

Sharia Economics: Alternative Solutions for a Sustainable Economy

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Abstract. Recurring global economic crises show the weakness of the conventional economic system in realizing fair, inclusive and sustainable growth. Sharia economics exists as an alternative solution by offering a system based on the values of justice, balance and social responsibility. This research aims to analyze the implementation of sharia economic principles and their contribution to sustainable economic development in Indonesia. The method used is descriptive qualitative through literature studies and case studies on sharia financial institutions and zakat and waqf management institutions. The research results show that sharia economics plays a significant role in empowering the community's economy, reducing social inequality, and strengthening the real sector through usury-free financial mechanisms, zakat distribution, and productive waqf management. However, the implementation of sharia economics still faces challenges in the form of low public literacy, limited regulations, and the need to increase human resource capacity. By strengthening policies and institutional support, sharia economics has great potential as a main pillar in building a sustainable and just economy.

Keywords: *Sharia Economics, Islamic Finance, Sustainable Development, Zakat, Waqf, Economic Justice*

INTRODUCTION

The global economic crisis that has occurred in the last few decades has shown the weaknesses in the conventional economic system which is dominated by capitalism. This system tends to focus on capital accumulation and profits without considering moral, ethical and social sustainability aspects (Chapra, 2000). Unequal distribution of wealth, financial market instability, and increasing poverty rates are problems that are difficult to overcome within a conventional economic framework. In this context, sharia economics appears as an alternative economic system that not only emphasizes efficiency and profitability, but is also based on the values of justice, balance and social responsibility.

Sharia economics is a system based on Islamic principles, including the prohibition of *riba* (interest), *gharar* (uncertainty), and *maisir* (gambling), as well as the obligation of zakat and the concept of justice in the distribution of wealth (Antonio, 2001). This system encourages real sector involvement, prohibits speculative activities, and emphasizes the principle of profit sharing in business and banking activities. Thus,

sharia economics is not only a financial system, but also reflects a comprehensive and sustainable economic development paradigm.

As global society's awareness of the importance of a just and sustainable economic system increases, sharia economics is starting to receive wider attention, both in Muslim and non-Muslim majority countries. Indonesia, as the country with the largest Muslim population in the world, has great potential in developing the sharia economy, especially in the sharia financial sector, productive zakat and waqf, as well as developing sharia-based MSMEs (Karim, 2013). Therefore, the study of sharia economics as an alternative solution in sustainable economic development is becoming increasingly relevant and urgent to study in depth.

Sharia economics is an economic system based on Islamic principles, which emphasizes justice, transparency, and a balance between profit and social responsibility. In the current global context, sharia economics is receiving increasing attention because it is considered capable of offering solutions to various economic

crises and social inequalities that occur in the capitalist system.

a. Basic Principles of Sharia Economics

Sharia economy is based on the Qur'an and Hadith, as well as the *ijtihad* of scholars. The main principles include:

- Prohibition of Riba (interest), all forms of additional exploitative loan principal are prohibited.
- Prohibition of Gharar (uncertainty) transactions that contain high levels of speculation or are unclear are considered invalid.
- Prohibition of Maisir (gambling) all forms of gambling and transactions that unfairly harm one party are prohibited.
- Zakat and distribution of wealth – to reduce social inequality and improve societal welfare.

b. Sharia Economic Instruments and Institutions

- The sharia economic system is implemented through various instruments and institutions, including:
- Sharia banking, which replaces the interest system with profit sharing (*mudharabah* and *musyarakah*).
- Zakat, *infaq*, alms and *waqf* institutions (ZISWAF), as a means of redistributing wealth.
- Sharia capital market, which provides investment products that comply with Islamic principles such as *sukuk* (sharia bonds) and sharia shares.

LIBRARY STUDY

1. Basic Concepts of Sharia Economics

Sharia economics is an economic system that originates from Islamic teachings, which regulates economic activities based on sharia principles. According to Mannan (1997), sharia economics does not only discuss economic aspects in a purely worldly context, but also pays attention to moral and spiritual values that have an impact

on the welfare of individuals and society at large. Different from capitalist and socialist systems, sharia economics aims to achieve *falah* (happiness in this world and the hereafter) through equal distribution of welfare, distributional justice, and prohibition of exploitative economic practices.

2. Principles of Sharia Economics

The main principles in sharia economics include:

- a. Prohibition of usury (interest) in every financial transaction, because it is considered a form of exploitation (Chapra, 2000).
- b. Prohibition of *gharar* (uncertainty) and *maisir* (gambling), to avoid speculative transactions that harm one party (Antonio, 2001).
- c. Zakat and *infaq* obligations, which are instruments for fair and equitable distribution of wealth (Karim, 2013).

In addition, the sharia economic system encourages partnership-based business practices, such as *mudharabah* and *musyarakah*, where profits and risks are shared fairly according to agreement (Iqbal & Mirakhor, 2007).

3. Sharia Economics and Sustainable Development

Within the framework of sustainable development, sharia economics has significant suitability because it balances economic, social and environmental dimensions. This system encourages investment in the real sector, development of small and medium enterprises (SMEs), and empowerment of poor communities through productive management of *zakat* and *waqf* (Dusuki, 2008). Therefore, sharia economics is seen as capable of creating a more stable, ethical and inclusive economic system.

4. The Role of Sharia Economics in the Global and Indonesian Context

Globally, the sharia economy has developed rapidly, especially in the

sharia financial sector, such as sharia banking, sukuk (sharia bonds), and sharia capital markets. The Islamic Finance Development Indicator (IFDI) report shows significant growth in Islamic financial assets in many countries, including Europe and Asia (Thomson Reuters, 2020). In Indonesia, the development of the sharia economy shows a positive trend with regulatory support, the formation of the National Committee for Sharia Economics and Finance (KNEKS), as well as increasing public literacy towards sharia products (OJK, 2021). This makes Indonesia one of the potential sharia economic centers in the world.

RESEARCH METHOD

This research uses a descriptive qualitative approach with the aim of describing and analyzing in depth the concepts, principles and implementation of sharia economics in supporting sustainable economic development. This approach was chosen because it was considered capable of exploring the meaning, understanding and social interpretation of various stakeholders involved in sharia economic practices (Creswell, 2014).

The type of research used is library research and case study. The literature study was carried out through reviewing relevant literature such as scientific journals, books, official reports, as well as laws and regulations related to sharia economics. Case studies were conducted on several sharia financial institutions and economic programs based on zakat, infaq, alms and waqf (ZISWAF) which were considered successful in supporting economic development at the micro level.

1. Data Collection Techniques

Data collection in this research was carried out through two main techniques, namely:

a. Documentation Study

This technique is carried out by collecting written documents such as annual reports of sharia financial

institutions, publications from the Financial Services Authority (OJK), Bank Indonesia, and reports from the National Committee for Sharia Economics and Finance (KNEKS). Apart from that, secondary data was also obtained from the Islamic Finance Development Indicator (IFDI) report and publications from international institutions such as the Islamic Development Bank (IDB).

b. In-Depth Interview

Interviews were conducted with competent sources, such as academics in the field of Islamic economics, sharia finance practitioners, and managers of ZISWAF institutions. This interview aims to obtain qualitative information regarding sharia economic practices and their contribution to sustainable development.

2. Data Analysis Techniques

The collected data was analyzed using the Miles and Huberman model of qualitative analysis, which includes three stages: data reduction, data presentation, and drawing conclusions (Miles, Huberman, & Saldaña, 2014). At the data reduction stage, researchers filter data that is relevant to the research focus. Furthermore, the data is presented in descriptive narrative form to make it easier to draw meaning. The final stage is drawing conclusions based on in-depth interpretation of the data that has been analyzed.

Source triangulation techniques were used to increase data validity, by comparing information obtained from documentation and interviews (Patton, 2002). Validation is carried out through a member checking process with sources to ensure the accuracy of the researcher's interpretation.

RESULTS AND DISCUSSION

1. Implementation of Sharia Economic Principles in Indonesian Economic Practices

The results of the study show that the main principles of sharia economics such as the prohibition of usury, the implementation of a profit-sharing system (*mudharabah* and *musyarakah*), and the obligation of *zakat* have been implemented progressively in Indonesia through sharia financial institutions and Islamic social fund management institutions (ZISWAF). Data from the Financial Services Authority (OJK, 2021) shows a significant increase in sharia banking assets which reached IDR 667 trillion at the end of 2020, reflecting increasing public trust in an economic system based on Islamic values.

Implementation of the principles of *zakat* and *waqf* is also an important instrument in supporting sustainable development, especially in overcoming poverty and empowering the people's economy. The National Zakat Amil Agency (BAZNAS) report (2020) noted that national *zakat* collection reached IDR 12 trillion, with most of it channeled to productive economic programs such as empowering MSMEs and skills training for the poor. This is in line with the views of Chapra (2000) who emphasizes that *zakat* is not only a means of distributing wealth, but also an instrument of economic empowerment for lower society.

2. The Role of Sharia Economics in Encouraging Economic Sustainability

Sharia economics provides an integrative approach between economic and ethical values. By emphasizing investment in the real sector, avoiding speculative activities, and channeling funds to productive projects, this system has proven to be more stable than the conventional interest-based system. Dusuki and Abdullah (2007) stated that the Islamic financial system is more

resilient to crises because it is based on the principles of fairness and transparency in transactions. This was proven during the 2008 global financial crisis, where Islamic financial institutions were relatively more stable than conventional financial institutions.

Apart from that, the sharia approach to managing economic resources also pays attention to environmental and social aspects, which are the foundation of sustainable development. For example, the productive *waqf* program has been used to provide public facilities such as hospitals, schools and sustainable agriculture, which provide long-term benefits for the wider community (Kahf, 2003).

3. Challenges of Implementing Sharia Economics

Even though it shows positive developments, the implementation of sharia economics in Indonesia still faces several obstacles. First, the level of public literacy regarding sharia economics is still low, resulting in low utilization of sharia products (Karim, 2013). Second, regulatory support and fiscal incentives from the government are not yet optimal, especially in the management of *zakat* and *waqf* so that they can synergize with national development policies. Third, the quality of human resources in the sharia financial industry still needs to be improved, both from a technical perspective and understanding sharia principles.

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