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COMPARATIVE ANALYSIS OF THE IMPACT OF THE GLOBAL ECONOMIC CRISIS ON THE STABILITY OF CONVENTIONAL AND SHARIA MACROECONOMICS IN INDONESIA : A LITERATURE REVIEW

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Abstract - *Macroeconomic stability is the main foundation for the sustainability of national development because it determines the country's ability to maintain economic growth, price stability, exchange rates, and financial sector resilience. In an increasingly integrated global era, various external shocks such as the global financial crisis and the pandemic have confirmed the vulnerability of conventional economic systems that rely heavily on interest rates and speculative financial instruments. Indonesia presents a unique context because it operates two economic systems side by side, conventional and sharia, each of which has different characteristics and stability mechanisms. Through the Systematic Literature Review (SLR) approach to 30 studies for the period 2010 to 2024, this study examines the resilience of the two systems in the midst of global pressures. The results show that the conventional system is more vulnerable to market volatility due to high leverage and dependence on the capital market, while the Islamic system shows stronger stability through risk-sharing principles, direct linkages to the real sector, and prohibition of speculative practices. However, the contribution of sharia in macro terms is still limited due to the not yet dominant market share. These findings confirm that the synergy between conventional monetary policy flexibility and value-based stability in the Islamic economy can create a more resilient, adaptive, and equitable national economic structure. This study provides a strategic direction for the formulation of more resilient macroeconomic policies in the face of global uncertainty.*

Keywords : *Macro Stability, Conventional Economics, Sharia Economics, Global Crisis, SLR*

A. INTRODUCTION

Macroeconomic stability is one of the main indicators of a country's economic health, reflecting the economy's ability to maintain fundamental balances such as sustainable economic growth, controlled inflation, stable exchange rates, and low unemployment rates (Mankiw, 2020). This stability is an important foundation for the sustainability of economic development because it plays a role in creating business certainty, attracting investment, and maintaining people's purchasing power. In the context of economic globalization, macro stability is increasingly complex to maintain because each country's economies are interconnected through cross-border trade, finance, and investment (Samuelson & Nordhaus, 2010). Therefore, external disturbances such as the global financial crisis, fluctuations in commodity prices, or geopolitical uncertainty can have a significant impact on the economic stability of a country, including Indonesia.

Indonesia has a peculiarity in its economic system because it runs two economic systems in parallel: the conventional system and the sharia system. These two systems operate side by side in supporting national economic activities and are an important basis for assessing Indonesia's economic resilience to global shocks. The conventional economic system is based on market mechanisms and interest-based instruments, while the Islamic economic system refers to Islamic principles that emphasize justice, transparency, and the prohibition of usury and speculation (Iqbal & Mirakhor, 2017). A study by Purwanto (2018) shows that Islamic financial institutions in Indonesia tend to be more resistant to external pressure than conventional institutions, thanks to the application of the *profit and loss sharing* which promotes financial stability. Another study by Rahman and Triyono (2020) also confirmed that the Islamic financial system has lower volatility because it does not use derivative instruments and is more tied to the real sector. In contrast, the conventional financial system, despite having high flexibility in monetary policy, is more susceptible to market fluctuations and liquidity risks due to its reliance on high interest rates and financial leverage.

The phenomenon of global economic crises that have occurred in the last two decades reinforces the urgency of this research. The global financial crisis in 2008, which began with the failure of speculative-based financial markets in the United States, had a wide impact on the economic stability of various countries, including Indonesia (Stiglitz, 2010). However, the Islamic finance sector was relatively more stable at that time because it was not directly involved in derivatives-based transactions and speculation. Similar things were also seen during the COVID-19 pandemic in 2020, where Islamic financial institutions showed better resilience in maintaining asset growth and productive financing (Hasibuan et al., 2014; Akbar & Aziz, 2020). This phenomenon shows that diversification of the economic system, especially by strengthening the role of the Islamic economy, is one of the important strategies in strengthening national economic resilience in the midst of global uncertainty.

Based on this phenomenon, the problem that arises is the extent to which the conventional and sharia economic systems are able to maintain Indonesia's macroeconomic stability in the face of global crises. Conventional systems are often quicker to adapt to changes in global monetary policy, but have a high level of vulnerability to financial market fluctuations. On the other hand, the sharia system has good resilience in terms of financial stability, but its contribution to the total economy is still relatively small compared to the conventional system (Furqani & Mulyany, 2009). The gap shows the need for a more in-depth and comparative analysis to understand how these two systems interact with each other in maintaining Indonesia's macroeconomic balance amid global challenges.

Therefore, this study aims to analyze and compare the impact of the global economic crisis on Indonesia's macroeconomic stability based on two systemic approaches, namely conventional economics and sharia economics. The specific purpose of this literature review is to identify how the two systems respond to external pressures, assess the extent of their contribution to macroeconomic stability indicators such as economic growth, inflation, exchange rates, and the financial sector, and provide an empirical picture of the relative advantages of the sharia system in supporting national economic resilience. Through the *systematic literature review (SLR)* for various national and international research, this study is expected to make an academic and practical contribution in strengthening the direction of Indonesia's more resilient and equitable economic policies.

B. LITERATURE REVIEW AND THEORIES USED

1. Underlying Theory

Several economic theories are the basis of this analysis:

a) Business Cycle Theory

This theory explains that the economy experiences periodic fluctuations due to changes in investment, consumption, and monetary policy (Samuelson & Nordhaus, 2019). In the conventional system, these fluctuations are greatly influenced by changes in interest rates, while the sharia system minimizes the cyclical effects through the prohibition of usury and real asset-based transactions.

b) Financial Stability Theory

According to Mishkin (2018), financial stability occurs when financial institutions can distribute funds efficiently without causing a liquidity crisis. In the Islamic system, the concepts *of risk-sharing* and *asset-backing* reduce the likelihood of crises due to excessive leverage that are common in conventional systems.

c) Islamic Economic Theory of Equilibrium (Tawazun Theory)

This theory emphasizes the balance between material and moral aspects in economic activities (Chapra, 2016). This principle forms the foundation of long-term stability because economic activities are directed towards the common good, not just profit.

d) Macroeconomic Resilience Theory

According to Dornbusch & Fischer (2018), economic resilience depends on the ability of fiscal and monetary policies to adapt to external pressures. In this context, Islamic monetary policy through instruments such as *Bank Indonesia Sukuk* or *qardhul hasan* can be an alternative buffer for stability based on Islamic values.

C. The Concept of Conventional and Sharia Economic Stability

In conventional economic systems, macroeconomic stability is generally measured through key indicators such as Gross Domestic Product (GDP), inflation rate, exchange rate, and trade balance. These indicators reflect the performance of a country's economy in maintaining sustainable growth, price stability, and external balance. This approach focuses on maintaining market efficiency, controlling inflation through interest-based monetary policy, and optimizing fiscal policies to maintain a balance of aggregate demand and supply. In the context of the global economy, conventional systems tend to follow capitalistic mechanisms that are oriented towards growth and profitability, but often ignore the social dimension and distribution of economic justice (Samuelson & Nordhaus, 2010; Mankiw, 2021).

In contrast, the Islamic economic system offers a more comprehensive approach to economic stability by adding moral and social dimensions to its macroeconomic framework. According to Iqbal and Mirakhor (2017), stability in the Islamic economy is not only measured through quantitative indicators such as growth and inflation, but also through qualitative indicators such as fair income distribution, social welfare, and economic sustainability in accordance with the principles *Maqasid al-Shariah*. In this system, economic activities should be based on real assets and avoid speculative practices and usury, thus creating a more balanced relationship between the financial sector and the real sector (Chapra, 2016; Siddiqi, 2019). Thus, the sharia economic system not only aims to maintain macroeconomic balance, but also ensures welfare and social justice as the ultimate goal of economic development.

In the face of the global economic crisis, the fundamental differences between these two systems are becoming increasingly visible. Conventional systems often experience crisis transmission through the financial sector due to high exposure to debt-based instruments and global capital markets (Stiglitz, 2010). Dependence on speculative instruments such as *Derivatives* and *Futures* making the system vulnerable to external shocks stemming from international market volatility. In contrast, the Islamic economic system shows relatively better resilience because it is based on the principle of profit sharing and is directly linked to real economic activities.

Abduh and Chowdhury's (2012) study shows that Islamic financial institutions are more stable during periods of global crisis because they avoid speculative instruments and apply the principle of *Risk-sharing*. The results of another study by Akbar and Aziz (2020) also confirm that Islamic finance portfolios in Indonesia have lower volatility than conventional systems. Thus, the Islamic economy has the potential to be an alternative to a more resilient and sustainable financial system in maintaining macroeconomic stability in the midst of global uncertainty.\

D. LITERATURE REVIEW METHODS

This study uses the Systematic Literature Review (SLR) approach to summarize, evaluate, and synthesize scientific findings related to conventional and sharia economic stability. The SLR process is carried out through several stages, starting with the identification of keywords such as *Macroeconomic Stability*, *Islamic finance*, *Conventional Economy*, *Financial crisis*, *Risk-sharing*and *SLR*, then search articles on various reputable databases, including Scopus, Google Scholar, DOAJ, Emerald, and national journals indexed by SINTA. The selected articles are limited to the period 2010–2024 with inclusion criteria in the form of empirical and conceptual research relevant to the topic of economic stability and conventional and sharia financial systems, and have been published in accredited national or international journals. The exclusion criteria include articles that do not contain relevant data or theories as well as research that does not focus on stability or crisis issues. Out of a total of 178 articles screened, 30 articles met the eligibility standards for analysis. All data were analyzed through thematic categorization techniques to identify patterns, differences, and contributions of each economic system to macro stability.

E. RESULTS AND DISCUSSION

1. The Impact of the Global Crisis on the Conventional Economic System

The conventional economic system maintains its stability through market mechanisms, interest-based monetary policies, and financial intermediation that is strongly integrated with global markets. Theoretically, stability in this system is controlled through a combination of monetary and fiscal policies that adjust interest rates, the level of foreign exchange reserves, and people's consumption and investment patterns (Mankiw, 2020). However, various studies show that the high dependence on interest-bearing financial instruments and speculative activities makes these systems highly vulnerable to external shocks. Ascarya and Yumanita (2008) found that interest rate fluctuations can increase the risk of default, reduce investor confidence, and hinder investment flows to the real sector. This is consistent with the theory *Interest rate channel*, where changes in interest rates have a direct impact on the cost of capital and private sector investment decisions.

The 2008 global financial crisis clearly showed the structural weaknesses of the conventional system that relies heavily on capital markets and derivatives instruments. When there is a credit crunch and a decrease in liquidity, conventional banking experiences *Credit Crunch* which then slowed down global economic activity (Stiglitz, 2010). The impact on Indonesia can be seen in the decline in Gross Domestic Product (GDP) by 2.07% during the COVID-19 pandemic (BPS, 2021), where the conventional financial sector was under great pressure due to its connection to foreign capital and international stock market volatility. This condition confirms that interest-based mechanisms accelerate the transmission of crises as interest rate fluctuations create high uncertainty in financial markets. Thus, conventional systems are more susceptible to external changes and have weaker long-term resilience to global shocks.

2. The Impact of the Global Crisis on the Sharia Economic System

In contrast to conventional approaches, the sharia economic system displays stronger stability because it is built on the principle of justice (*adl*), partnerships (*Musharakah*), and direct engagement with real economic activities through asset-based financing. In the perspective of Islamic finance, this system rejects speculative elements (*Gharar* and *Shirley*) and the practice of usury which is often a trigger for instability in conventional mechanisms (Iqbal & Mirakhor, 2017). Alternatively, transactions are carried out using a profit-sharing scheme (*profit and loss sharing*) as in the contract *Mudharabah* and

São Paulo, which divides the risks and profits equally between the capital owner and the business manager. This mechanism helps maintain financial stability because it avoids excessive risk concentration on one party.

Empirically, the Islamic finance sector has shown a positive performance despite being faced with a global crisis. The Financial Services Authority (OJK, 2022) report noted that Islamic banking assets grew by 13.9% during the COVID-19 pandemic, while many conventional financial institutions experienced pressure on profits and liquidity. The research of Akbar and Aziz (2020) also strengthens these findings by showing that instruments such as *Murabahah*, *Ijarah*and *São Paulo* It is more resistant to volatility because it is supported by real activity, rather than by derivatives transactions that tend to be speculative. In addition, the role of the Islamic economy in supporting productive sectors including MSMEs, agriculture, and the halal industry has a direct impact on strengthening domestic economic resilience. Thus, the principle *Risk-sharing* And the connection with the real sector is the main factor that explains the resilience of the Islamic economy to global crises, while highlighting the dimensions of ethics and social sustainability that are not found strongly in the conventional system.

3. Comparison of the Resilience of the Two Systems

Comparatively, various studies show that the Islamic economic system has a stronger level of resilience in dealing with economic shocks than the conventional system. Rahman and Suryanto (2021) revealed that the Islamic finance sector in Indonesia is experiencing a faster recovery after the pandemic, both in terms of asset growth and increased financing. This advantage is mainly supported by a profit-sharing scheme that is able to balance between risk and return, as well as the prohibition of speculation that serves to suppress market volatility. However, the sharia sector still faces structural constraints, especially the market share which is still limited to around 7% of total national banking assets (OJK, 2022) so that its contribution to macroeconomic stability is not fully optimal.

In terms of policy, an integrative approach between the conventional system and sharia is a potential strategy in strengthening national economic stability. The conventional system has advantages in the effectiveness of monetary policy and the availability of liquidity, while the sharia system offers an ethical foundation and social stability through fairness-based financial instruments and real activities. The synergy of the two systems through the application of prudential policy principles in conventional finance and the value of social justice in the Islamic economy can produce a stronger, more inclusive, and sustainable economic structure in the face of external pressures. Thus, this study emphasizes the urgency of strengthening the harmonization of the two approaches as the basis for the development of adaptive and equitable national economic resilience.

F. POLICY CONCLUSIONS AND IMPLICATIONS

The results of the literature review show that the sharia economy in Indonesia has a better ability to survive when facing global economic turmoil compared to the conventional system. This advantage is mainly influenced by the application of the concept of profit sharing that distributes risks proportionally and the elimination of the element of usury that minimizes speculative-oriented activities. However, the conventional system still plays a vital function in maintaining the effectiveness of monetary policy and stabilizing market liquidity. Thus, the two economic frameworks basically have the potential to complement each other in supporting national economic stability.

From a policy perspective, it is necessary to strengthen synergy between Islamic and conventional finance through coordinated and adaptive regulations. In addition, expanding the variety of Islamic monetary instruments is an important step to increase the reach and effectiveness of economic stability policies. Diversifying national economic structures based on Islamic values can also be a relevant strategy to strengthen macroeconomic resilience to external shocks. This integrated approach is expected to be able to produce a more solid, sustainable, and inclusive economic system.

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