration, accountable public spending, credible anti-corruption enforcement, and effective market supervision. If corruption contributes to inflation, then anti-corruption policy should be viewed as part of macroeconomic stabilization^{24 25}. This finding expands the meaning of inflation control from a monetary issue into a governance issue.

²⁴ Hamdan Firmansyah, “Policy Model for Muslim State Inflation Control,” *International Journal of Nusantara Islam* 9, no. 1 (2021): 93–105, <https://doi.org/10.15575/ijni.v9i1.11984>.

²⁵ Abdul Latif Rizqon et al., “Al-Maqrizi’s Inflation Concepts and Proof for the East Java Inflation Case 2015-2020,” *Al-Iktisab: Journal of Islamic Economic Law* 6, no. 1 (2022): 99, <https://doi.org/10.21111/al-iktisab.v6i1.7608>.

This finding strengthens previous institutional studies that link governance quality, corruption, and macroeconomic performance. Earlier studies have shown that weak institutions may reduce economic efficiency, weaken investor confidence, and distort market mechanisms. This study supports those conclusions but adds a more specific contribution by showing that governance deterioration has measurable inflationary consequences. In the context of Islamic economics, this finding also fills an important gap because previous studies often discuss corruption as a moral problem without empirically connecting it to inflation dynamics.

Theoretically, this finding supports institutional economics, which argues that institutions shape economic outcomes through credibility, transaction costs, enforcement quality, and governance performance. However, this study extends institutional theory through the framework of *siyasaḥ māliyah*. In Islamic public finance, corruption is not merely an institutional inefficiency; it is a violation of *amanah* and *wilāyat al-māl*. Public authority over wealth, taxation, budget, and market regulation must be exercised with justice and accountability²⁶. Therefore, inflation caused by governance failure becomes not only an economic problem but also an ethical breach of public responsibility.

Practically, this finding suggests that inflation policy should incorporate governance indicators. Policymakers need to pay attention to transparency in public budgeting, subsidy distribution, food supply chains, procurement systems, and market regulation. Anti-corruption institutions should not be seen as separate from economic stabilization institutions. Instead, they should be part of a broader inflation governance framework. The principle of *hisbah* may also be translated into modern regulatory supervision, including monitoring market manipulation, preventing hoarding, supervising unfair pricing practices, and protecting vulnerable consumers.

The novelty of this finding lies in its empirical demonstration that governance integrity has inflationary relevance and its normative interpretation through *al-Maqrīzī's* thought. *Al-Maqrīzī* connected inflation with corrupt officials, unjust fiscal extraction, and abuse of authority. This study shows that such classical insights remain relevant in contemporary Indonesia. By using CPerI as an institutional variable, the study transforms corruption from a general moral concern into a measurable component of inflation analysis. This is a strong contribution to Islamic macroeconomics because it links ethics, governance, and econometric evidence.

The limitation of this finding is that CPerI measures perceived corruption, not actual corruption practices in specific sectors. Perception-based indicators may be influenced by media coverage, political climate, public trust, or reporting patterns. Moreover, CPerI does not directly identify which governance channels most strongly affect inflation, such as procurement, food distribution, subsidy leakage, licensing, or fiscal inefficiency. Future research should develop more specific Islamic governance indicators or combine perception-based data with sectoral corruption, fiscal transparency, and market supervision data.

Engagement with Monetarist, Structuralist, and Institutional Perspectives

The findings of this study partly support the monetarist view that inflation is closely related to the growth of money supply. The positive response of inflation to broad money supply

²⁶ Abdulkadir Abdullahi Sheik Abdulkadir and Abdikani Yusuf Abdulle, "Nonlinear Effects of Inflation on Public Debt Sustainability in Somalia," *International Journal of Sustainable Development and Planning* 19, no. 8 (2024): 3201-12, <https://doi.org/10.18280/ijstdp.190832>.

confirms that excessive liquidity can increase price pressure. However, the result also shows that inflation cannot be reduced to money supply alone. The magnitude of the effect is moderate, and inflation also responds to exchange rate depreciation and governance deterioration. This suggests that monetary expansion operates within a broader institutional and structural environment.

The findings also support structuralist explanations of inflation, especially in relation to exchange rate pressure. In an open economy, currency depreciation may increase the cost of imported goods, production inputs, and external obligations. The positive inflation response to real exchange rate depreciation confirms that inflation in Indonesia is influenced by external and structural conditions. Yet structuralist explanations often focus on supply constraints and external shocks without asking whether public authority has fulfilled its ethical responsibility to protect vulnerable groups from the burden of price instability.

Western institutional economics improves these perspectives by emphasizing the role of governance, credibility, and corruption²⁷. The finding that CPerI deterioration increases inflation supports the institutionalist claim that weak governance affects macroeconomic outcomes. However, the Islamic ethical institutional approach differs from Western institutional economics because it does not judge institutions only by their efficiency²⁸. It judges them by their moral purpose. Public authority is not merely a mechanism for reducing transaction costs, but a trust that must protect wealth, prevent harm, and sustain distributive justice. This is where al Maqrīzī's thought offers a distinctive contribution. He links inflation to monetary abuse, fiscal injustice, and the moral failure of rulers. His framework therefore allows inflation to be read as both an economic imbalance and an ethical breach of public responsibility.

Inflation is transmitted through interconnected channels. Excess liquidity increases demand-side pressure, depreciation raises import-related costs, and weak governance reduces the capacity of institutions to manage shocks effectively²⁹⁻³⁰. When these three conditions occur together, inflation becomes more persistent and socially harmful. Monetary policy may become less effective if fiscal governance is weak, while exchange rate stabilization may be difficult if market confidence is undermined by corruption and policy uncertainty.

The broader implication is that inflation should not be treated merely as a statistical rise in prices. It should be understood as a sign of monetary and institutional misgovernance. Inflation reveals whether public authority can manage money responsibly, preserve currency credibility, and protect society from unjust economic burdens. This interpretation is especially important for Islamic economics because inflation directly relates to ḥifẓ al-māl, ḥifẓ al-nafs, justice, trust, and public welfare.

Compared with previous studies, this research offers a more integrated explanation of inflation. Monetarist studies emphasize money supply, structuralist studies emphasize exchange

²⁷ E. Ostrom, "Governing the Commons: The Evolution of Institutions for Collective Action.," *In Governing the Commons: The Evolution of Institutions for Collective Action.*, 2015, <https://doi.org/10.1017/CBO9781316423936>.

²⁸ A. Hassan, "Islamic Ethical Responsibilities for Business and Sustainable Development.," *Humanomics* 32, no. 1 (2016), <https://doi.org/10.1108/H-07-2015-0047>.

²⁹ Masahiko Shibamoto, "Inflation, Business Cycle, and Monetary Policy: The Role of Inflationary Pressure *," 2023.

³⁰ Muhammad Yusuf, Muhammad Fitri Rahmadana, and Oktavera Rizki, "Exploring The Drivers of Inflation in Indonesia: A Quantitative Analysis," *International Journal of Accounting and Economics Studies* 13, no. 2 (2026): 28-36, <https://doi.org/10.14419/mkz47133>.

rate and supply constraints, while institutional studies emphasize governance quality. This study combines these perspectives and interprets them through Islamic public finance. Therefore, the study does not reject previous findings but synthesizes them into a broader ethical-institutional model.

Theoretically, the integrated findings support the development of an Islamic ethical institutional model of inflation. This model explains inflation through four levels: observable economic variables, institutional channels, ethical violations, and social consequences. It positions al-Maqrīzī not merely as a historical figure, but as a diagnostic thinker whose categories can be translated into modern macroeconomic analysis. Excessive *fulūs* circulation corresponds to money supply expansion, currency deterioration corresponds to exchange rate depreciation, and corrupt fiscal governance corresponds to institutional deterioration.

The integrated model suggests that inflation governance should involve monetary policy, exchange rate management, fiscal transparency, anti-corruption reform, and market supervision. Bank Indonesia should control liquidity with attention to distributive impact. Fiscal authorities should strengthen budget accountability and subsidy governance. Anti-corruption institutions should be included in the broader framework of price stability. Market regulators should prevent hoarding, manipulation, and unfair pricing practices. In this way, inflation control becomes a shared responsibility across institutions.

The main novelty of this integrated finding is the reconstruction of inflation as an ethical-institutional disorder rather than merely a monetary imbalance. This study contributes to Islamic economics by showing that classical Islamic monetary thought can be empirically operationalized through modern econometric evidence. It also contributes to mainstream inflation theory by adding a normative dimension often neglected in conventional models. The study's originality lies in combining VECM, al-Maqrīzī's *siyasah māliyah*, and *maqāṣid al-sharī'ah* into a single interpretive framework.

The limitation of this integrated interpretation is that it relies on selected macroeconomic and institutional variables. Inflation is also influenced by other factors such as food supply shocks, energy prices, global commodity prices, wage dynamics, administered prices, and inflation expectations. The historical comparison with al-Maqrīzī also requires contextual caution because Mamluk Egypt and contemporary Indonesia differ in monetary regime, institutional structure, and economic complexity. Future research should expand the model by including more variables, longer time periods, cross-country comparisons, and more refined Islamic governance indicators.

Maqasid al Sharia and Policy Implications

The *maqasid al sharia* dimension of the findings must be understood operationally rather than rhetorically. *Hifz al mal* requires the protection of purchasing power, not only the formal protection of property ownership. *Hifz al nafs* requires inflation control because rising prices threaten household welfare, food security, and access to basic needs. *Hifz al din* requires ethical governance because corruption, manipulation, and injustice weaken public trust and normalize

abuse of authority³¹ ³². These maqasid objectives can be translated into concrete policy implications for Indonesian monetary and financial governance.

First, Bank Indonesia should strengthen monetary discipline by ensuring that liquidity expansion is aligned with real sector productivity and inflation risk. Money creation should not only be evaluated through technical indicators, but also through its distributive consequences³³. Second, exchange rate stabilization should be framed as part of the protection of purchasing power. This means that currency management is not merely an external balance strategy, but also a public welfare obligation³⁴. Third, inflation governance should incorporate governance integrity indicators, including transparency in public spending, anti corruption performance, and coordination between monetary and fiscal authorities³⁵. The CPerI finding indicates that corruption weakens price stability, so anti corruption policy must be treated as part of inflation governance.

Fourth, the principle of hisbah can be translated into modern market supervision. Hisbah does not need to be revived as a medieval institution, but its function can be integrated into existing regulatory structures³⁶. Bank Indonesia can apply the logic of monetary hisbah in monitoring money circulation, payment systems, and digital currency development. The Financial Services Authority can apply the same logic in supervising speculative financial practices, predatory digital finance, and market behavior that harms vulnerable consumers. Fiscal authorities can operationalize wilayat al mal through transparent public budgeting, accountable subsidy distribution, and stronger supervision of policies that affect basic prices³⁷. In this way, al Maqrīzī's thought becomes a technocratic and ethical guideline for contemporary inflation governance.

Overall, the integrated results show that inflation in Indonesia is shaped by monetary, structural, and institutional factors. However, the distinctive contribution of this article is to interpret those factors through al Maqrīzī's siyasah māliyah. Money supply growth reflects the problem of monetary discipline. Exchange rate depreciation reflects the problem of currency integrity. CPerI deterioration reflects the problem of governance integrity and fiscal trust. Inflation is therefore not only a macroeconomic outcome, but also a sign of monetary misgovernance. This interpretation allows Islamic public finance to contribute more directly to global debates on inflation, governance, and institutional reform.

³¹ N. I. Dusuki, A. W., & Abdullah, "Maqasid Al-Shari'ah, Maslahah, and Corporate Social Responsibility (2007)," *American Journal of Islam and Society* 41, no. 1 (2024): 10-35.

³² R. D. A. P. Pratiwi, F. D., Farhan, A., & Mulyono, "Assessing Sharia Banking Commitment through the Shariah Maqashid Index.," *International Journal of Current Science Research and Review* 6, no. 4 (2023): 2257-2264.

³³ M Setiawan, B., & Panduwangi, "Measurement of Islamic Banking Attributes in Indonesia," *The Global Conference on Business*, 2021.

³⁴ O SUNAL, "CPI, MONEY SUPPLY AND EXCHANGE RATE DYNAMICS IN TURKEY: A VECM APPROACH," *DergiPark (Istanbul University)*, 2018, <https://dergipark.org.tr/tr/pub/jefa/issue/39466/465428>.

³⁵ Shibamoto, "Inflation, Business Cycle, and Monetary Policy: The Role of Inflationary Pressure *."

³⁶ Umam, "The The Concept of Al-Hisbah in Indonesia's Modern Islamic Economy: Sharia Supervision in the Era of Blockchain and AI."

³⁷ & Mugiyati. Fatkhurrozi, T., "Efficiency and Accessibility of Sharia Home Financing for Millennials: A Study of BSI's Griya Si Muda Program vs BTN IB Property," *BANCO: Jurnal Manajemen Dan Perbankan Syariah*, 6, no. 2 (2024), <https://doi.org/10.35905/banco.v6i2.9537>.

Reframing Inflation as a Fiqh and Institutional Disorder: Integrating al-Maqrīzī's Thought with Econometric Evidence

This study's synthesis of econometric and textual findings confirms that inflation in Indonesia cannot be entirely elucidated by technical elements alone. The VECM analysis establishes statistically significant relationships between inflation and macroeconomic indicators, namely money supply (M2), real exchange rate, and Corruption Perception Index (CPI), which closely correspond to al-Maqrīzī's classical assessments rooted in Islamic commercial jurisprudence (fiqh al-mu'āmalāt). The convergence indicates that inflation arises from both liquidity expansion and diminished ethical and institutional governance. Al-Maqrīzī noted that in Mamluk Egypt, the decline of monetary stability frequently coincides with moral deterioration and societal distrust. This substantiates the study's conclusion that inflation signifies not only price distortion but also the disintegration of economic justice.

These analogies are intentional. Al-Maqrīzī's denunciation of fulūs overproduction aligns exactly with this study's conclusion: a 1% increase in M2 results in a 0.28% escalation in inflation within three quarters. His condemnation of coin debasement as a moral transgression is evidenced by the 0.19% inflation impact associated with exchange rate depreciation. Similarly, his depiction of inequitable tax collection reflects the inflationary impact of deteriorating governance (0.12% increase for each lost CPI point). These findings validate that al-Maqrīzī's normative concepts—namely *idṭirāb al-sikka*, *iḥtikār*, and *amānāt al-ḥukkām*—are translatable into quantifiable economic dynamics. Considering his theory as a diagnostic framework instead of mere historical commentary enables contemporary scholars to retrieve a value-oriented perspective in analyzing price instability.

These findings reconcile divergent theories of inflation from a theoretical perspective. This study takes a hybrid perspective rooted in Islamic ethics, asserting that both money supply and moral considerations are significant, contrasting with monetarists' focus on money and structuralists' emphasis on institutions and expectations³⁸. It enhances institutionalist critiques by incorporating concepts from classical Islamic economics, hence adding historical significance. While Nila Atikah et al.³⁹ have recognized the influence of corruption on inflation, few have linked it to Islamic legal theory. Furthermore, CPI is inadequately employed in Islamic economic modeling as a surrogate for *fasād al-ḥukm* (government degradation). This study fills the gap by integrating econometric data, literary analysis, and ethical reasoning.

Al-Maqrīzī's perspective on monetary ethics corresponds with the aims of Islamic law (*maqāṣid al-sharī'ah*), particularly *ḥifẓ al-māl* (protection of wealth), *ḥifẓ al-nafs* (public welfare), and *ḥifẓ al-dīn* (maintenance of moral order)⁴⁰. His advocacy for currency integrity, equitable taxation, and constrained money supply reflects the ethical principles of contemporary Islamic

³⁸ H. Budiono, I. N., Bakar, A. A., Haddade, H., Daily, S., & Husain, "Integrating Local Culture to Work Ethics: A Holistic Approach to Mitigating Problematic Financing in Islamic Banks.," *BANCO: Jurnal Manajemen Dan Perbankan Syariah* 6, no. 2 (2024), <https://doi.org/10.35905/banco.v7i1.8784>.

³⁹ & Prieska Rani. Nila Atikah, Akhmad Syafi'i, Upit Elya Rohimi, "Islamic Economic Position as a Breakfast to Reducing Inflation," *Jurnal Multidisiplin Madani* 3, no. 1 (2023), <https://doi.org/10.55927/mudima.v3i1.2423>.

⁴⁰ Diana Maghfiroh and Rio Rinaldy, "Analisis Inflasi Saat Ini Menurut Imam Al Maqrizi," *Co-Value Jurnal Ekonomi Koperasi Dan Kewirausahaan* 11, no. 3 (2020): 102–9, <https://doi.org/10.36418/covalue.v11i3.1270>.

macroeconomics⁴¹. The distinguishing feature of this study is its methodological approach, which anchors ethical goals in empirical evidence. This approach contests the secular bias inherent in traditional economic policy, which often separates morality from modeling. The research indicates that ethical integrity is both theologically required and empirically significant.

This contribution's novelty also resides in its historiographical rectification. Although Islamic economic literature frequently emphasizes Ibn Khaldūn, the technical monetary insights of al-Maqrīzī are little examined. This research reinstates his significance and bolsters methodological validity through the utilization of Arabic passages from *Ighāthat al-Umma* and *al-Nizā' wa-t-Taḥakkum*. It enhances economic research through historical awareness and ethical precision, offering benefits not only to Islamic economists but also to policy analysts, historians, and institutional reformers.

The integrated methodology employed—VECM analysis, classical text exegesis, and expert interviews—improves both the internal validity and normative depth of the results. Arabic primary sources enhance the study's uniqueness, whereas empirical models guarantee analytical precision. This triangulated design diagnoses inflation and prescribes treatments based on technical efficiency and Islamic moral accountability. It posits that successful inflation management necessitates institutional reform anchored in the ideals of fairness, trust, and transparency.

Nonetheless, the study recognizes specific limitations. The sensitivity of the VECM model to data range and variable selection may affect the size of the impacts. The qualitative analysis of texts is contingent upon translation and contextual interpretation. Expert interviews, however informative, represent a constrained sample of academic perspectives. Furthermore, historical comparisons between Mamluk Egypt and contemporary Indonesia, albeit illuminating, require careful contextual interpretation. These constraints encourage further investigations to expand the dataset, enhance Islamic governance metrics, and intensify cross-temporal analyses.

Notwithstanding these limitations, the study provides a unique and timely synthesis: it demonstrates that ancient Islamic perspectives on inflation are still pertinent, measurable, and helpful for policy-making. By reestablishing the connection between Islamic intellectual tradition and contemporary macroeconomic instruments, it encourages researchers and policymakers to reconceptualize inflation not merely as an economic aberration, but as a challenge to ethical governance.

CONCLUSION

This study demonstrates that inflation in Indonesia cannot be understood solely as a technical macroeconomic phenomenon. The VECM results show that broad money supply, real exchange rate depreciation, and governance deterioration significantly influence inflation. Specifically, a 1 percent increase in money supply raises inflation by 0.28 percent within three quarters, a 1 percent depreciation of the real exchange rate increases inflation by 0.19 percent, and a one-point decline in CPerI raises inflation by 0.12 percent within two quarters. These findings suggest that inflation is driven not only by monetary and exchange rate pressures but also by the quality and integrity of public governance.

⁴¹ Awaluddin, "INFLASI DALAM PRESPEKTIF ISLAM (ANALISIS TERHADAP PEMIKIRAN AL-MAQRIZI)."

Interpreting these findings through al Maqrīzī's *Ighāthat al-Umma*, this article argues that inflation should be viewed as a problem of monetary misgovernance within the framework of *siyasaḥ māliyah*. Al Maqrīzī's criticism of excessive *fulūs* circulation parallels contemporary concerns regarding uncontrolled monetary expansion, while his discussion of currency debasement reflects modern challenges of exchange rate instability and declining purchasing power. Likewise, his critique of corrupt officials and unjust fiscal practices corresponds to the inflationary effects of weak governance. By integrating these insights, the study develops an Islamic ethical-institutional model of inflation that evaluates price instability through the principles of *amanah*, *wilayat al-mal*, *hiḥz al-mal*, and distributive justice, thereby extending beyond conventional monetarist, structuralist, and institutional explanations.

The findings imply that inflation management in Indonesia should combine monetary discipline, exchange rate stability, and governance integrity. Policies aimed at controlling liquidity, safeguarding currency credibility, and strengthening anti-corruption measures should be viewed as complementary components of price stability. At the same time, this study is limited by its reliance on selected variables, a specific data period, and the contextual interpretation of al Maqrīzī's historical writings. Future research may incorporate broader governance indicators, comparative analyses across Muslim-majority countries, or investigations into the relevance of al Maqrīzī's ideas for digital currencies, Islamic fintech, and contemporary central banking. Nevertheless, this study confirms that al Maqrīzī's *siyasaḥ māliyah* remains a valuable framework for understanding inflation as a matter of monetary governance, institutional integrity, and public justice.

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