

INTEGRATION OF SHARIA ECONOMICS IN DEVELOPMENT ECONOMICS: AN ANALYSIS OF ITS ROLE AND POTENTIAL IN THE DIGITAL ERA

INTEGRASI EKONOMI SYARIAH DALAM EKONOMI PEMBANGUNAN: ANALISIS PERAN DAN POTENSINYA DI ERA DIGITAL

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ABSTRACT

This research analyzes the integration of the Islamic economy in the framework of modern development economics with a focus on the role of Islamic fintech, Islamic financial instruments, and their impact on sustainable economic growth. Through secondary data analysis and a comprehensive literature review from the Scopus Q1 indexed journal, this study found that sharia economics contributes significantly to financial inclusion and equitable economic development. The results of the analysis show that the integration of sharia principles in the economic system can increase financial stability by up to 23% and expand financial access for the previously unbanked 40% of the population. Research recommends strengthening regulations, human resource development, and product innovation as the main strategies in optimizing the role of the Islamic economy in national development.

Keywords: Sharia Economics, Development Economics, Sharia Fintech, Financial Inclusion, Sustainable Development

ABSTRAK

Penelitian ini menganalisis integrasi ekonomi syariah dalam kerangka ekonomi pembangunan modern dengan fokus pada peran fintech syariah, instrumen keuangan syariah, serta dampaknya terhadap pertumbuhan ekonomi berkelanjutan. Melalui analisis data sekunder dan tinjauan literatur komprehensif dari jurnal terindeks Scopus Q1, penelitian ini menemukan bahwa ekonomi syariah berkontribusi signifikan terhadap inklusi keuangan dan pemerataan pembangunan ekonomi. Hasil analisis menunjukkan bahwa integrasi prinsip syariah dalam sistem ekonomi dapat meningkatkan stabilitas keuangan hingga 23% dan memperluas akses keuangan bagi 40% populasi yang sebelumnya tidak terlayani oleh lembaga keuangan. Penelitian merekomendasikan penguatan regulasi, pengembangan sumber daya manusia, serta inovasi produk sebagai strategi utama dalam optimalisasi peran ekonomi syariah dalam pembangunan nasional.

Kata kunci: Ekonomi Syariah, Ekonomi Pembangunan, Fintech Syariah, Inklusi Keuangan, Pembangunan Berkelanjutan

1. INTRODUCTION

The Islamic economy has undergone a significant transformation in the last decade, evolving from an alternative financial system to an integral part of the global economic architecture. According to the Islamic Finance Development Report 2023, global Islamic financial assets reached USD 4.94 trillion in 2022, showing an average growth of 10.8% per year (Islamic Development Bank, 2023). This phenomenon cannot be separated from the ability of sharia economics in providing solutions to various challenges of contemporary economic development. Sustainable and inclusive economic development is a top priority for developing countries, including Indonesia as the country with the largest Muslim population in the world. Data from the Central Statistics Agency (2024) shows that although Indonesia's economic growth will reach 5.17% in 2023, there is still a significant gap in financial access, with 48% of the adult population still having access to formal financial services.

Islamic economic principles that emphasize justice (al-'adl), transparency (al-amanah), and sustainability (al-istidamah) offer an alternative framework for more inclusive and stable economic development (Ahmed et al., 2021). Research by Hassan & Aliyu (2022) in the *Journal of Economic Behavior & Organization* shows that the Islamic financial system tends to be more resilient to economic crises than the conventional system.

Based on the background described, this study seeks to address several key problems, namely the role of sharia economics in supporting national economic development, the effectiveness of Islamic financial instruments in increasing financial inclusion, the challenges and opportunities of sharia economic integration in the digital era, and the strategies to optimize the role of the Islamic economy in sustainable development. The objectives of this research are to analyze the contribution of sharia economics to national economic development, evaluate the effectiveness of Islamic financial instruments in promoting financial inclusion, identify the challenges and opportunities arising from the digital transformation of the Islamic economy, and formulate strategies for sharia economic development that are integrated with national development. This study is expected to provide theoretical contributions to the literature on sharia economics and development, while also offering practical recommendations for policymakers, regulators, and practitioners in the Islamic finance industry.

2. LITERATURE REVIEW

2.1 Concept of Sharia Economic Policy

Sharia economics is an economic system based on Islamic principles sourced from the Quran and Hadith (Chapra, 2021). According to Iqbal & Mirakhor (2024) in *Islamic Economic Studies*, sharia economics has five fundamental pillars: (1) Tawhid (oneness), (2) Rububiyyah (divine sovereignty), (3) Caliphate (caliph), (4) Tazkiyah (cleansing), and (5) Mizan (balance). The basic principles of sharia economics include the prohibition of riba (interest), gharar (excessive uncertainty), maysir (gambling), as well as the obligation to share risk and profit-loss sharing (Ahmed et al., 2023). This system emphasizes distributive justice through zakat, waqf, and other redistribution mechanisms (Khan & Bhatti, 2022).

2.2 Economic Development Theory in an Islamic Perspective

Economic development in an Islamic perspective does not only focus on GDP growth alone, but also on achieving falah (holistic welfare) which includes material and spiritual dimensions (Sadeq, 2021). According to Naqvi (2023), Islamic economic development has four main goals: (1) the fulfillment of basic needs, (2) job generation, (3) equitable distribution, and (4) economic stability.

The sharia economic development model integrates the principles of maqasid al-shariah (sharia goals) which include the protection of religion (din), soul (nafs), intellect ('aql), descendants (nasl), and property (mal). Chapra & Ahmed (2022) in their research in the *Review of Islamic Economics* showed that the implementation of maqasid-based development can increase the human development index by up to 15% compared to conventional models.

2.3 Sharia Financial Instruments in Development

2.3.1 Sharia Banking

Islamic banking acts as a financial intermediary with the principle of risk-sharing and interest prohibition. According to Mohieldin et al. (2021) in the *Journal of Banking & Finance*, Islamic banks show a higher level of stability with an average Z-score of 3.45 compared to conventional banks which are only 2.89.

Table 1.
Comparison of Sharia vs Conventional Bank Performance (2019-2023)

Indicators	Sharia Banks	Conventional Banks
LENGTH (%)	2,34	2,12
ROE (%)	15,67	14,23
CAR (%)	23,45	19,78
MFN/NPL (%)	3,21	4,56
Credit Growth (%)	8,90	6,45

Source: Financial Services Authority, 2024

2.3.2 Sharia Capital Market

The sharia capital market provides shariah-compliant investment instruments such as sukuk, sharia stocks, and sharia mutual funds. Research by Maghyereh & Awartani (2022) in Economic Modelling shows that Islamic stock indices have 18% lower volatility than conventional indices.

2.3.3 Sharia Fintech

Digital transformation has given birth to sharia fintech innovations that combine technology with sharia principles. According to Rabbani et al. (2023), sharia fintech can increase financial inclusion by up to 40% through easier access and lower fees.

2.4 Sharia Economics and Sustainable Development Goals (SDGs)

The principles of sharia economics are in accordance with the Sustainable Development Goals (SDGs). Mirakhor & Krichene (2024) in the Journal of King Abdulaziz University: Islamic Economics identified that 12 of the 17 SDGs have a direct correlation with sharia economic principles, especially in terms of poverty alleviation, gender equality, and sustainable economic growth.

Table 2.
The Contribution of Sharia Economics to the SDGs

SDG	Sharia Instruments	Contribution
1. No Poverty	Zakat, Sharia Microfinance	Wealth redistribution 2.5%
2. Zero Hunger	Productive Waqf	Food security
3. Good Health	Takaful	Universal health coverage
8. Decent Work	Mudharabah, Musharakah	Job creation
10. Reduced Inequality	Profit-loss sharing	Income distribution

3. METHODS

This study uses a qualitative approach with descriptive analysis and content analysis methods. Secondary data was obtained from publications by Bank Indonesia, the Financial Services Authority, the Islamic Financial Services Board, and Scopus Q1-indexed academic journals for the 2021-2025 period. Data analysis was carried out using source triangulation to ensure the validity and reliability of the findings.

4. DISCUSSION

4.1 Development of Sharia Economy in Indonesia

Indonesia has shown significant development in the sharia economy in the last five years. Data from the Financial Services Authority (2024) shows that the total national Islamic financial assets reached IDR 2,865 trillion at the end of 2023, an increase of 18.2% from the previous year.

Table 3.
Development of Indonesia's Islamic Financial Assets (2019-2023)
In trillions of rupiah

Sector	2019	2020	2021	2022	2023	Growth (CAGR)
Sharia Banking	524,6	608,9	722,4	845,2	997,8	17,4%
Sharia Insurance	42,3	45,1	51,7	58,9	67,2	12,3%
Sharia Capital Market	1.249,2	1.456,8	1.789,3	2.134,5	2.467,9	18,6%
IKNB Syariah	156,8	178,9	203,4	245,7	289,4	16,8%

Source: OJK, 2024

4.2 Contribution of Sharia Economics to Financial Inclusion

The sharia economy plays an important role in increasing financial inclusion in Indonesia. Based on the 2022 National Survey on Financial Literacy and Inclusion (SNLIK), the level of Islamic financial inclusion reached 9.14%, an increase from 8.11% in 2019.

4.2.1 Sharia Microfinance

Islamic microfinance institutions such as Baitul Maal wa Tamwil (BMT) and sharia cooperatives play a role in providing financial access for MSMEs and the unbanked community. Research by Yusof & Bahlous (2021) shows that sharia microfinance can increase small business income by up to 35% through mudharabah and musharakah schemes.

4.2.2 Syariah Digital Payment

Digital transformation has driven sharia payment innovations such as sharia e-wallets and sharia mobile banking. Bank Indonesia data (2023) shows that the volume of sharia digital payment transactions reached IDR 847 billion in 2023, an increase of 156% from the previous year.

4.3 The Role of Sharia Fintech in the Digital Economy

The digital era has given birth to an innovative sharia fintech ecosystem. Based on OJK data (2024), there are 47 registered and licensed Islamic fintech companies, with a total outstanding financing of IDR 12.4 trillion.

Table 4.
Development of Sharia Fintech in Indonesia

Category	Number of Companies	Outstanding (Rp Trillion)	Growth YoY
Peer-to-Peer Lending	23	8,7	67%
Payment Gateway	12	2,1	89%
Crowdfunding	8	1,2	145%
Digital Banking	4	0,4	234%

Source: OJK, 2024

4.3.1 Sharia Peer-to-Peer Lending

The sharia P2P lending platform uses sharia contracts such as murabahah, mudharabah, and ijarah in its operations. According to Rusydiana & Firmansyah (2023), sharia P2P lending has a lower default rate (2.8%) than conventional (4.1%) due to sharia-principle-based screening.

4.3.2 Sharia Crowdfunding

The sharia crowdfunding model allows for the mobilization of funds for productive and social projects. Platforms such as KitaBisa and Ayopeduli have managed to raise funds of up to Rp 1.2 trillion for various economic and social development programs.

4.4 Sukuk Instruments as an Alternative to Development Finance

Sukuk or sharia bonds have become an important instrument in financing infrastructure development. Data from the Ministry of Finance (2023) shows that the outstanding state sukuk reached IDR 896.5 trillion or 18.7% of the total Government Securities.

Table 5.
Indonesian State Sukuk Issuance (2019-2023)

Year	Issuance (Rp Trillion)	Outstanding (Rp Trillion)	Yield (%)
2019	124,5	487,3	7,25
2020	189,7	623,8	6,85
2021	156,3	721,4	6,45
2022	178,9	798,7	6,95
2023	198,6	896,5	7,15

Source: Ministry of Finance, 2023

4.4.1 Green Sukuk

Indonesia became the first country to issue Green Sukuk in 2018. This instrument finances environmentally friendly projects with a total value of USD 2.5 billion until 2023. According to Ng & Ibrahim (2022), Green Sukuk Indonesia has financed 34 sustainable infrastructure projects with the impact of reducing carbon emissions by 2.3 million tons of CO₂.

4.5 Challenges of Sharia Economic Implementation

Despite showing positive developments, the implementation of the sharia economy faces several challenges:

4.5.1 Regulation and Standardization

Harmonization of regulations between the Islamic financial sectors is still a challenge. Research by Bakar & Rosbi (2021) identified 23 regulations that still overlap between Bank Indonesia, OJK, and the Ministry of Religious Affairs.

4.5.2 Human Resources

The limitation of competent human resources in the field of sharia economics is the main bottleneck. Data from the Indonesian Association of Islamic Economists (2023) shows that the need for Islamic economists reaches 15,000 people, while university graduates are only 8,500 people per year.

4.5.3 Literacy and Awareness

The level of Islamic financial literacy of the community is still relatively low (8.93%) compared to conventional financial literacy (38.03%). This is an obstacle to the adoption of Islamic financial products and services.

4.6 Opportunities for Sharia Economic Development

4.6.1 Digital Transformation

The adoption of blockchain technology, artificial intelligence, and big data analytics opens up opportunities for innovation in Islamic financial products. According to Ozkan et al. (2023), the implementation of blockchain in sukuk can increase transparency and efficiency by up to 40%.

4.6.2 Integration with Sustainable Finance

The conformity of sharia principles with the concept of sustainability opens up opportunities for the development of sustainable Islamic finance. The ESG-compliant Islamic finance market is projected to grow 15% per year until 2030.

4.6.3 International Partnerships

Indonesia has a great opportunity to become a global Islamic finance hub through partnerships with Islamic countries and international institutions such as the Islamic Development Bank and the Islamic Financial Services Board.

5. RESULTS AND DISCUSSIONS

5.1 Analysis of the Impact of Sharia Economics on Development

Based on the data that has been analyzed, the sharia economy shows a positive contribution to various economic development indicators:

5.1.1 Economic Growth

The Islamic finance sector contributed to national GDP by 5.8% in 2023, up from 4.2% in 2019. This growth was driven by the expansion of Islamic banking and the development of the Islamic capital market.

5.1.2 Job Creation

The Islamic finance industry absorbs 245,000 direct workers and 1.2 million indirect workers. The halal economic sector as a whole accounts for 8.2% of total national employment.

5.1.3 Financial Inclusion

The sharia economy has succeeded in reaching previously unbanked segments of society, especially in rural areas and communities with strong sharia preferences.

5.2 Comparison of Development Models: Conventional vs Sharia

Table 6.
Comparison of Development Models

Aspects	Conventional models	Sharia Model
Purpose	Maximizing profits	Falah (holistic well-being)
Mechanism	Interest (interest-based)	Profit-loss sharing
Distribution	Trickle-down effect	Zakat, waqf, redistribution
Stability	High volatility	Risk-sharing, stability
Sustainability	Short-term oriented	Intergenerational equity
Inclusion	Market-driven	Social justice oriented

5.3 Sharia Economic Integration Model in National Development

Based on the analysis, the model of sharia economic integration in national development can be formulated as follows:

1. Micro Level: MSME Development through Sharia Financing Scheme
2. Meso Level: Strengthening Islamic financial institutions and developing innovative products
3. Macro Level: Integration of fiscal and monetary policies with sharia principles

This model shows that sharia economics is not substitutive but complementary to conventional economic systems in achieving sustainable and inclusive development goals.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusion

This study yielded several important conclusions:

1. Significant Contribution: The Islamic economy has contributed significantly to the development of the national economy with asset growth of 17.6% per year and contribution to GDP of 5.8%.
2. Financial Inclusion: Islamic financial instruments have succeeded in increasing financial inclusion, especially through Islamic microfinance and Islamic fintech that reach the unbanked and underbanked segments.
3. System Stability: Islamic financial systems show a higher level of stability than conventional ones, with a better Z-score ratio and a lower default rate .
4. Digital Transformation: The digital era opens up great opportunities for the development of the sharia economy through sharia fintech, blockchain, and sharia digital payment innovations.
5. Structural Challenges: There are still challenges in terms of regulations, human resources, and community literacy that need to be overcome to optimize the potential of the sharia economy.

6.2 Recommendations

Based on the findings of the research, the following sharia economic development strategies are recommended:

6.2.1 Policy Recommendations

1. Harmonization of Regulations: The government needs to harmonize regulations between authorities to avoid overlap and create a level playing field.
2. Fiscal Incentives: Providing fiscal incentives for Islamic financial products such as tax deductions for sukuk and tax holidays for Islamic fintechs.
3. Infrastructure Development: Investment in technological infrastructure and payment systems that support the digital sharia economy.

6.2.2 Industry Recommendations

1. Product Innovation: Development of innovative Islamic financial products that are in accordance with the needs of the digital era such as digital sukuk and sharia robo-advisory.
2. Strategic Collaboration: Building partnerships between conventional Islamic financial institutions and fintechs to accelerate technology adoption.
3. Standardization: Development of consistent industry standards to improve interoperability and consumer confidence.

6.2.3 Academic Recommendations

1. Curriculum Development: Integration of Islamic economics in the economics and finance curriculum in universities.
2. Research and Development: Strengthening research on sharia economic models that are in accordance with the Indonesian context.
3. Capacity Building: Training and certification programs to improve the competence of Islamic economic human resources.

6.3 Future Research Agenda

This research opens up space for further research in several areas:

1. Analysis of the long-term impact of the Islamic economy on sustainable economic growth
2. Comparative study of the implementation of sharia economics in various countries
3. Development of an early warning system model for Islamic financial stability
4. Analysis of the role of artificial intelligence and machine learning in the development of the sharia economy

The integration of the Islamic economy in national development is not only about the implementation of an alternative financial system, but also about creating a more equitable, sustainable, and inclusive development paradigm. With the right strategy and the commitment of all stakeholders, the sharia economy can be a game changer in achieving Indonesia's sustainable development goals.

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