

Sharia Banking Perspectives on Inflation And Economic Stability: Qualitative Insights And Policy Implications

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Article Info :	ABSTRACT
Accepted: 20-03-2026 Approved: 22-04-2026 Published: 29-05-2026	<p>Background: Inflation and economic instability remain major concerns in developing economies, including Indonesia. Inflation reduces purchasing power, increases production costs, affects household welfare, and creates uncertainty for financial institutions.. Indonesia's Islamic banking sector has grown significantly, with assets exceeding IDR 800 trillion and a market share of approximately 7.5% of total national banking assets as of 2023, underscoring its increasing relevance as a stabilizing financial force in an inflation-prone economy.</p> <p>Objective: This study aims to examine inflation and economic stability from the perspective of sharia banking and to identify relevant policy implications for strengthening financial resilience in Indonesia.</p> <p>Methods: This study uses a qualitative literature review approach by synthesizing previous studies related to inflation, Islamic finance, monetary policy, sharia banking, digital finance, MSMEs, and macroeconomic uncertainty.</p> <p>Results: The findings show that inflation weakens purchasing power, increases business uncertainty, and affects financial performance. Sharia banking can contribute to economic stability through third-party fund mobilization, productive financing, ethical financial governance, and support for MSMEs. Eight thematic clusters were identified: inflation and welfare, banking performance risk, sharia banking and economic growth, MSME resilience, exchange rate dynamics, monetary policy coordination, digital financial transformation, and the Islamic finance ecosystem.</p> <p>Conclusion: Sharia banking can serve as a complementary pillar in Indonesia's economic stability framework. Policy integration between monetary authorities, Islamic financial institutions, and real-sector development is needed to reduce inflationary pressure and strengthen inclusive economic resilience. This study contributes an integrative policy-relevant framework positioning sharia banking as an institutional actor in inflation mitigation and inclusive financial development in Indonesia.</p>
Keywords: standardized to lowercase; reordered alphabetically; 'financial resilience' and 'MSMEs'	

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INTRODUCTION

Inflation is one of the most important macroeconomic issues affecting economic stability, financial performance, household welfare, and public purchasing power. In developing countries such as Indonesia, inflationary pressure may arise from various sources, including exchange rate depreciation, rising import prices, supply chain disruption, food price volatility, energy price increases, and changes in monetary policy. Inflation does not only affect macroeconomic indicators but also creates social consequences because it reduces the real value of income and weakens the ability of households to meet basic needs. Wati et al. (2025) emphasized that inflation has a direct impact on people's purchasing power in Indonesia, while Sintia, (2025) explained that inflation from an Islamic economic perspective is closely related to welfare, justice, and the ethical management of economic resources.

From the perspective of Islamic economics, inflation is not merely understood as a technical increase in the general price level. It is also viewed as a condition that may disturb distributive justice, economic balance, and social welfare. When inflation rises, lower-income households are more vulnerable because their income growth often cannot follow the speed of price increases. In this situation, inflation creates inequality because those with stronger assets and financial access are better able to protect themselves, while poor and vulnerable groups experience a greater economic burden. Sintia, (2025) argued that inflation in Islamic economics must be viewed through the principles of fairness and social welfare. Therefore, inflation control is not only a monetary responsibility but also a moral and institutional obligation to protect society.

Sharia banking has an important role in supporting economic stability because it operates based on principles that differ from conventional interest-based banking. Sharia banking emphasizes profit-sharing, asset-backed transactions, risk-sharing, fairness, and the prohibition of riba. These principles allow sharia banking to contribute to financial intermediation in a more ethical and socially oriented manner. Sari & S Suparno, (2024) showed that third-party funds in Islamic banking are related to economic growth in Indonesia, indicating that Islamic banking can support economic activity by mobilizing funds and channeling them into productive sectors. This role is important because financial intermediation is one of the mechanisms through which banking institutions contribute to economic resilience.

The relationship between inflation, monetary policy, and banking stability is complex. When inflation increases, the central bank may respond through interest rate policy, liquidity management, and macroprudential instruments. However, monetary tightening can also affect financing costs, investment, consumption, and banking performance. Athaya et al., (2025) explained that monetary policy has important implications for macroeconomic stability in Indonesia, while Ernayani et al., (2023) found that interest rate changes may influence firm value and stock returns. Although sharia banking does not use interest as a financing principle, it still operates within a macroeconomic environment affected by benchmark rates, liquidity conditions, inflation expectations, and financial market behavior.

Exchange rate dynamics also contribute to inflationary pressure and economic instability. Rupiah depreciation may increase the cost of imported goods, raw materials, and strategic commodities, which can eventually increase domestic prices. Khalisah & M Girsang, (2024) discussed factors affecting the rupiah exchange rate against the United States dollar, while Maghfiroh, (2024) showed the relationship between exchange rates, export values, and foreign exchange reserves in Indonesia. Ardian et al., (2024) further emphasized that rupiah depreciation affects export and import activities. These studies show that inflation and economic stability cannot be separated from exchange rate management. For sharia banking, exchange rate instability may affect business customers, trade financing, and sectors that depend on imported inputs.

The vulnerability of micro, small, and medium enterprises is also important in discussing inflation and sharia banking. MSMEs often have limited financial reserves, weaker bargaining power, and restricted access to formal financing. When inflation increases, MSMEs may face higher production costs, lower consumer demand, and reduced profitability. Pratiwi & Soliha, (2025) argued that MSMEs need financial strategies to respond to macroeconomic uncertainty. In this context, sharia banking can support MSMEs through financing schemes that emphasize partnership, fairness, and productive economic activity. Sharia-based financing can become an alternative mechanism for strengthening MSME resilience, particularly when supported by financial literacy, digital payment systems, and institutional assistance.

Digital financial transformation also influences the role of sharia banking in supporting economic stability. The development of QRIS and digital payment systems has expanded transaction efficiency and financial inclusion in Indonesia. Pangestika et al. (2025) found that QRIS improves the effectiveness of payment instruments and the digital financial system. Lestari

et al., (2025) discussed digital money innovation from a sharia perspective, highlighting both challenges and opportunities in the digital financial landscape. These developments are relevant because digital finance can help Islamic financial institutions reach broader communities, reduce transaction costs, and support MSME activities. However, sharia digital finance must be supported by clear regulation, consumer protection, cybersecurity, and compliance with Islamic principles.

At the global level, inflation has emerged as a critical macroeconomic concern in the post-pandemic era. According to the International Monetary Fund (IMF, 2023), global inflation peaked at approximately 8.7% in 2022 before moderating to an estimated 6.9% in 2023, with developing economies disproportionately affected due to their exposure to commodity price volatility and exchange rate pressures. The Islamic Financial Services Board (IFSB, 2023) reported that global Islamic banking assets reached approximately USD 1.97 trillion in 2022, with double-digit growth rates observed in several Organisation of Islamic Cooperation (OIC) member states.

These figures indicate that Islamic banking is not only a regionally significant institution but is increasingly relevant as a global financial architecture component capable of contributing to macroeconomic resilience. In the context of inflation management, the prohibition of *riba* (interest), emphasis on asset-backed financing, and risk-sharing mechanisms embedded in Islamic finance offer an alternative financial paradigm that may reduce speculative pressures contributing to price instability.

In Indonesia specifically, sharia banking has developed considerably within the national financial architecture. The Otoritas Jasa Keuangan (OJK, 2023) reported that Islamic banking assets in Indonesia exceeded IDR 824 trillion, representing approximately 7.5% of the total national banking market. Bank Indonesia's inflation target corridor of 2.5%±1% has experienced persistent stress due to food price volatility, energy price adjustments, and post-pandemic demand recovery, with headline inflation reaching 5.51% in 2022 before declining to 2.61% in 2023 (Bank Indonesia, 2023). These dynamics create a context in which Islamic financial institutions face both challenges and opportunities.

Challenges arise from the macroeconomic instability that may affect financing quality and fund mobilization. Opportunities emerge from sharia banking's structural orientation toward productive sector financing, MSME empowerment, and ethical financial governance — all of which align with Indonesia's financial inclusion and economic resilience agenda. Understanding how sharia banking can strategically respond to and mitigate inflationary pressures is therefore a policy question of immediate practical significance.

Previous studies have discussed inflation, Islamic banking, monetary policy, exchange rates, digital finance, and MSME resilience separately. However, an integrated discussion that connects inflation, economic stability, and sharia banking policy implications remains necessary. This study seeks to fill that gap by examining inflation and economic stability from a sharia banking perspective. The novelty of this study lies in its integrative qualitative approach, which positions sharia banking not only as a financial institution but also as a policy-relevant actor in supporting economic resilience.

Unlike previous systematic literature reviews (SLRs) in Islamic finance that typically examine a single dimension such as the relationship between Islamic banking and economic growth (Sari & S Suparno, 2024), or the effect of monetary policy on macroeconomic stability Athaya et al., (2025) this study synthesizes multiple thematic dimensions simultaneously: inflationary dynamics, sharia banking performance, MSME vulnerability, exchange rate effects, digital financial transformation, and the broader Islamic finance ecosystem.

This multi-thematic integration produces a more comprehensive policy-relevant framework that individual or dual-theme SLRs cannot offer. Furthermore, the study's analytical lens is explicitly normative-institutional, drawing on Islamic economic theory Chapra, (1992); Sintia, (2025) alongside empirical Indonesian data, which distinguishes it from purely descriptive reviews in the existing literature. This study aims to analyze how sharia banking perspectives can contribute to inflation control, economic stability, and inclusive financial development in Indonesia. The results are expected to provide theoretical contributions to Islamic finance literature and practical implications for policymakers, sharia banking institutions, MSMEs, and future researchers.

The benefits and implications of this study are multidimensional. Theoretically, this study contributes to the Islamic finance literature by providing an integrative conceptual framework connecting sharia banking principles with macroeconomic stability variables, offering a foundation for future empirical investigations. Practically, the findings provide actionable insights for Bank Indonesia and the Otoritas Jasa Keuangan (OJK) in designing sharia-inclusive monetary and macroprudential policies. For Islamic banking institutions, the study identifies strategic priorities in productive financing, MSME support, and digital financial transformation. For the academic community, this study maps existing research gaps and recommends specific directions for mixed-method and quantitative follow-up research, thereby contributing to the progressive development of the Islamic economics discipline in Indonesia and beyond.

RESEARCH METHOD

This study uses a qualitative research approach with a literature review method. The qualitative approach is appropriate because the study aims to interpret and synthesize existing academic findings related to inflation, economic stability, sharia banking, monetary policy, exchange rate dynamics, MSME resilience, and digital financial innovation. Rather than testing statistical hypotheses, this study focuses on building a conceptual understanding of how sharia banking can contribute to economic resilience amid inflationary pressure and macroeconomic uncertainty.

The data used in this study are secondary data obtained from previous academic publications. The sources include journal articles, systematic literature reviews, theoretical studies, and empirical studies related to inflation, Islamic economics, sharia banking, exchange rates, monetary policy, digital finance, and MSMEs. The literature was selected based on relevance to the research topic, recency, academic contribution, and connection to Indonesia's economic context.

The data collection technique used in this study is documentation. Documentation was conducted by collecting and reviewing relevant literature from the reference list. The selected literature was then classified into several themes: inflation and purchasing power, Islamic economic perspectives on inflation, sharia banking and economic growth, monetary policy and macroeconomic stability, exchange rate dynamics, MSME resilience, and digital financial transformation.

The data analysis technique used is descriptive qualitative analysis supported by thematic synthesis. The analysis was conducted in three stages. First, the study identified the main ideas and findings from each source. Second, the findings were grouped into relevant themes. Third, the themes were synthesized to explain the relationship between inflation, sharia banking, and economic stability. This method allows the study to develop a comprehensive discussion of how Islamic financial principles can support macroeconomic resilience and policy development.

The thematic coding procedure involved assigning each reviewed source to one or more thematic clusters based on its primary contribution. Sources were coded by the lead researcher and cross-checked by co-authors to ensure consistency in theme classification. Any disagreements were resolved through discussion and reference to the research objectives, ensuring that the thematic structure remained aligned with the study's analytical focus on inflation, sharia banking, and economic stability.

The literature search for this study was conducted across multiple academic databases including Google Scholar, SINTA (Science and Technology

Index), and Garuda (Garba Rujukan Digital). The search employed a combination of keywords in both English and Bahasa Indonesia, including: “sharia banking,” “Islamic banking,” “inflation,” “economic stability,” “monetary policy,” “exchange rate,” “MSME resilience,” “digital finance,” “perbankan syariah,” “inflasi,” and “stabilitas ekonomi.”

Publications were included if they: (1) were published between 2019 and 2026; (2) were published in peer-reviewed journals or proceedings; (3) addressed at least one of the study’s thematic clusters; and (4) were available in full text. Publications were excluded if they were: (1) non-peer-reviewed sources such as news articles or opinion pieces; (2) published prior to 2019 unless foundational theoretical works; or (3) not directly relevant to the Indonesian or broader Islamic finance context. A total of 20 sources met the inclusion criteria and were retained for analysis.

To ensure the trustworthiness and rigor of this qualitative synthesis, several measures were applied. First, source triangulation was employed by drawing on multiple independent studies addressing the same thematic cluster, allowing cross-validation of findings across sources. Second, all included literature was limited to publications in peer-reviewed journals, reducing the risk of including methodologically weak sources.

Third, the thematic synthesis process followed an iterative review approach in which initial theme classifications were reviewed and refined across multiple rounds of reading to ensure conceptual saturation within each theme. While this study does not apply a formal PRISMA protocol given that its methodological framework is integrative literature review rather than systematic review these procedures collectively strengthen the credibility, confirmability, and dependability of the analytical outcomes.

RESULT AND DISCUSSION

Results

The thematic synthesis of the reviewed literature identified eight main thematic clusters that collectively explain the relationship between inflation, sharia banking, and economic stability in Indonesia. These themes are summarized in Table 1 (presented below) and elaborated in the discussion sub-section that follows.

The results of this study indicate that inflation is a multidimensional issue affecting economic stability, social welfare, business sustainability, and financial sector performance. Inflation reduces purchasing power because the prices of goods and services increase while household income may not rise at the same pace. This condition creates pressure on consumption, particularly among low- and middle-income households. Wati et al. (2025) explained that

inflation has a direct impact on people's purchasing power in Indonesia. From an Islamic economic perspective, inflation is also related to justice and welfare because uncontrolled price increases can create hardship for vulnerable communities. Sintia, (2025) emphasized that inflation must be understood not only as a monetary problem but also as an issue of social balance and ethical economic governance.

The first important finding is that inflation can weaken economic stability through several channels. It increases the cost of living, reduces household consumption, raises business production costs, and creates uncertainty for investment. In the banking sector, inflation may affect financing quality because customers and business actors may experience declining income or increasing operational costs. In this condition, the ability of debtors to fulfill financial obligations may weaken. while Fitriy et al., (2026) showed that credit distribution and non-performing loans are related to bank profitability. Although these studies focus on banking performance generally, the implications are relevant for sharia banking because Islamic banks also face financing risk when macroeconomic instability increases.

The second finding shows that sharia banking can contribute to economic stability through financial intermediation based on Islamic principles. Sharia banking collects third-party funds and channels them into financing activities that are expected to support productive sectors. Sari & S Suparno, (2024) indicated that Islamic banking third-party funds are related to economic growth in Indonesia. This suggests that sharia banking can support economic activity when funds are effectively distributed to productive businesses. Unlike conventional interest-based finance, sharia banking emphasizes fairness, profit-sharing, asset-backed transactions, and risk-sharing. These principles can strengthen the link between financial activities and real economic productivity.

The third finding concerns the role of sharia banking in supporting MSME resilience. MSMEs are often vulnerable during inflation because they face rising input costs, declining purchasing power, and limited access to formal financing. Pratiwi & Soliha, (2025) explained that financial strategies are needed for MSMEs to respond to macroeconomic uncertainty. Sharia banking can provide alternative financing instruments for MSMEs through schemes such as mudharabah, musyarakah, murabahah, and other sharia-compliant contracts. These instruments can support business continuity when they are implemented with proper risk assessment, transparency, and business assistance. Therefore, sharia banking should not only act as a financing provider but also as a partner in strengthening MSME capacity.

The fourth finding shows that inflation is closely related to monetary policy and exchange rate stability. Exchange rate depreciation may increase imported inflation because imported goods and raw materials become more expensive. Khalisah & M Girsang, (2024) highlighted various factors affecting the rupiah exchange rate against the US dollar, while Maghfiroh, (2024) discussed the relationship between exchange rates, export values, and foreign exchange reserves. Ardian et al., (2024) also showed that rupiah depreciation affects export and import activities. These findings indicate that inflation control requires coordination between monetary policy, exchange rate management, and trade policy. For sharia banking, exchange rate instability may affect customers involved in trade, manufacturing, food production, and import-dependent sectors.

A particularly illustrative case in Indonesia is the soybean sector, where dependence on imports creates structural exposure to exchange rate-driven food price inflation. Permana et al., (2024) documented that Indonesia's soybean production has consistently fallen below domestic demand, necessitating large-scale imports that are highly sensitive to rupiah depreciation. This commodity-level vulnerability directly transmits into food price inflation, affecting household welfare and MSME costs in sectors that rely on soy-based inputs. Sharia banking institutions with agricultural or food-sector financing portfolios are therefore indirectly exposed to these commodity price dynamics, reinforcing the need for Islamic banks to adopt proactive risk management strategies aligned with macroeconomic fluctuations.

The fifth finding highlights the importance of monetary policy coordination. Bank Indonesia's policy instruments, including interest rate policy, liquidity management, and macroprudential regulation, aim to maintain price stability and financial system resilience. Athaya et al., (2025) emphasized the implications of monetary policy for macroeconomic stability in Indonesia. Aribowo et al., (2023) also showed that global monetary policies, including quantitative easing and tapering-off, may affect Indonesia. Although sharia banking avoids interest-based transactions, it still operates within a national financial system influenced by policy rates, inflation expectations, liquidity availability, and exchange rate movements. Therefore, Islamic financial institutions must adapt to monetary policy developments while maintaining sharia compliance.

From a theoretical perspective, Chapra, (1992) argued that Islamic monetary policy should prioritize price stability and equitable distribution of resources, which aligns with Bank Indonesia's macroeconomic objectives. This theoretical grounding suggests that sharia banking institutions are not merely

passive recipients of monetary policy signals but can actively contribute to price stability through their financing behavior and fund management practices. The alignment between Islamic economic principles and central bank stability objectives creates a potential basis for deeper institutional coordination between Bank Indonesia and the Islamic banking sector.

The sixth finding shows that digital financial transformation can strengthen the contribution of sharia banking to economic stability. QRIS and digital payment systems can improve transaction efficiency, reduce cash dependency, expand financial inclusion, and support MSME transactions. Pangestika et al. (2025) found that QRIS improves payment effectiveness and supports the digital financial system. Lestari et al., (2025) further explained that digital money innovation from a sharia perspective offers both challenges and prospects. Sharia banking institutions can use digital platforms to expand access to financing, savings, payment services, and financial education. However, digital transformation must be accompanied by sharia governance, cybersecurity, consumer protection, and digital literacy.

The seventh finding relates to the broader Islamic finance ecosystem. Islamic financial instruments, including Islamic banking, sharia stocks, and sharia bonds, can contribute to economic resilience if they are developed with strong governance and market competitiveness. Khoerunnisa & SL Fauziah, (2023) discussed strategies to improve the competitiveness of Islamic stocks and bonds during the pandemic. Harahap et al., (2022) also reviewed dinar and dirham as alternative monetary standards, showing that Islamic monetary thought continues to offer alternative perspectives on financial stability. These discussions suggest that sharia banking should be integrated with broader Islamic financial market development to strengthen inclusive and ethical finance.

Iqbal & Mirakhor, (2011) further emphasized that a comprehensive Islamic financial system encompassing banking, capital markets, takaful, and waqf is necessary to achieve sustainable economic development consistent with maqasid al-shariah. This foundational perspective supports the argument that sharia banking alone cannot fulfill the full potential of Islamic finance; rather, it must be embedded within a coordinated ecosystem of Islamic financial institutions and instruments. M Asutay, (2012) similarly argued that the social and ethical dimensions of Islamic banking must be operationalized through concrete institutional and policy mechanisms to move beyond profit-oriented mimicry of conventional finance. These theoretical perspectives reinforce the importance of viewing sharia banking not in isolation but as one component of a broader Islamic political economy framework capable of

addressing macroeconomic challenges such as inflation, inequality, and financial instability.

Discussion

Cross-thematic analysis of the reviewed literature reveals several areas of convergence and tension that warrant critical engagement. Most reviewed studies converge on the view that inflation negatively affects both household welfare Sintia, (2025); Wati et al., (2025) and banking performance (Fitry et al., 2026). However, they differ in emphasis: welfare-oriented studies prioritize distributive justice as the central concern, while banking performance studies focus on credit risk and profitability metrics. For sharia banking, these two dimensions are not mutually exclusive an institution that maintains strong financing quality while supporting MSME welfare simultaneously achieves both commercial and socioeconomic objectives.

The tension between commercial viability and social mission in sharia banking remains an unresolved theme in the literature and requires further empirical investigation. Similarly, while digital financial transformation is widely advocated as an enabler of financial inclusion and efficiency (Lestari et al., 2025; Pangestika et al., 2025), there is a gap in the literature regarding the sharia governance implications of digital finance specifically, whether digitized financial products adequately comply with maqasid al-shariah beyond formal contract compliance. This gap represents a significant opportunity for future research.

The literature also shows a degree of inconsistency regarding the magnitude of the relationship between Islamic banking third-party funds and economic growth: while Sari & S Suparno, (2024) found a positive relationship, the theoretical model used is preliminary and lacks longitudinal empirical validation. This inconsistency suggests that the strength and direction of the sharia banking–economic growth nexus remain empirically uncertain and merit more rigorous econometric investigation across multiple time periods and regions in Indonesia.

Overall, the discussion confirms that sharia banking can contribute to inflation management and economic stability, but its role cannot stand alone. Sharia banking must be supported by stable monetary policy, strong regulation, digital innovation, MSME empowerment, and coordination with the real sector. Inflation control requires a comprehensive policy framework that combines monetary stability, financial inclusion, productive financing, trade resilience, and ethical governance. In this context, sharia banking should be positioned as a complementary pillar of Indonesia's financial system that

supports not only profitability but also welfare, justice, and sustainable economic development.

Table 1. Main Findings of the Study

No.	Main Theme	Key Finding	Supporting Sources
1	Inflation and welfare	Inflation reduces purchasing power and affects social welfare, especially among vulnerable groups.	Sintia, (2025); Wati et al., (2025)
2	Banking performance	Inflation and instability may increase financing risk and affect banking profitability.	Fitry et al., (2026)
3	Sharia banking and growth	Islamic banking third-party funds can support economic growth through financial intermediation.	Sari & S Suparno, (2024)
4	MSME resilience	MSMEs need adaptive financial strategies to survive macroeconomic uncertainty.	Pratiwi & Soliha (2025)
5	Exchange rate and inflation	Rupiah depreciation may trigger imported inflation and affect exports and imports.	Ardian et al., (2024) ; Khalisah & M Girsang, (2024) ; Maghfiroh, (2024)
6	Monetary policy	Monetary policy supports macroeconomic stability through inflation control and financial system management.	Aribowo et al., (2023) ; Athaya et al., (2025)
7	Digital finance	QRIS and digital money innovation support financial inclusion and transaction efficiency.	Lestari et al., (2025) ; Pangestika et al., (2025)
8	Islamic finance ecosystem	Sharia instruments can strengthen ethical and inclusive financial development.	Khoerunnisa & Fauziah (2023) ; Harahap et al. (2022)

Policy Implications

The findings of this study provide several policy implications. First, inflation control should be designed not only as a monetary objective but also as a welfare-oriented policy. Inflation directly affects household purchasing power, business sustainability, and social justice. Therefore, monetary policy should be coordinated with fiscal policy, food security policy, and social protection programs.

Second, sharia banking should strengthen its role in productive financing, particularly for MSMEs. Islamic banks need to expand financing schemes that support real-sector productivity, such as *musyarakah* and *mudharabah*, while maintaining prudent risk management. Financing should not only focus on profitability but also on business sustainability and economic empowerment.

Third, Bank Indonesia and Islamic financial institutions should improve coordination in strengthening sharia-compliant digital finance. QRIS, digital banking, and digital payment systems should be expanded to support MSMEs and increase public access to formal financial services. However, these innovations must comply with sharia principles and be supported by consumer protection, cybersecurity, and digital literacy.

Fourth, sharia banking should be integrated into broader macroeconomic resilience strategies. Islamic banks can contribute to economic stability by supporting productive sectors, reducing speculative financial behavior, and promoting ethical finance. This role will be more effective if supported by strong regulation, public trust, and collaboration between monetary authorities, financial institutions, and real-sector actors.

CONCLUSION

This study concludes that inflation and economic stability are closely related to the role of sharia banking in Indonesia. Inflation reduces purchasing power, increases production costs, affects business sustainability, and creates risks for financial institutions. From a sharia banking perspective, inflation is not only a macroeconomic issue but also a matter of justice, welfare, and ethical financial governance. Sharia banking can contribute to economic stability through third-party fund mobilization, productive financing, MSME support, risk-sharing principles, and digital financial innovation.

Specifically, future studies are encouraged to: (1) employ panel data regression or vector autoregression (VAR) models to quantify the impact of sharia banking financing growth on inflation rates and MSME performance across Indonesian provinces; (2) conduct mixed-method studies combining survey data from sharia banking customers and managers with macroeconomic indicators; (3) examine the role of digital Islamic finance platforms (*fintech syariah*) in mediating the relationship between financial inclusion and household welfare during inflationary periods; and (4) conduct cross-country comparative studies between Indonesia and other OIC member states to identify policy best practices in Islamic finance-driven economic resilience.

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