

INFLATION IN THE UNITED KINGDOM IN TIMES OF WAR AND PANDEMIC (A SOLUTION FROM THE ISLAMIC ECONOMICS)

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ABSTRACT

History discloses that economic turbulence is not merely caused by economic failures such as policies, institutions, or market conditions, there are also a few phenomena that contribute to a robust impact on the economic decline namely war and pandemics. The purpose of this paper is to reveal the economic downturn such as inflation in the United Kingdom caused by the covid-19 pandemic and worsened by the war between Russia and Ukraine. This paper also proved that the Islamic economic system is a solution to attaining a prosperous economy for society. Using qualitative research through descriptive analysis, this paper analyzed how the Islamic economic system possesses a vital role in facing economic crises in times of war and pandemics. The result of this paper found that Islamic economics is the only economic system that brings justice to all economic actors in the entire world, thus it leads to forming healthy economic circumstances and then avoiding the economic crisis to occur.

Keywords: Inflation; United Kingdom; War; Pandemic; Islamic Economics.

ABSTRAK

Sejarah mengungkapkan bahwa gejala ekonomi tidak hanya disebabkan oleh kegagalan ekonomi seperti kebijakan, institusi, atau kondisi pasar, ada juga beberapa fenomena yang berkontribusi kuat terhadap penurunan ekonomi yaitu perang dan pandemi. Tulisan ini bertujuan untuk mengungkap permasalahan ekonomi seperti inflasi di Inggris yang disebabkan oleh pandemi covid-19 dan diperparah oleh perang antara Rusia dan Ukraina. Tulisan ini juga membuktikan bahwa sistem ekonomi Islam merupakan solusi untuk mewujudkan ekonomi yang sejahtera bagi masyarakat. Menggunakan penelitian kualitatif melalui analisis deskriptif, tulisan ini menganalisis bagaimana sistem ekonomi Islam memiliki peran penting dalam menghadapi krisis ekonomi di masa perang dan pandemi. Hasil tulisan ini menemukan bahwa ekonomi Islam merupakan satu-satunya sistem ekonomi yang membawa keadilan bagi seluruh pelaku ekonomi di seluruh dunia, sehingga mengarah pada terbentuknya keadaan ekonomi yang sehat dan kemudian terhindar dari terjadinya krisis ekonomi.

Kata kunci: Inflasi; Britania Raya; Perang; Pandemi; Ekonomi Islam.

INTRODUCTION

As the war and pandemic are indicators that trigger an economic crisis, the recent issues of the unfinished Covid-19 pandemic have caused economic turmoil worldwide, and aggravated by the Ukraine war has worsened the economic turbulence. These issues are very impactful to a few countries in Europe, including the United Kingdom. Social facts which disclosed the issue of economic fall at the time of the pandemic in the United Kingdom have been widely published, they discussed how the pandemic gave impacted to UK's economy such as slowing growth, unemployment, and rising prices which led to inflation (Chowdhury, 2021; Elliott, 2022; Haldane & Economist, 2021; Harari, Keep, & Brien, 2021 "How Does Covid-19 Affect Economic Activity and Inflation?," 2020; "UK Inflation Up More Than Expected Amid Covid Pandemic Fluctuations," Victor, Karakunnel, Loganathan, & Meyer, 2021). Meanwhile, the headlines concerning the Ukraine war that affected the economy of the United Kingdom have been released in copious digital newspapers. The focus of the news elaborated on the impact of the Ukraine and Russia war on the supply issue of energy such as oil, natural gas, and commodity market which is imported from Russia such as grain, wheat, sunflower oil, and this led to increasing prices and the rising cost for bread and meat (Burden, 2022; Dixon, 2022; D Harari, 2022; Jones, 2022; Liadze, Macchiarelli, Mortimer-Lee, & Juanino, 2022; Meierhans, 2022; Milliken, 2022; Romei, 2022; Sandercock, 2022; Smith, 2022). As it has been said by Tejvan Pettinger (Pettinger, 2022) that war does not only impact human cost but also serious economic costs such as shortages, inflation, uncertainty, etcetera. While Shang, Li, and Zhang (Shang, Li, & Zhang, 2021), pandemics not only impact health issues but also economic catastrophes worldwide, such as what has occurred during times of covid-19 pandemic, SARS, black death, Influenza H1N1, and Swine Flu.

Related to the Islamic economic system, there are copious discourses concerning the Islamic Economic system as the robust evidence that the Islamic economic system frequently gave solutions to any kind of financial or economic crisis. The discussions mostly discuss Islamic Economics and Islamic finance on facing a financial or economic crisis. Generally, those discourses deduce that the economic crisis is caused by some indicators such as interest rate in the banking system, thus the solution to this issue is to provide Islamic (non-interest) finance which is in line also with the suggestion of the Vatican in Italy (Ozsoy, 2016). It is disclosed also that the failure of the capitalist economic system is one of the sources that caused the economic crisis and this issue can be solved by using Islamic economic principles on how to obtain and how to manage assets, conducted with the moral values for all economic authors

(Raul, 2020). Another discussion also uttered that the Islamic economic system assists in boosting the empowerment of the economy, creating equilibrium by the implementation of justice in the distribution as well as preventing inequality, hence this accordingly will lead to welfare for humanity (Samad, 2021). Furthermore, (Fitrah, Alhamdi, Majid, Marliyah, & Handayani, 2022) elaborated that the issue of financial crises which occurred by the speculative bubble and crushed such as the great depression, the Japanese assets bubble, black Monday, wall street, etcetera can be avoided by implementing the Islamic rules on the economy on the prohibition of *Maysir, Gharar, Riba*. The authors continued that the issue of financial crises which occurred by sovereign default typology such as the Asian financial crisis, and European financial crisis can be tackled by conducting the principle of equity financing from the perspective of Islamic economics. And the issue of the Balance of payment crisis as a financial crisis such as the Russian financial crisis and the Mexican peso crisis can be solved by prioritizing the financial sector which is in line with the real sectors. It concluded also that morality is the prior solution to the economic crisis. The other financial crisis discussion also discloses that Islamic finance is more stable than conventional finance. The discourse explained that for the financial indexes of the United State, Saudi Arabia, French, and Indonesia when occurred a shock on the American market in a time of crisis did not affect all markets but a small market that used the Islamic Finance method (Derbel, Bouraoui, & Dammak, 2011). It means that the Islamic economic system provides principles and strategies to attain the goal of just economic prosperity. As a finale, (M. U. Chapra, 2011) said that generally, the most vital cause of all crises has been imprudent and excessive leading by bank institutions for a long period. These things then cause injustice, thus Chapra uttered that the goal of Islam is to realize greater justice in the social economy because according to Qur'an, where there is no justice in society, it will ultimately lead to decline as well as destruction (Qur'an, 57:25).

So far, the study about the war that impacts economic crisis tend to be obsolete according to the period of War such as the three journals, the first discusses the contribution of war to inflation such as The War of the Austrian Succession, the wars of the French Revolution financed, World War II, etcetera trigger scarcity and forced commodity prices sharply upward which led to hyperinflation (Hamilton, 1977). The second journal explained the war and inflation that occurred in Spain from 1780 to 1800 (Hamilton, 1944). And the third journal discussed the War and Inflation in The United States from The Revolution to The First Iraq War (Rockoff, 2015). Furthermore, some books discussed war and economic crises (Higgs &

others, 2006; Milward, 1977; Overy & Overy, 2004), entitled War and Economy in The Third Reich, War Economy and Society 1939-1945, and a book entitled Depression, War, and Cold War: Studies in Political Economy. On the other hand, the study of pandemics that impact economic crises is abundant (Abodunrin, Oloye, & Adesola, 2020; Legese Feyisa, 2020; Qiu, Rutherford, Mao, & Chu, 2017). Yet we also found two previous studies in international journals concerning how Islamic finance overcome the financial crisis due to the pandemic era, discussed in some articles with the theme of how Islamic financial theory overcome the economic crises in the time of Covid-19 (Agustin, Rosyadi, & Firdaus Abd Rahman, 2021; Ashraf, 2021). Hence, according to the previous studies elaborated here, it can be witnessed that there is no study yet that discusses the economic impact such as inflation of the Russia and Ukraine war in early 2022 and how the Islamic economy faced an economic crisis in times of war. Further, it will also disclose how the Islamic Economic system faced inflation.

This paper aims to emphasize the Islamic economic system's capability in facing economic issues and to complete the previous discussions concerning the Islamic economic system to become a solution to the economic or financial crises, such as inflation. Where the previous paper mostly focuses on the failure of the economic systems, institutions, and policies as indicators of the economic or financial crisis, hence the novelty of this paper is to focus on the war crises and pandemics phenomenon that led to inflation and how the Islamic economic system possesses a role on facing the economic crisis that caused by war as well as pandemics.

This writing is based on the recent issue of the unfinished covid-19 pandemic which caused economic catastrophe worldwide, and this is worsened by the war between Ukraine and Russia which led to economic distress in some countries in Europe, one of them is the United Kingdom.

METHOD

This qualitative research uses descriptive analysis through library research, conducted by collecting the whole information on recent electronic headlines, journals, and books. The authors use descriptive analysis to disclose the capability of the Islamic economic system to face economic issues such as inflation, especially at the time of war and pandemics in the Islamic economic perspective. The data is obtained from the Office for National Statistics. As a measure of inflation, we use the change in consumer price index (CPI), which is also provided by Office for National Statistics.

RESULT AND DISCUSSION

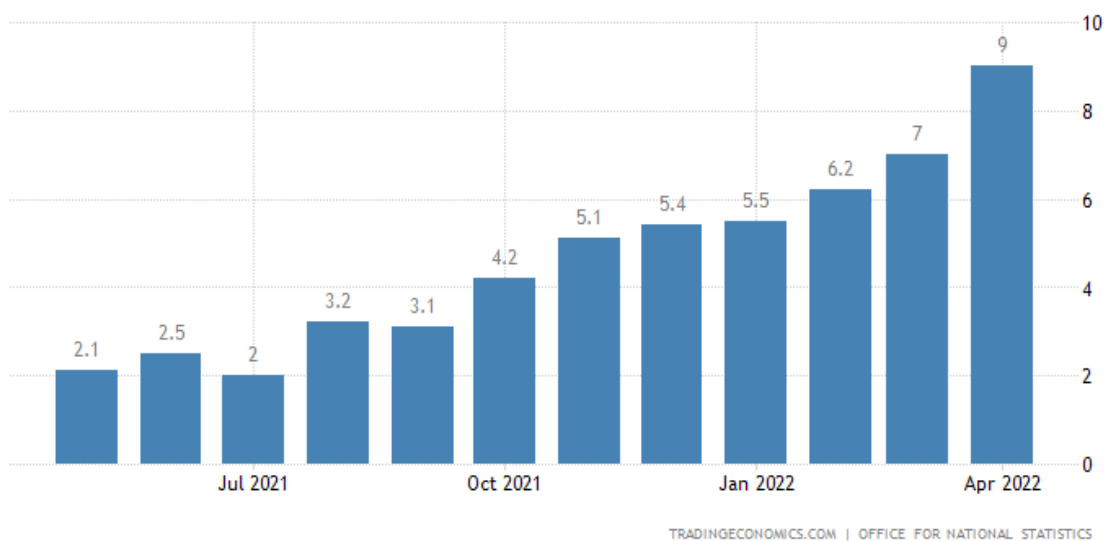
Inflation Rate in the United Kingdom

According to data issued by the Office for National Statistics, the annual inflation rate in the United Kingdom in April 2022 increased to 9%, up 2% from March. This is the highest level the United Kingdom has seen since 1982. Increases in the price of electricity, gas, and other fuels, as well as motor fuel, all contributed to this rise, which was accompanied by a persistently low consumer quality of living. Following advances in the Office of Gas and Electric Markets that capped energy prices, the strongest increased pressure came from housing and utility costs (19.2 percent vs. 7.7%). Prices of electricity increased by 53.5 percent, gas by 95.5 percent, and liquid fuel by 113.9 percent. Transportation costs also increased (13.5 percent vs. 13.4%), with gasoline prices averaging a new high of 161.8 pence per liter in April, compared with 125.5 pence per liter the previous year. Inflation also increased for restaurants and hotels (7.9% vs 6.9%) and food and non-alcoholic beverages (6.7% vs 5.9%). On a monthly basis, consumer prices jumped 2.5% (Trading Economics, 2022)

The contributions from housing and household services, and transport, account for more than half of the CPIH annual rate Contributions to the CPIH 12-month inflation rate, UK, April 2020 to April 2022.

Figure 1.

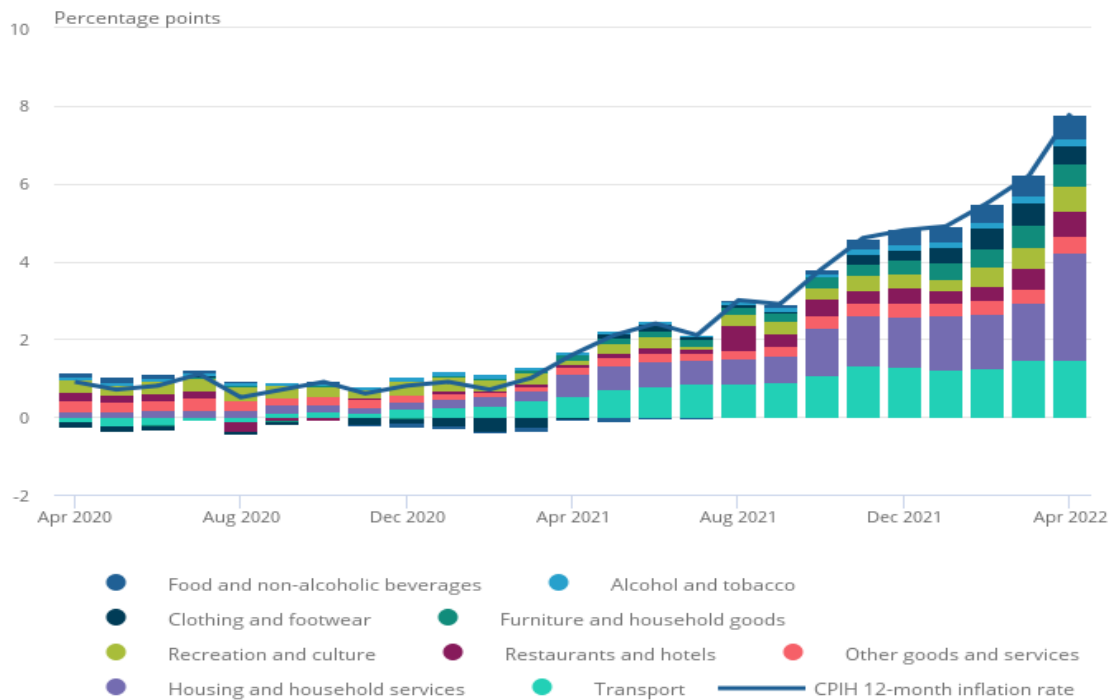
Inflation Rate in the UK From July 2021 to April 2022



Source: <https://tradingeconomics.com/united-kingdom/inflation-cpi>

Figure 2.

The contributions from housing and household services, and transport, account for more than half of the CPIH annual rate Contributions to the CPIH 12-month inflation rate, UK, April 2020 to April 2022.



Source: Office for National Statistics-Consumer Price Inflation

Figure 2 depicts the extent to which various categories of goods and services have contributed to the overall Consumer Prices Index (CPI), including owner occupiers' housing costs (CPIH), and the 12-month inflation rate over the last two years. Housing and household services, as well as transportation, account for 4.23 percentage points, or more than half of the CPIH 12-month inflation rate. Their total weight accounts for 42.5 percent of the CPIH basket (Payne, 2022).

The high rate of inflation in the UK is caused by a number of factors. People are unable to spend their money during the covid-19 pandemic and the imposition of a lockdown in 2020, resulting in low inflation rates. However, once the lockdown is lifted and people are free to leave, a business can resume as usual. This generates a substantial demand for goods and services. This is offset by consistent, if not declining, supply, which causes businesses to raise prices and stimulate the economy (Brooks, 2022) Furthermore, the rate of VAT - the tax paid when purchasing goods and services - has increased for some businesses. During the pandemic, the government reduced VAT for hospitality and tourism businesses, but it returned to the standard 20% rate on April 1 (BBC News, 2022).

Apart from the pandemic, the war between Russia and Ukraine in early 2022 was the cause of high inflation rates in the UK. Energy bills are currently the largest contributor to inflation, as oil and gas prices remain high due in part to the Ukraine war. Following a hike in the UK's energy price cap in March 2022, average gas and electricity prices increased by 53.5 percent and 95.5 percent, respectively, compared to a year ago. Fuel prices are also rising, with average petrol prices reaching 161.8p per liter in April 2022, up from 125.5p a year earlier. The April price is the highest on record (BBC News, 2022).

The same phenomena were also witnessed in 2014, in which Russia experienced a turbulent year in several dimensions. Russia openly annexed another country's territory for the first time in its post-Soviet history, prompting several rounds of sanctions from Western countries. Russia retaliated by prohibiting Western food imports. Furthermore, the global price of oil, Russia's main export and primary source of revenue, has fallen by nearly half. Finally, Russia launched a "hybrid war" in Ukraine's Donetsk and Luhansk regions, killing approximately 8,000 people and displacing approximately two million (according to the United Nations). These dramatic events caused a significant economic shock. Since the annexation of Crimea in March 2014, inflation has been rising (normally, inflation in Russia slows down in the second quarter)(Guriev & Melnikov, 2016).

Financial Crisis in Islam

Financial crises have erupted one after the other, with greater frequency and intensity, affecting the entire region. These crises occurred not only as a result of cyclical or managerial failures but primarily as a result of structural failures in various countries with very different regulatory systems and at various stages of economic development. Ascarya (2017) found that financial crises are caused by several factors such as social instability (external factor), speculation (misbehavior), ineffective fiscal system (unsustainable fiscal system), hedonism (misbehavior), fractional reserve banking system (unstable monetary system), political instability (external factor), corruption (poor governance), interest rate (unstable monetary system), fiat money (unstable monetary system), and wrong man in the wrong place (poor governance) (Ascarya, 2017). On the other hand, Siddiqi stated that the main cause of the crisis is a moral failing rather than a market failure. He approaches the issue through a principal-agent paradigm, in which hired managers (agents) try to maximize profit in order to receive maximum incentives and prolong employment. According to U. Chapra (2006), the major cause of the financial crisis was excessive and unwise lending. Such behavior, however, would not be feasible without the presence of specific elements that provided a false sense of

immunity to losses. He identifies three factors, which are as follows: (1) insufficient market discipline in the financial system as a result of the absence of profit and loss sharing; (2) staggering growth in the size of derivatives, particularly credit default swaps (CDSs); and (3) the "too big to fail" concept, which tended to give big banks assurance that the central bank, fearing systemic disruption, would come to their rescue and not allow them to fail (Abdou, 2015).

The Cause of Inflation

A well-established perception of inflation is "an upward trend in prices," but there is no agreement on the cause. The money supply was thought to be the cause of inflation by the Monetarist School of thought. Other factors that cause inflation in the conventional economic system are described by a well-known Islamic scholar, Mufti Muhammad Taqi Usmani, in his book "An Introduction to Islamic Finance," who claims that the conventional system is not based on market forces. He contended that unnatural practices (for example, gambling, speculative transactions, and future contracts) tend to concentrate wealth in a few hands (Shahzad, Ahmed, & Rehman, 2012).

When there is no imported inflation, inflation should be zero in an Islamic framework. However, it should be noted that early Islamic history saw very low inflation rates. The main reason for the price increase was the influx of gold and silver. Furthermore, there were brief periods of rising prices due to supply disruptions in the third and fourth centuries of Islamic history. Another period of inflation was caused by an overabundance of currency (copper coins), known as *fulus* (Amir, 2014).

Based on history, Egypt and Syria experienced extremely high inflation in the fifteenth century. The reason was not so much a lack of goods as it was corruption and miscommunication. According to Al-Asadi, there are many reasons for rising prices despite the fact that granaries are full, such as millers hoarding and hiding grain, and stroke and monopolies enjoyed by certain sections. As an example, he uses food as a necessary commodity. The same situation existed in all other commodities (Islahi, 2016).

Egypt experienced inflation during the reign of Imam al-Maqrizi (766-845 H). Al-Maqrizi is an Islamic economist who studied money and inflation in depth. Al-Maqrizi delves deeper into the issue of inflation. According to Al-Maqrizi, the impact of hyperinflation on the Egyptian economy was caused by inefficient government administration and the commission of extraordinary crimes such as bribery, commercialization of office, collusion, nepotism, and, at the same time, repressive taxes imposed by the government that are not accountable to the

people are detrimental to the incentives of farmers to work and, as a result, cause a significant decline in agricultural production (Firmansyah, 2021).

Al-Maqrizi classifies inflation based on its causal factors: inflation caused by natural elements (natural inflation) and inflation caused by human error.

1. **Natural Inflation.** As the term suggests, this type of inflation is caused by natural factors that humans cannot control. According to Al-Maqrizi, when a natural disaster strikes, various foodstuffs and other crops suffer crop failure, causing their supply to fall dramatically and scarcity to rise. On the other hand, because of their importance in life, demand for these goods has increased. Prices skyrocketed, far outstripping people's purchasing power. This has far-reaching implications for the costs of a variety of other goods and services. As a result, economic transactions have slowed, if it is not stopped entirely, resulting in famine, plague, and death.
2. **Human-caused inflation.** Along with natural factors, Al-Maqrizi stated that inflation could be caused by human error. This second type of inflation is caused by three factors, according to him: corruption and poor administration, excessive taxation, and increased money circulation.
3. **Corruption and Poor Administration** According to Al-Maqrizi, appointing government officials based on bribery rather than capability would place people with no credibility in important and respectable positions in the legislative, judicial, and executive branches. They are willing to mortgage all of their belongings in exchange for the desired position and daily needs of officials.
4. **Excess tax.** According to Al-Maqrizi, the State's expenditure increased dramatically as a result of corrupt mental officials' dominance in government. In exchange, they impose new taxes and raise the current tax rate, resulting in a tax system that oppresses the people. This has a significant impact on the farmers, who make up the majority of the community.
5. **Increased Circulation Currency** At first, currency with intrinsic value much lower than the nominal value of the transaction was printed as a tool to meet the various needs of daily life. As a result, this amount of currency is in short supply. When there was a budget deficit as a result of officials misusing state funds for various personal and group interests, the government resorted to massive money printing. According to Al-Maqrizi, the activity grew out of control as the government's desire to make large profits from printing currencies with low production costs grew out of control (Firmansyah, 2021).

Besides the causes mentioned above, according to (U. Chapra, 2006), the trend of living beyond one's means is a major cause of many of today's economic ills. It is causing inflation and increasing state and individual debt. Prices alone do not determine resource allocation and distribution, as is becoming increasingly clear. It is also influenced by moral values, which have a significant impact on human behavior in general and tastes and preferences. Thus, the addition of a moral dimension can help to eliminate unequal wealth distribution and inequity. In general, inflation can be influenced by both internal and external factors, as described Amir, (2014). Government deficits, debt financing, monetary policy, institutional economics (shirking, opportunism, economic freedom, risk, and so on), and structural regime changes are examples of internal factors (revolution, political regime changes, policy constraints, etc.). External factors include trade terms and foreign interest rates, as well as the rest of the world's attitude toward the country (sanctions, risk-generating activities, wars, and so on). In both conventional and Islamic economic systems, the role of demand and supply in price determination is emphasized (Amir, 2014).

Islamic Economics' Solution to Overcome Inflation

Muslim scholars have long been interested in the phenomenon of inflation. Muslim economists have discussed these issues and cited various primary Islamic sources to highlight solutions.

Various efforts have been made to keep inflation under control. Much conventional economics offers inflation control, but this is not a complete solution. In fact, the opposite occurs; every solution provided is always contradictory to one another. For example, if the government uses a tight money policy to raise the inflation rate, the result will be an increase in unemployment. If the government wants to reduce the number of unemployed people, it will encourage high inflation rates.

As a result, if we wish to return to referring to the Qur'an and Sunnah, we must keep the fundamental elements that drive currency fluctuations to a minimum. The existence of foreign exchange transactions that are not carried out in cash and out of place, as desired by the Qur'an and the Sunnah, should be eliminated immediately because, in reality, this practice has spawned speculation, which has led to currency exchange fluctuations, the impact of which can destroy the real sector of the economy, which is marked by high inflation (Zakiyah, 2018) As Zaman (1993) points out, the Islamic economic system is absolutely opposed to price volatility. Some scholars understand such Qur'anic words as: 'But observe the measure strictly, and do not fall short thereof,' (55:9) and '... weigh with true balance' (26:182) to suggest that

the government should work to keep consumer prices stable, as inflation is undesirable in Islam." People should not suffer or create pain and destruction, according to Islamic law (Shariah) and as the Prophet of Islam has stated. As a result, it is the government's job to keep inflation under control (Amir, 2014).

The interest rate was denied by the Islamic Financial Systems (IFS). The penalty for obtaining money through interest is plainly stated in the Quran and Hadith. Furthermore, Islam forbids earning by hook or crook and instead encourages earning via struggle, enterprise, and honest means. Inflation is reduced through capital circulation in corporate activities. IFS also prohibits future contracts and speculative transactions. This sort of behavior encourages hoarding and greed, which raises uncertainty and leads to inflation. Such actions are severely prohibited in Islam. Furthermore, Islam has designed the tax system to encourage optimal levels of investment and discourage cash and capital hoarding. Increased investment generates more job possibilities and raises per capita income. As a result, in IFS, money creation is accompanied by an increase in output, resulting in no inflation (Shahzad et al., 2012) By connecting investments to the actual economy and limiting wealth creation from non-economic activities, the value of assets is retained and markets are provided additional protection against severe volatility, perhaps preventing huge losses (Benamraoui, 2021).

Another option to manage inflation in IFS is to levy an indirect tax, such as a sales tax. According to Jalili (2006), no indirect tax was applied throughout the early period of Islam. To raise government income, he proposed new direct tax zones. Other sources of governmental funds include resource allocation through the system itself, investment, Jizya, and the private sector. If these measures are used effectively, the fiscal imbalance might be reduced to zero or even a surplus (Shahzad et al., 2012).

According to U. Chapra, (2006), the first step in lowering inflation is to increase morale (which is pursued not only in the material dimension but also spiritually). "The most fundamental component of the Islamic strategy for achieving Islamic goals is the integration of all ostensibly mundane parts of life with the spiritual in order to bring about a moral elevation of the human individual and the community in which he lives." None of the aims can be realized without such a spiritual elevation, and true human well-being is difficult to achieve. Second, there should be an equitable distribution of income and wealth (Firmansyah, 2021).

The most important aspect of a country's economic development is maintaining inflation stability in order to provide a favorable environment for economic and corporate operations. The monetary and fiscal sectors must be interconnected in order to establish an

economy that increases the welfare of society. As a result, monetary improvements such as increased assets, loan distribution, and financial inclusion must have a beneficial impact on economic performance. The key problem that has to be addressed in monetary policy is whether the transmission mechanism has a beneficial relationship with the real economy. Monetary policy transmission comprises two interactions: one between the central bank and other banks and financial institutions, and another between banks and other financial institutions and economic players (Bawono, Laksana, Nabila, & Himmati, 2021).

Islamic Economics to Overcome the Financial Crisis

During the Global Financial Crisis, Islamic financial institutions were noticeably more stable than conventional ones. Hasan and Dridi (2010) demonstrated that Islamic banks were more robust than their conventional counterparts throughout the crisis, owing in part to the Islamic banking business model (Abdou, 2015). Financial crises in the conventional economic system could be avoided or mitigated by gradually adopting Islamic economic and finance laws and regulations, in part or entirely, particularly the main pillars of the Islamic financial system, namely the prohibition of *riba* (usury or interest), *maysir* (gambling and game of chance or speculation), and *gharar* (excessive uncertainty), in their various forms. Speculation or *maysir* is the first regulated key root cause of financial crises (second to uncontrolled Social Instability), hence prohibiting speculation in all markets, particularly financial markets, should be prioritized. (Ascarya, 2017) Islamic finance theory is founded on Islamic law, which prohibits usury, *maysir*, and *gharar*, as well as real asset investment and risk-sharing. The accurate idea of sharia finance may overcome and recover from the crisis if the basis is strong and Sharia is enforced (Agustin et al., 2021). While traditional bank loans may not always penetrate the actual economy, every monetary or financial transaction in the Islamic finance and banking system invariably corresponds to real economic activity. That economic activity is either the production or trading of a commodity or service. Furthermore, any revenue generated is split on a profit-and-loss basis. The result of this critical concept is a genuine economy free of bubbles and a fair distribution of revenue among productive components (Ozsoy, 2016). Meanwhile, Ashraf (2021) stated that Islamic finance, i.e. inclusion with stability and sustainability, has enormous potential to overcome the crisis. Islamic financial services such as Islamic microfinance, Zakat, Sadaqah, Awqaf, and Qardh-Al-Hasan are only a few of the Islamic financial services given virtually by Islamic financial organizations to overcome economic adversity during times of crisis.

The Islamic ideals of protection and hospitality for the poor are upheld. This idea affects the economy directly by providing substantial infrastructural advantages, as well as the business class. Marginalized populations are benefited from Islamic philanthropy such as Zakat and Sadaqa, which supports their growth and consumption. Mudaraba and Murabaha, on the other hand, enable start-ups and small and medium-sized businesses to either recover or restart. This promotion enhances an individual's morals while also creating employment that promotes consumption. Sharia compliance and other investments in various infrastructures, such as immobilization, machinery, or any other asset, may also aid in the restoration of economic normalcy (Ashraf, 2021).

According to Benamraoui (2021) Islamic economics and finance, through its main concepts and investment vehicles such as the profit and loss sharing (PLS) system, elimination of interest rate, takaful, and waqf, might give a variety of solutions to strengthen the economy's resilience. Some nations, particularly Western ones, may employ one or two of Benamraoui's recommended solutions, such as the waqf-based approach, but not under the same term as waqf. They may utilize synonyms like endowment-based or charity-based solutions (Chachi, 2021).

CONCLUSION

The annual inflation rate in the United Kingdom in April 2022 increased to 9%, up 2% from March. This is the highest level the United Kingdom has seen since 1982. Increases in the price of electricity, gas, and other fuels, as well as motor fuel, all contributed to this rise, which was accompanied by a persistently low consumer quality of living. The high rate of inflation in the UK is caused by several factors, both Internal (substantial demand for goods and services which leads to the rise of prices, followed by the 20% rate of VAT) and external factors such as the war between Russia and Ukraine in early 2022.

From the Islamic perspective, the financial crisis and Inflation are driven by social and political instability (external factor), speculation, ineffective fiscal system, hedonism, unstable monetary system, corruption, and interest rate. Islamic Financial System, which emphasizes the moral value, has enormous potential to overcome the crisis. Islamic financial services such as Islamic microfinance, *Zakat*, *Sadaqah*, *Awqaf*, and *Qardh-Al-Hasan*. Financial crises in the conventional economic system could be avoided or mitigated by gradually adopting Islamic economic and finance laws and regulations, in part or entirely, particularly the main pillars of the Islamic financial system, namely the prohibition of *riba* (usury or interest), *maysir*

(gambling and game of chance or speculation), and *gharar* (excessive uncertainty), in their various forms. Last but not least, the increasing of morale -which is pursued not only in the material dimension but also spiritually should also be Implemented to lower the Inflation rate and bring economic stability.

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