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Indonesia Monetary Policy During COVID-19 Outbreak: In Islamic Economic Perspective

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ABSTRACT: This paper aims to find out about Indonesia's monetary policy during the COVID-19 outbreak and how to review monetary policy an Islamic perspective. Specifically, monetary policy issued by Bank Indonesia is directed to support the risk mitigation efforts of the spread of COVID-19, maintain market stability and financial system, and encourage economic growth. To achieve this goal, this paper explains Bank Indonesia's policies during the COVID-19 outbreak in January until April 2020 and follow up Bank Indonesia's monetary policies, also instruments used to achieve the country's financial stability objectives such as the BI 7-Day Reverse Repo Rate (BI7DRR), GWM, and strengthening liquidity. Then review Bank Indonesia policy in Islamic monetary perspective, such as use alternative instruments that are profit and Loss Sharing Ratio (PLS),Lending Ratio, Demand Deposit Ratio, Refinance Ratio, and also implementation of Islamic financial instruments such us Sertifikat IMA, SBIS, andSukuk.
Keywords *-Monetary Policy, Islamic Monetary, Financial Instrument, COVID-19 Outbreak.*

I. INTRODUCTION

The COVID-19 outbreak is increasingly widespread throughout the world, global COVID-19 cases have increased significantly based on Johns Hopkins University Medicine statistics data on Sunday, May 17, 2020, Indonesia noted ranks 33rd cases of COVID-19 distribution globally from 188 countries that have been exposed to the virus and as much 17,025 cases have been recorded. This figure also contributed 0.37 percent of the total cases globally which reached 4,586,915 positive COVID-19. While the death rate in Indonesia reached 1,089 people, equivalent to 0.35 percent of the global death rate of 309,184 people. With this number, Indonesia ranks 33th out of all the countries exposed to COVID-19(Covid19.go.id,2020).

This has an impact on increasing the risk of a global economic recession in 2020. The risk of a global recession increases with the application of population mobility restrictions to mitigate COVID-19 in various countries. Limited population mobility between regions and countries has led to decreased demand and disrupted global production processes. Early indicators from Bank Indonesia show that the global economy contracted sharply, even exceeding the period of the financial crisis in 1998 and 2008. The International Monetary Fund (IMF) in the World Economic Outlook (WEO) in April 2020 revised its projections for global economic growth in 2020 from the beginning 3.3 percent (yoy) to -3.0 percent (yoy). Consensus Forecast also revised the projections of world economic growth in 2020 from the original 2.8 percent (yoy) to -0.9 percent (yoy). Projections of a contracted global economy have taken into account the impact of COVID-19 from various aspects, such as pandemic patterns, containment, supply disruptions, tight financial conditions, changes in consumption patterns and behavior, business confidence, the effects of confidence, and volatility in commodity prices(bi.go.id, April2020).

In addition, the case where COVID-19 developed into a global pandemic raises various policy responses that will be needed both in the short term and in the coming years. In the short term, the central bank and financial institution authorities need to ensure that the disrupted economy continues to function as the continues of COVID-19 outbreak. There must be an important role for the government in dealing with financial pressures and requires responses from monetary, fiscal, to health policies(McKibbin& Fernando, 2020). In the context of recession, monetary and fiscal policies are two important policies that used to deal with state conditions during a recession, and interdependent policies, and must be considered simultaneously(Tan, Mohamed, Habibullah, & Chin, 2020).

Some countries choose a variety of policies to restore the country's economic conditions that worsened due to the crisis, where the most influential party is from monetary side. This is shows that monetary policy is needed because it influences the economic growth and financial stability of the country(Alaoui, Jusoh, Yussof, &Hanifa, 2019). The results from Omer (2019) shows that monetary policy is seen as a powerful instrument for achieving economic goals such as price stability, employment, balance of payments, and sustainable economic growth of a country. In addition, according toSelim& Hassan (2019), monetary policy is the government's solution to maintain low inflation and unemployment rates.

However, some research results show that monetary policy in general or conventional based on interest rates is considered to fail in the face of recession and instead creates inequality, social injustice, rampant corruption, and manipulation of financial institutions by government officials. In this case, Islamic monetary policy that prioritizes the real sector of the economy becomes an alternative to existing policies as well as opportunities in solving economic problems(Uddin&Halim, 2015; Uddin, Ali, &Radwan, 2019; Harum, 2019; Zulkhibri, 2018). Considering the COVID-19 outbreak crisis has brought down the global economy, especially the middle and lower class economies. In addition to the discovery of a vaccine for the Coronavirus, which means market uncertainty will continue.Based on background, this paper will discuss about Indonesia monetary policy during the COVID-19 outbreak in 2020 and how it is viewed from an Islamic monetary perspective.

II. LITERATUREREVIEW

1. MonetaryPolicy

Monetary policy is a government policy to improve the state of the economy through the regulation of the money supply implemented by the Central Bank to maintain financial stability and the country's economy(Sholihin, 2010). Monetary policy is divided into two types of policies, namely expansionary and contractive monetary policies. Expansive monetary policy is a government policy by increasing the amount of money circulating in the community. Among contractive monetary policies is a government policy by reducing the amount of money circulating in the community(Karim, 2014; Twinoburyo&Odhiambo, 2018).

In general, purpose of monetary policy is to maintain the stability of money circulation in a country based on Act Number 3 of 2004 article 7 concerning Bank Indonesia, which is marked by increasing employment and stimulating the world of small and medium businesses. The implementation of monetary policy carried out by the monetary authority, namely the Central Bank as the holder of money supply control, in order to achieve the objectives of monetary policy, the targets are determined by the instruments used including Open Market Operations, Reserve Requirements, Determination of Discount Rate, and Moral Suasion or Central Bank Policy(Wulandari, 2019).

2. Indonesia MonetaryPolicy

On 1 July 2005 Bank Indonesia adopted a monetary policy framework Inflation Targeting Framework (ITF) after previously using a monetary policy that applied for base money as the target of monetary policy. Bank Indonesia strengthens the ITF framework into Flexible ITF. The Flexible ITF framework is built on five main elements, including inflation remains the main target of monetary policy, integrating monetary policy with macroprudential policy to strengthen policy transmission and support macroeconomic stability, strengthening exchange rate policies and capital flows to support macroeconomic stability, strengthening policy coordination between banks Indonesia with the Government both for controlling inflation and financial system stability, and finally strengthening communication policy as part of policy instruments(bi.gi.id, Juli 2018).

The monetary policy instrument used by Bank Indonesia as the main policy instrument by setting the BI 7-Day Reverse Repo Rate (BI7DRR) interest rate to influence economic activity with the ultimate goal of controlling inflation. The mechanism by which changes in the BI 7-Day Reverse Repo Rate (BI7DRR) change to affect inflation is called the monetary policy transmission mechanism. This mechanism occurs through interactions between the Central Bank, the banking and financial sectors, and the real sector. Changes in the BI 7-Day Reverse Repo Rate (BI7DRR) affect inflation through various channels, including the interest rate channel, credit channel, exchange rate channel, asset price channel, and expectationschannel(bi.go.id).

3. Islamic Monetary Policy

The objectives of monetary policy in Islamic economics are not different from the goals formulated by conventional economics, namely to encourage the country's economy to achieve stability and high economic growth, only in the conventional economy does not emphasize the existence of fairness and equitable distribution of income and welfare (Muhamad, 2002). Karim(2014) monetary policy in Islam is based on the basic principles of Islamic economics including; supreme power belongs to Allah Ta'ala and Allah is the absolute owner, man is the leader (caliph) on earth, but not the real owner, all that is owned and obtained by humans is due to the permission of Allah SWT, and therefore fellow brothers who lack fortunate to have a portion of the wealth owned by a more fortunate relative, wealth must be rotated not to be piled up or piled up, eliminating the gap between individuals in the economy, can eliminate inter-group conflicts, establishing obligations that are mandatory and voluntary for all individuals, including for community members who are lacking. In an Islamic perspective monetary policy emphasizes the principles of honesty and fairness in terms of value (Yungucu&Saiti, 2016). This is in accordance with the word of God in Al-Qur'an Al-An'am verse 152 and Al-A'raf verse85;

وَلَا تَقْرَبُوا مَالَ الْيَتِيمِ إِلَّا بِالَّتِي هِيَ أَحْسَنُ حَتَّىٰ يَبْلُغَ أَشُدَّهُ ۖ وَأَوْفُوا الْكَيْلَ وَالْمِيزَانَ بِالْقِسْطِ ۖ لَا نُكَلِّفُ نَفْسًا إِلَّا وُسْعَهَا ۖ وَإِذَا قُلْتُمْ فَاعْدِلُوا وَلَوْ كَانَ ذَا قُرْبَىٰ ۖ وَبِعَهْدِ اللَّهِ أَوْفُوا ۚ ذَٰلِكُمْ وَصَّاكُمْ بِهِ لَعَلَّكُمْ تَذَكَّرُونَ

Meaning : "And approach not the wealth of the orphan save with that which is better, till he reach maturity. Give full measure and full weight, in justice. We task not any soul beyond its scope. And if ye give your word, do justice thereunto, even though it be (against) a kinsman; and fulfil the covenant of Allah. This He commandeth you that haply ye may remember" (Q.S Al-An'am: 152).

وَإِلَىٰ مَدْيَنَ أَخَاهُمْ شُعَيْبًا ۗ قَالَ يَٰقَوْمِ ٱعْبُدُوا۟ ٱللَّهَ مَا لَكُم مِّنْ إِلَٰهٍ غَيْرُهُۥ ۖ قَدْ جَآءَتْكُم بَيِّنَةٌ مِّن رَّبِّكُمْ ۖ فَأَوْفُوا۟ ٱلْكَيْلَ وَٱلْمِيزَانَ وَلَا تَبْخَسُوا۟ ٱلنَّاسَ أَشْيَآءَهُمْ وَلَا تُفْسِدُوا۟ فِى ٱلْأَرْضِ بَعْدَ إِصْلَٰحِهَا ۚ ذَٰلِكُمْ خَيْرٌ لَّكُمْ إِن كُنتُم مُّؤْمِنِينَ

Meaning : "And unto Midian (We sent) their brother, Shu'eyb. He said: O my people! Serve Allah. Ye have no other Allah save Him. Lo! a clear proof hath come unto you from your Lord; so give full measure and full weight and wrong not mankind in their goods, and work not confusion in the earth after the fair ordering thereof. That will be better for you, if ye are believers" (Q.S Al-A'raf: 85).

From the technical aspects of Islamic monetary policy, it must be free from the element of usury, which includes bank interest strictly forbidden (Chapra M. , 2000). Islam avoids the existence of instruments of interest because interest can affect the level of continuous fluctuations which is the biggest aspect and will contribute to the monetary crisis, which is carried out in Islamic monetary is to accelerate the velocity of money and infrastructure development in the real sector. The monetary authority must direct its monetary policy to encourage growth in an adequate supply of money, to finance potential economic growth in the medium and long term, and to achieve stable prices and Islamic socio-economic goals (Chapra M. ,2000).

III. METHODOLOGY

The type of research is a qualitative research with a descriptive approach that is conducted in the collection and compilation of data, as well as analyzing and interpreting data (Sugiyono, 2016). This research used to describe everything related to monetary policy. Data collection methods use literature studies and empirical data. In the study of literature, the author examines books, scientific papers or journals, publication archives, regulations, and other documents relating to the problem under study, to further be used as a reference. Data source in this study is able to provide information and data on monetary policy originating from the official website of Bank Indonesia (www.bi.go.id). The focus of this study will examine monetary policy, areview of Islamic economics in Indonesia.

IV. DISCUSSION

1. The Impact of COVID-19 Outbreak onEconomy

In the face of the COVID-19 outbreak, the Indonesian government took a fast and prudent approach to reduce its impact on the country's economy. Some experts worry, the economic impact caused by COVID-19 can be greater than the health impact, and economic growth will slow down. If there is an economic slowdown, the absorption of labor will decrease, increasing unemployment and poverty. The manufacturing sector was also affected due to delays in the supply chain of raw materials due to the scarcity of raw materials, especially from China and the delay in the arrival of raw materials. This will have an impact on rising product prices and triggering inflation (bi.go.id, April 2020; McKibbin& Fernando, 2020; Tosepu, et al., 2020).

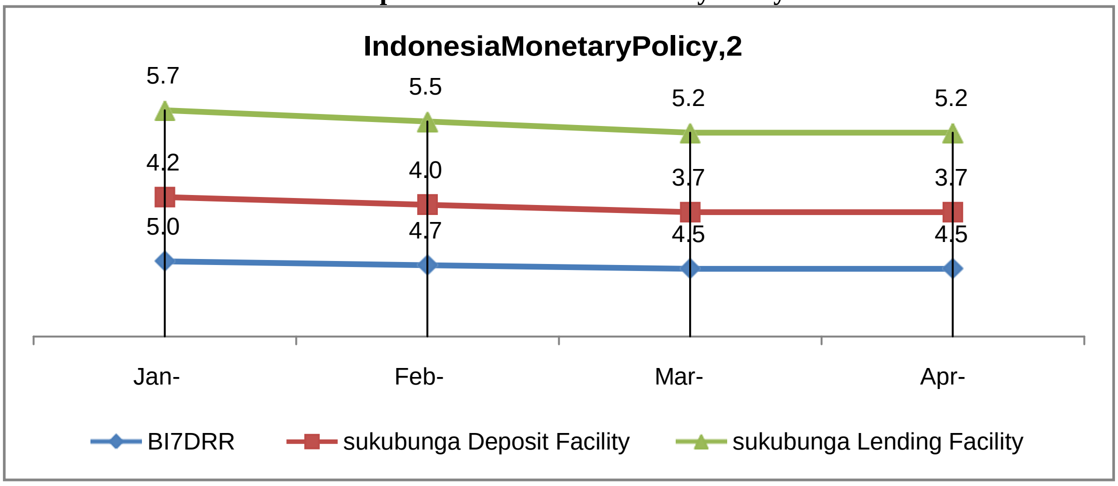
Based on this, Bank Indonesia issued a monetary policy review in April 2020, which stated that the COVID-19 outbreak had an impact on increasing the risk of a global economic recession in 2020. The risk of a global economic recession in 2020 was affected by a decline in demand and disruption of production processes, among others due to limited mobility in line with policies that reduce the risk of COVID-19 spread. The outlook for economic growth in developing countries is also predicted to decline. The risk of world economic recession mainly occurs in Quarter-II and Quarter-III 2020, in accordance with the pattern of the COVID-19 outbreak, and is expected to improve again starting in Quarter-IV 2020. Furthermore, the global economic downturn and the spread of COVID-19 in the country have an impact on domestic economic growth will decline. 2020 exports declined due to slowing world demand, disruption of global supply chains, and low global commodity prices.

Meanwhile, social restrictions in order to prevent the spread of COVID-19 have an impact on people's income and decrease production, thereby reducing the prospect of domestic demand, both household consumption and investment. Indonesia's slowing economic growth is predicted mainly in Quarter-II and Quarter III-2020 in line with the prospect of a global economic contraction and also the economic impact of efforts to prevent the spread of COVID-19. The weakening of the domestic economy and increasing economic uncertainty as a result of the spread of COVID-19 led to weak credit demand and increased caution in banks in lending(bi.go.id, April2020).

2. Indonesia Monetary Policy During COVID-19Outbreak

Since the World Health Organization (WHO) announced the first COVID-19 outbreak in Wuhan, Hubei province, China in December 2019, then-President JokoWidodo announced the first case of COVID-19 in IndonesiaonMarch2,2020.BetweenDecember2019andMarch2020,BankIndonesiahasissuedamonetary policy to deal with the effects of COVID-19 in Indonesia from January to April 2020. The ultra-accommodative monetary policy adopted by various countries to mitigate the impact of COVID-19. Central banks in various countries have eased policy and liquidity interest rates. The Federal Reserves (The Fed) and the Bank of Canada have reduced policy rates to 150 bps since the beginning of 2019, most developed and developing countries have also lowered interest rates to control the country's inflation rate. Similarly, Indonesia has lowered the BI 7-Days Reverse Repo Rate (BI7DRR) policy rate by issuing policies in dealing with the COVID-19 outbreak based on the Bank Indonesia Board of Governors Meeting (bi.go.id, April 2020), seen in **Graph1**.

Graph 1. Interest Rate Monetary Policy



Source: bi.go.id (April 2020), data processed by Author.

Based on Graph 1, Bank Indonesia's policy in responding to the impact of the COVID-19 outbreak was shown on 22-23 January 2020 Bank Indonesia maintained the BI 7-Day Reverse Repo Rate (BI7DRR) at 5.00 percent, the Deposit Facility interest rate of 4.25 percent, and the Lending Facility interest rate of 5.75 percent. This monetary policy is an effort to maintain the momentum of domestic economic growth. The monetary operations strategy continues to aim at maintaining adequate liquidity and supporting the transmission of an accommodative policy mix. Meanwhile, macroprudential policy taken to encourage economic financing is in line with the sub-optimal financial cycle while still observing the precautionary principle. Likewise, payment system policies and financial market deepening policies continue to be strengthened to support economic growth (bi.go.id, Januari2020).

On 19-20 February 2020 BI decided to reduce the BI 7-Day Reverse Repo Rate (BI7DRR) by 25 bps to 4.75 percent, the Deposit Facility interest rate by 25 bps to 4.00 percent, and the Lending Facility interest rate by 25 bps to 5.50 percent. Monetary policy remains accommodative and consistent as a pre-emptive step to maintain the momentum of domestic economic growth amidst the prospects of global economic recovery in connection with the occurrence of COVID-19. Meanwhile, the accommodative macroprudential policy adopted by Bank Indonesia will adjust the provisions related to the calculation of the Macroprudential Intermediation Ratio (RIM) by expanding the scope of funding and financing at the bank branches overseas for the Indonesian economy. The payment system policy continues to be strengthened to support economic growth, among others, through the expansion of the QRIS (Quick Response Code Indonesian Standard) acceptance and the electrification of social assistance and regional government financial transactions (bi.go.id, Februari 2020).

On 18-19 March 2020 BI reduced the BI 7-Day Reverse Repo Rate (BI7DRR) by 25 bps to 4.50 percent, the Deposit Facility interest rate by 25 bps to 3.75 percent, and the Lending Facility interest rate by 25 bps to 5.25 percent. This fixed monetary policy is accommodative and consistent as a pre-emptive step to maintain the momentum of economic growth. In addition, as a continuation of a number of policy stimuli that were announced at the RDG on 18-19 February 2020 and 2 March 2020, Bank Indonesia again strengthened the policy mix aimed at supporting the risk mitigation efforts of the spread of COVID-19, maintaining financial market and system stability finance, and encourage the momentum of economic growth through the following seven steps (bi.go.id, Maret 2020);

a. Strengthening the intensity of the triple intervention policy to maintain the stability of the Rupiah exchange rate in accordance with market fundamentals and mechanisms, both on the spot, Domestic Non-deliverable Forward (DNDF), and SBN purchases from the secondarymarket.
b. Extend the SBN Repo tenure to 12 months and provide a daily auction to strengthen the easing of Rupiah banking liquidity, which has been effective since March 20,2020.

c. Increase the frequency of FX swap auctions of 1 month, 3 months, 6 months and 12 months from three times a week to every day, to ensure adequate liquidity, which is effective from March 19,2020.
d. Strengthening the Term Deposit instruments in foreign currencies to improve foreign exchange liquidity management in the domestic market, and encourage banks to use a reduction in the statutory reserve requirement (GWM) of foreign exchange that has been decided by Bank Indonesia for domesticneeds.
e. Accelerating the enactment of provisions on the use of domestic Rupiah accounts (Vostro) for foreign investors as underlying transactions in DNDF transactions, so as to encourage more hedging of Rupiah ownership in Indonesia, effective no later than March 23, 2020, from the original April 1,2020.
f. Expanding the policy of easing the daily reserve requirement in Rupiah by 50bps which was originally only aimed at banks that conduct export-import financing, plus those financing MSMEs and other priority sectors, effective from April 1,2020.
g. Strengthening payment system policies to support efforts to mitigate the spread of COVID-19 through; the availability of hygienic circulation worth money, cash services, and alternative cash service backups, and urges the public to use non-cash payment transactions more, encouraging the use of non-cash payments by reducing the cost of the Bank Indonesia National Clearing System (SKNBI), from banks to banks Indonesia, which was originally 600 rupiahs to 1 rupiah and from customers to banks originally had a maximum of 3,500 rupiahs to a maximum of 2,900 rupiahs, effective from 1 April 2020 to 31 December 2020; and supports the distribution of non-cash funds from Government programs such as the PKH and BPNT Social Assistance Program, the Employment Card Program, and the Indonesia Smart-Lecture Card Program.

Then on 13-14 April, 2020 BI decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 4.50 percent, the Deposit Facility interest rate at 3.75 percent, and the Lending Facility interest rate at 5.25 percent. This decision considers the need to maintain external stability amid the uncertainty of global financial markets, which is currently still relatively high, although Bank Indonesia still sees room for lower interest rates with low inflationary pressures and the need to encourage economic growth (bi.go.id, April 2020), which aim;

a. To stabilize and strengthen the Rupiah exchange rate, Bank Indonesia increased the intensity of the triple intervention policy through the spot, Domestic Non-deliverable Forward (DNDF), and the purchase of SBN from the secondarymarket.
b. Supporting efforts to recover the national economy from the effects of COVID-19, Bank Indonesia will increase monetary easing through quantitative instruments including; expansion of monetary operations with underlying SUN or SBSN transactions with a tenor of up to 1 (one) year, reducing the Rupiah Statutory Reserves (GWM) by 200 bps for Conventional Commercial Banks and 50 bps for Sharia Commercial Banks/Sharia Business Units, and does not apply additional Giro obligation to fulfill Macroprudential Intermediation Ratio (RIM) both for Conventional Commercial Banks and Sharia Commercial Banks or Sharia Business Units for a period of 1 (one) year, which applies May 1,2020.
c. To further expand the use of non-cash payment transactions in mitigating the impact of COVID-19, Bank Indonesia has improved various payment system policyinstruments.

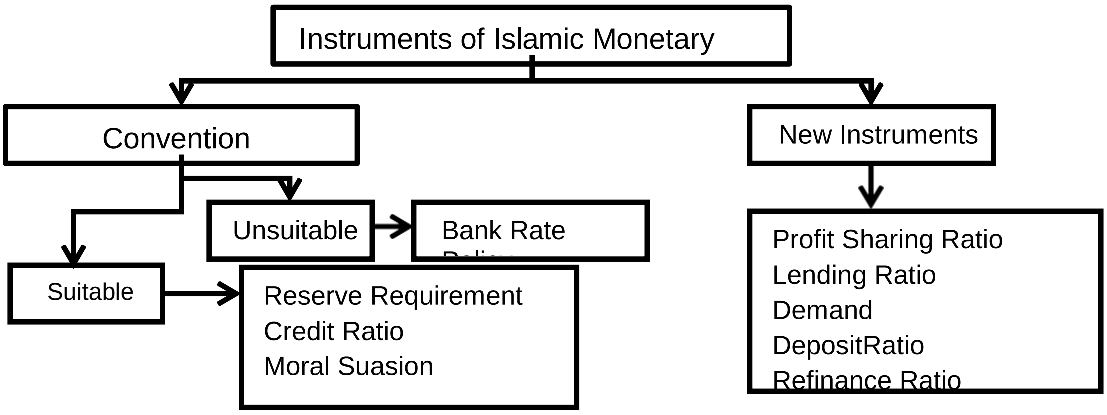
Explanations related to the policy to reduce the reserve requirement, increase the PLM ratio, and easing credit card policies, as well as Bank Indonesia’s policy mix which is part of a synergized policy that is coordinated very closely with the government and through the Financial System Stability Committee (KSSK) and related authorities to maintain macroeconomic stability and the financial system and in the effort to recover the national economy from the effects of COVID-19 (bi.go.id, April 2020).

These various Bank Indonesia policy measures were taken in close coordination with the Government and the Financial Services Authority (OJK) in mitigating the impact of COVID-19, so that macroeconomic stability and the financial system are maintained, and the momentum of economic growth can be maintained. As is known, the Government has taken a number of fiscal and economic stimuli to ease the burden on society and companies from the effects of COVID-19 and to maintain conducive various economic activities. The Financial Services Authority (OJK) has also taken steps to maintain the health of banks and non-bank financial institutions, as well as the operation of the capital market. And will continue to strengthen coordination by closely monitoring the dynamics of the spread of COVID-19 and its impact on Indonesia from time to time, as well as further policy coordination steps that need to be taken by both the Government, Bank Indonesia, and OJK to maintain macroeconomic and financial system stability, and maintaining economic growth (bi.go.id, April2020).

3. Monetary Policy in IslamicPerspective

The main monetary instrument used in the implementation of conventional monetary policy to deal with the COVID-19 outbreak in Indonesia is the BI 7-Day Reverse Repo Rate (BI7DRR) interest rate. The use of interest rates in the perspective of Islamic economics is forbidden by the Al-Qur’an and Sunnah, also according to the Fatwa DSN MUI Number 1 of 2004 about Interest (Interest/*Fa’idah*) that interest includes riba,andtheusurylawisharam(mui.or.id,2000).Therefore,conventionalmonetaryinstrumentsthatcontain interest, such as bank rates, discount rates, and open market operations (OMO) cannot be used in the implementation of Islamic monetary policy. However, some Islamic economists provide alternative instruments that can be used in carrying out monetary policy, such as profit-sharing ratios, lending ratios, demand deposit ratios, demand ratios (refinance ratio) (Mansur, 2013; Latifah, 2015; Uddin&Halim, 2015).Instruments of Islamic monetary policy can be seen in **Figure 1**.

Figure 1. Islamic Monetary Policy Instruments



Sources: Uddin&Halim(2015), Hasan(2007), Bidabad B. (2019).

Figure 1, shows that conventional monetary instruments that can be used in Islamic monetary policy are reserve requirements, credit ratios, and moral suasion. These three instruments can be applied in Islamic monetary policy, such as reserve requirements or mandatory reserves called the Statutory Reserves (GWM) to be provisions imposed by Bank Indonesia on conventional and sharia commercial banks to place certain parts of cash as mandatory reserves in the central bank (Mansur, 2013). This instrument can be used in Islamic monetary because in order to support the implementation of prudential banking principles and acts as a monetary instrument that functions to control the amount of money circulated, which is stated in Bank Indonesia Regulation Number 20/3/PBI/2018 about Mandatory Demand Deposits Minimum (GWM) in rupiah and foreign exchange for conventional commercial banks, sharia commercial banks, and sharia business units. Third-party funds in the form of; *wadiah*demand deposits, *mudharabah*savings deposits, *mudharabah*investment deposits, and other obligations(ojk.go.id,2018).

Credit ratio or credit distribution, the Central Bank applies this instrument to control the direction and amount of credit loans and equity participation based on profit sharing provided to certain sectors. Furthermore, moral instrument suasion, this instrument as a moral suggestion that is loaded with Islamic norms and values, is expected to provide more effective awareness to all economic actors in Islamic economics compared to economic actors in conventional economics, in relation to the banking system (Mansur, 2013). Whereas the bank rate policy becomes an instrument that cannot be used because there is an element of usury that is prohibited inIslam.

The new instrument as an alternative in the application of Islamic monetary policy includes profit ratios or profit-sharing ratios that are used to share profits between entrepreneurs and banks. Lending ratio, this ratio is related to the percentage of money saved in a checking account, where commercial banks are required to provide loans to certain groups without asking for profit sharing and without charge (without interest) or *al-Qord al-Hasan*. Savings account savings ratio (demand deposit ratio), the percentage of savings accounts of commercial banks that are transferred, and channeled to the government to be used to fund socially beneficial projects. Financing ratio instruments (refinance ratio), which are used as a basis for the Central Bank to provide refinancing to Islamic commercial banks by providing liquidity at no charge as a requirement for demand deposit ratio(Mansur, 2013; Bidabad B. , 2019; Latifah,2015).

Monetary policy in Indonesia uses a double monetary policy. The function of the central bank in Islamic economics is also similar to the economy in general. One of the most important functions in regulating the money supply in accordance with economic requirements. Influencing the movement and direction of bank finance in the desired direction becomes an important function of the central bank. Consequently, it provides a security measure and ensures a cautious and free monetary operational system free from the element of usury(Bidabad, 2019). Chapra(1985)argues that a good monetary balance not only maintains inflationary pressures but also lays a stronger foundation for economic growth. This growth is designed to reduce unemploymentandimprovepeople'swelfare.AlsofromAscarya(2010)whichexplainsthattheobjectivesof Islamic monetary policy as maximizing human welfare are to achieve *Falah*, prosperity in the world, and the hereafter.

Therefore, seeing the monetary policy issued by Bank Indonesia during the COVID-19 outbreak in the form of multiple monetary policies with the aim of controlling the inflation rate, it is not only conventional instruments that are promoted in handling this pandemic, such as sharia profit and loss sharing ratio (PLS) instruments from *mudharabah*and *musyarakah*contracts are also able to control the inflation rate. According toAscarya (2012)that interest rates are one of the causes of inflation, while PLS not cause inflation because it is a real sector variable and naturally has a stake in holding inflation and is able to be a driver of economic growth, while instruments with interest are an economic hindrance because of behavioral indications speculative. Thus, the implementation of Indonesia's Islamic monetary policy instruments can be a solution to solving economic problems during a recession and able to stabilize state finances(Karim, 2014; Latifah, 2015; Wulandari, 2019)such as, **Sharia Interbank Mudharabah Investment Certificate** (IMA Certificate), determined by Bank Indonesia and stated in Bank Indonesia Circular Letter Number 9/8/DPM dated March 30, 2007, about InterbankMudharabah Investment Certificate. Based on the fatwa of the National Sharia Council of the Indonesian MajlisUlama (DSN-MUI) number 38/DSN-MUI/X/2002 about the Interbank *Mudharabah* Investment Certificate, that issuance of the IMA Certificate in order to improve the efficiency of management of Islamic bank funds and as one of the sharia monetary instruments that can be used in the Interbank Money Market with *mudharabah*agreements.

Bank Indonesia Sharia Certificate (SBIS), in accordance with Bank Indonesia Regulation Number 10/11/PBI/2008 about Bank Indonesia Sharia Certificates. Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 63/DSN-MUI/XII/2007, SBIS as an Islamic monetary instrument issued by Bank Indonesia in the context of implementing monetary control based on sharia principles with a mission to drive the real sector. The contract used in SBIS is *mudharabah*, *musyarakah*, *wadiah*, *qardh*, and *wakalah*.

Then **Sukuk**, based on the Financial Services Authority Regulation Number 18/POJK.04 /2015 about Sukuk issuance and requirements, is a sharia effect in the form of proof of ownership of equal value and represents an integral or undivided portion of the underlying assets in the long run. In the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 32/DSN-MUI/IX/2002 about Islamic bonds, that a contract that can be used is *mudharabah*, *musyarakah*, *murabahah*, *salam*, *istisna*', or *ijarah*contracts. When inflation occurs, the government will issue more Sukuk so that money will flow to the central bank and the money supply will be reduced. So that Sukuk has the capacity to increase or decrease the money supply.

From some of these Islamic monetary instruments, Bank Indonesia can be used and maximized as a tool for the stability of the country's economy on the grounds that the instrument uses a contract that is capable of driving the real sector and is not interest-based. In addition to monetary instruments, there are Islamic social and economic-financial solutions that can be offered within the framework of Islamic concepts and systems, which also help economic recovery due to the COVID-19 outbreak(Azwar,2020).

V. CONCLUSION

Facing COVID-19 outbreak, Indonesia's government took a fast and prudent approach to reduce its impact on the country's economy. The economic impact caused by COVID-19 is that economic growth will decrease. If there is an economic slowdown, the absorption of labor will decrease, increasing unemployment and poverty. Indonesia monetary policy to mitigate the impact of COVID-19 by lowering the BI7DRR interest rate to control the country's inflation rate. Bank Indonesia has decided to reduce the BI7DRR from January to April 2020, which started at 5.00 percent to 4.50 percent in April. In addition, it also reduces the reserve requirement and strengthens financial liquidity. Then from a review of the Islamic perspective, that there are several monetary policies issued by Bank Indonesia that can be used and some must be selected such as the use of the BI7DRR interest rate, can switch to PLS or profit-sharing ratio (profit and loss sharing ratio) which financial institutions use this scheme in *mudharabah*and *musyarakah*contracts and be able to drive the real sector.

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