

CHAPTER I

INTRODUCTION

1.1. BACKGROUND OF STUDY

Imbalances in the world economy are evident, as opposed to the growth rate in developed countries and developing countries. Indonesia is one such developing country, where it has always been a major indicator of economic growth.¹ Revealed that welfare is one of the main aspects of economic growth in developing countries. An advanced country will say if the level of economic growth has increased significantly. Soleh said that many of the factors that have a major influence terhadap the economic growth of a country, both in terms of human resources and SDA. One issue that has a major influence on economic growth is the growing level of poverty.²

In order to enhance economic growth the need for government intervention in promoting economic growth significantly, because society is still very weak economic development in which economic development is one reason for the delays in achieving overall welfare.³ This requires the government to take on more roles in moving national economic development. Various concepts and policies not only aimed at achieving significant economic growth by the government.

Therefore, to measure economic growth every year, it must be the existence of a benchmark. Until now, a benchmark still used by the rest

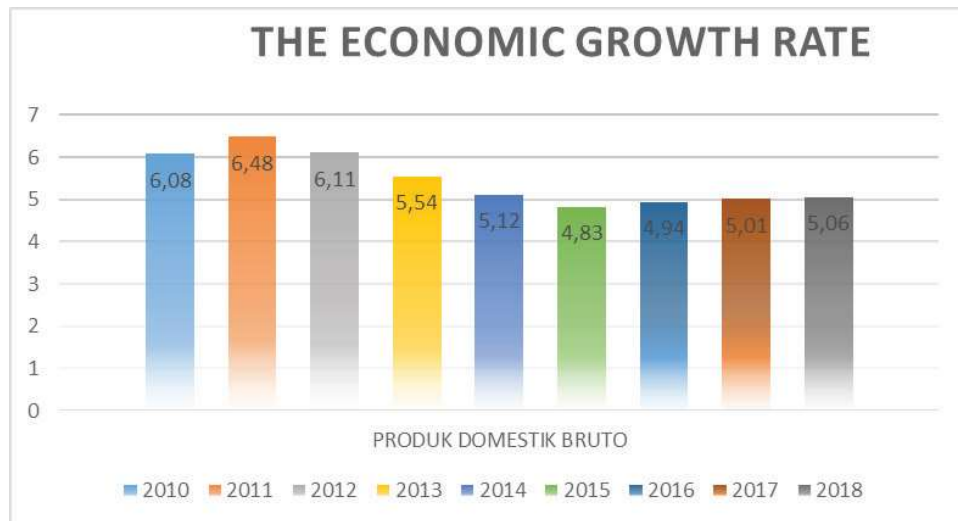
¹ Agung Eko Purwana, "Kesejahteraan Dalam Prespektif Ekonomi Islam", *Justitia Islamica*, vol. 11, no. 1 (2014), p. 22.

² Ahmad Soleh, "Pertumbuhan Ekonomi Dan Kemiskinan di Indonesia", *Ekombis Review* (2011), p. 197–209.

³ Lily Prayitno, Heny Sandjay, and Richard Llewelyn, "Faktor-Faktor Yang Berpengaruh Terhadap Jumlah Uang Beredar di Indonesia Sebelum dan Sesudah Krisis : Sebuah Analisis Ekonometrika", *Journal Manajemen & Kewirausahaan*, vol. 4, no. 1 (2002), p. 46–55.

of the world is the Gross Gross Domestic, where the GDP measures the value of goods and services produced within a certain amount of time. The following regarding the percentage of the last three years, Indonesia's economic growth seen from the Central Statistics Bureau with the size of GDP growth rate:

Figure 1. 1. Graph of economic growth rate.



Source: BPS processed by researchers⁴

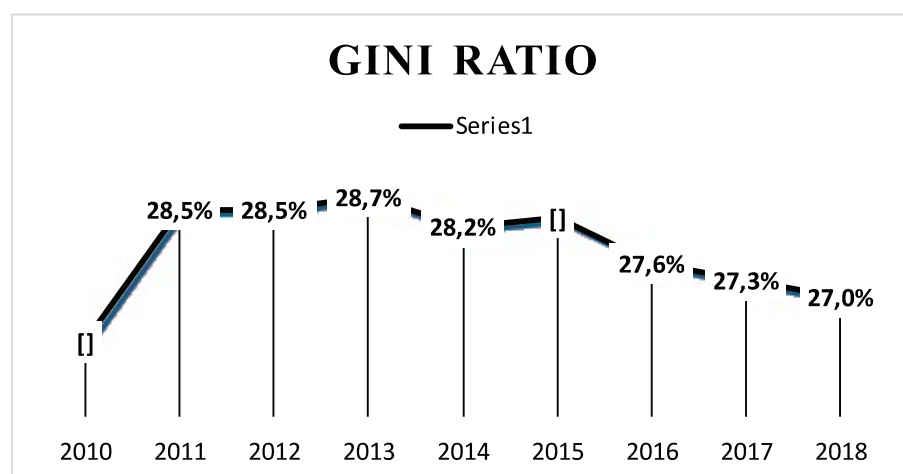
Based on the GDP graph, it can be concluded that Indonesia's economic growth has increased over the past three years. In 2010 percentage growth of 6.08 %, and in 2011 economic growth in Indonesia decreased by 0.40 %, in 2012 to 2015. The percentage decline in economic growth peaked in 2015, with a percentage of 4.83 %. However, economic growth in Indonesia rose in 2016, 2017 to 2018, with the percentage increase in economic growth of 0.11 % in 2016, and the percentage rose to 0.07 % in 2017, while the economy grew 0.05 % in 2018. Based on the percentage description, we may conclude that economic growth in Indonesia has increased over the past three years to reach GDP growth in Indonesia.

The statement criticized society, where economic growth in Indonesia

⁴ <http://www.bps.go.id>, accessed on October 2, 2018, 14:20 pm. Processed by researchers.

is always said to increase every year. This is contrary to the public perceives the facts that have occurred on welfare. The fact that is happening in today's society is the unresolved problem of poverty and income inequality. This makes Indonesia a country that has reached the level of welfare perfectly with poverty and income inequality is still greatly felt by people in Indonesia. We can see the increasing inequality in society and poverty in Indonesia from the BPS calculation on the gini ratio that produces the following data;

Figure 1. 2. Graph the Indonesia Gini ratio percentage



Data Source: BPS processed by researchers⁵

We can see the percentage of Gini ratios over the past eight years based on the chart above. The percentage Gini ratio in 2010 is 26.3 percent, and the Gini ratio increased by 2.20 % in 2011 to 2012. In 2013 it rose to 0.2 %, the gini ratio fell to 28.2 % in 2014, the gini ratio rose by 0.1 % in 2015, and the percentage of this ratio decreased annually by 0.3 % in 2016, 2017 to 2018. It can be concluded from the percentage Gini ratio that has decreased significantly over the past three years, which means that the amount of poverty in Indonesia has increased over the past three years.⁶ reveals that rising levels of poverty can be concluded each year that Indonesia can not

⁵ <http://www.bps.go.id>, accessed at fourth of october 2018, 08.20 WIB. Precessed by research.

⁶ M. Syawie, "Pembangunan yang menyejahterakan masyarakat indonesia: sebuah kajian konsep", *INFORMASI*, vol. 19, no. 3 (2014), p. 191–204.

be said to be a prosperous country. The focus here is where the growth rate is significantly increased and poverty is also becoming stronger. A big question to GDP is about the size of what is included in the assessment of economic growth in the scope of achieving a well-being.

According to the World Bank, by purchasing power parity, Indonesia is the country with the 10th largest GDP in the world. The level of poverty has risen over the past two years, however, and it is difficult to come down, while widening income inequality. This is the challenge of transforming the welfare regime as a developing country in Indonesia.⁷ Suradi revealed that even this criticism of the GDP benchmark, even there are some opinions that refuse to be a GDP benchmark. Because basically a welfare needs to create better conditions for the people of the country as a whole according to their real needs. So a growth quality can not be called if growth does not have a positive impact on improved welfare.⁸

Stiglitz and Sen revealed in Europe that one commission identified several GDP limitations when describing the level of community welfare. As a major imbalance in society in terms of distribution of income and does not describe the condition of actual GDP. If 20 % of some groups earning up to three times more than they earn, GDP would increase. And the fact that 30 percent of the group members are in a miserable condition. It is one of several identifying limitations in GDP calculation. Abuse of GDP measurement can yield misleading welfare indicator, leading to the wrong decision. This suggests that GDP can not fully become a benchmark for a country's welfare.⁹

In this case, there are many experts and practitioners who criticize GDP benchmarks, including In this case, there are many experts and

⁷ M. Syawie, "Pembangunan yang menyejahterakan masyarakat indonesia: sebuah kajian konsep", *INFORMASI*, vol. 19, no. 3 (2014), p. 191–204.

⁸ Suradi, "PERTUMBUHAN EKONOMI DAN KESEJAHTERAAN SOSIAL (Economic Growth And Sosial Welfare)", *Informasi*, vol. 17, no. 03 (2012), p. 144–57.

⁹ Joseph E. Stiglitz and Amartya Sen, *The Measurement of Economic Performance and Social Progress Revisited* (Columbia, 2009), www.ofce.sciences-po.fr. p.64

practitioners who criticize GDP benchmarks, including Stiglitz and Sen¹⁰, Lorenzo Fioramonti,¹¹ Robert Costanza *et al*¹², and Kassenboehmer.¹³ Strengthening GDP as a benchmark that is still being used today because it is the need for a measure to determine each country's economic growth. This is one reason that all countries in the world still use GDP to benchmark economic growth.¹⁴

Another reason why GDP is used as a benchmark is that GDP measures two things simultaneously: total income for everyone in the economy and total government expenditure on the purchase of goods and services from the economy.¹⁵ Found total GDP can measure both revenue and expenditure at the same time, which would have the same income and expenditure. Can we conclude from the GDP calculation, which should be the addition and subtraction in the calculation of GDP composition.

Indonesia, as a country where the majority is Muslim, must consider the components included in the calculation of GDP. Muslim-majority Indonesia is said to be prevalent in their daily lives to apply lifestyle far things are prohibited on the side of consumption or behavior. But the facts that occurred, there is still a lot of consumption that contains non-halal things. Small example is marijuana, beer, cigarettes and pork are still

¹⁰ Joseph E. Stiglitz and Amartya Sen, *The Measurement of Economic Performance and Social Progress Revisited* (Columbia, 2009), www.ofce.sciences-po.fr. p. 64.

¹¹ Lorenzo Fioramonti, *Problem Produk Domestik Bruto (Sejarah dan Realitas Politik di balik Angka Pertumbuhan)* (Tangerang: Marjin Kiri, 2017), www.marjinkiri.com. p. 11.

¹² Robert Costanza et al., "Beyond GDP: The Need for New Measures of Progress", *The Pardee Papers. Boston University*, vol. 4, no. 4 (2009), www.bu.edu/pardee. p. 10.

¹³ Sonja C. Kassenboehmer and Christoph M. Schmidt, "Beyond GDP and Back : What is the Value-Added by Additional Components of Welfare Measurement ?", *IZA Discussion Paper* (2011). p. 1-31.

¹⁴ Yesi Hendriani Supartoyo, Jen Tatu, and Recky H.E. Sendouw, "the Economic Growth and the Regional Characteristics: the Case of Indonesia", *Buletin Ekonomi Moneter dan Perbankan*, vol. 16, no. 1 (2017), pp. 3–19.

¹⁵ N. Gregory Mankiw, *MAKROEKONOMI*, 6th edition, ed. by Wibi Hardani (Jakarta: Erlangga, 2006). p. 490.

included in the GDP calculation. The pattern of life that still contains non-halal elements removes the value of welfare in Islam's side view. Where the realization of the value of well-being is felt not only by Muslims alone, but also by non-Muslims, even grace for the universe to date.¹⁶

Related to the idea of the problems in the composition of the calculation of GDP, Islam is perfect in the measurement of well-being. Achievement in *parlamanter Falah* (real welfare) that forms the grandstand Islamic welfare measures, because basically Islam has always taught its people to meet every life with complete satisfaction in every aspect of both material and spiritual.¹⁷

The calculation of the above has the objective of keeping the welfare of the (Real Welfare) could be felt by all the people of Indonesia. Because the true *falah* parameter is essential for the welfare of which components are entered into the spiritual sense *falah*.¹⁸ Reviewing the reality that happened in Indonesia led researchers to analyze Sharia's Gross Domestic Product and the possibility of applying in Indonesia to benchmark Indonesian society's welfare. And here the researchers decided to lift the **“Analysis of Sharia GDP Implementation As A Measurement of National Economic Growth.”**

1.2 PROBLEM FORMULATION AND RESEARCH OBJECTIVE

1. How the concept of measuring Sharia GDP as a measuring of economic Growth in the formula of Muhammad Nafik and Adiwarman Karim?

¹⁶ Almizan, “DISTRIBUSI PENDAPATAN : KESEJAHTERAAN MENURUT KONSEP EKONOMI ISLAM”, *Maqdis (Jurnal Kajian Ekonomi Islam)*, vol. 1, no. 1 (2016), p. 64–82.

¹⁷ Mustafa Edwin Nasution and Budi Setyanto, *Pengenalan Ekklusif Ekonomi Islam* (Jakarta: Pranadamedia Group, 2006). p. 195.

¹⁸ Kharina Tambunan, “Analisis Pengaruh Investasi, Operasi Moneter dan ZIS terhadap Pertumbuhan Ekonomi Indonesia”, *At-Tawassuh*, vol. 1:1 (2016). p. 76.

1.3 RESEARCH OBJECTIVE

1. To propose a concept of measuring Sharia GDP as a measurement of economic growth.

1.4 LIMITATION RESEARCH

In this study, the author will focus on the impact that would occur if Sharia's GDP implications were the size of Islamic welfare in Indonesia. Several aspects that include Islamic welfare with the adoption of Sharia GDP will be discussed based on the focus point. The results will be obtained from interviews with experts in Islamic Economics and literature research.

1.5 PURPOSES RESEARCH

With the achievement of the study's objectives, the following are some of the benefits that can be taken:

1. For academic
 - a. Providing an understanding, overview and a deeper insight into student preferences and as a referensi for readers on issues related to the Gross Domestic Product in the benchmark, both in terms of conventional and shari'a.
 - b. Comparing a measure of economic growth with GDP and the facts that occurred in the community.
2. For government

It is hoped that the results of this study may be one of the considerations in measuring GDP sharia against the community's real welfare. And can contribute ideas to mapping out the issues related to implementation in Indonesia's GDP Sharia.

1.6 RESEARCH METHOD

The research method is basically a scientific way of having this data for purpose and usefulness.¹⁹

¹⁹ Sugiyono, *Metode Penelitian Kuantitatif Kualitatif R&D* (Bandung: ALFABETA,

1. Types of Research

This study used qualitative descriptive method. Where the descriptive method used to examine social issues. By studying the phenomenon in the development of a long period and by paying attention to detail in order to change dynamically a certain interval.

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This type of research conducted by researcher is to study library (library research) by searching and analyzing references from multiple studies. With the purpose of thinking and research on measuring economic growth, GDP and welfare. Here, researcher are trying to describe, explain, the facts and phenomena that occur on the economic growth yardstick.

The approach used in this study is a normative approach by analyzing expert opinions appears to be economic and study-related research thoughts. The approach taken to assess GDP exposure of opinions and economic growth. In this research, using qualitative methods as a research procedure that produces descriptive data in the form of people's written words and behavior. With the aim of approaching literature research

2. Results Analysis Technique

Researcher set methods of qualitative descriptive research library in the results of this study in the decomposition. And analyze the development of the possibility of implementing GDP use in Islamic Sharia economic welfare. Adjustment of research purposes with the analysis that will be the conclusion regarding the implementation of Sharia GDP in measuring well-being.

This chapter will be equipped with the conclusion that some suggestions and recommendations are expected to contribute to

2014). p. 2-4.

²⁰ Moh Nazir, *METODE PENELITIAN*, 11th edition, ed. by Risman F. Sikumbang (Bogor: Ghalia Indonesia, 2017). p. 44-45

all parties, especially in the calculation of GDP sharia. Reference and consideration of policy possibilities in the application of the Sharia Gross Domestic Product in Indonesia as an Islamic welfare measure.

1.7 TECHNICAL RESEARCH

In the first part, the researcher introduce to the background of the problem and describe the development of Indonesia's welfare in reviewing the Gross Domestic Product. And the inequality between the calculation of GDP due to the fact that the case is seen from the gini ratio. The second part of the research consists of a previous study, the theoretical basis and research framework on variables in the implementation of sharia GDP as a measure of Islamic well-being.

The third part of the research will be discuss about the relationship between economic growth and religion. In this part, the author discusses the history of GDP growth, criticism of GDP measurement, some indicator adjustment, GDP replacement and supplementation, GDP sharia, and an overview of economic growth. The fourth part the research will be closed by the conclusion. Suggestions and recommendations are expected to contribute to all parties, particularly in the calculation of sharia GDP. Reference and consideration of policy possibilities in the application of the Sharia Gross Domestic Product in Indonesia as a measurement of Economic Growth