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by Zainal Arif

Submission date: 22-Oct-2022 09:04PM (UTC+0700)

Submission ID: 1932308948

File name: IJAIR_Zainal_2022_PUSAT_PAYMENT.docx (33.05K)

Word count: 4113

Character count: 22942

IMPROVEMENT OF THE SHARIA ECONOMY THROUGH DIGITALIZATION OF THE ECONOMY IN INDONESIA

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ABSTRACT

The emergence of the Covid-19 pandemic has encouraged technological progress and digitalization so that later there was a change in people's consumption patterns to become completely online. This has resulted in various financial sectors trying to integrate and adapt to advances in technology and digitalization, including sharia-based industry players. This research was carried out to see the developments and improvements that occurred in the Islamic Economy as a result of the emergence of economic digitization in Indonesia. This research will be carried out using a qualitative approach and data from various research results and previous studies still relevant to this research. The results of this study found that there was an increase in Islamic finance. This is because the emergence of the digitalization era makes it easy to do things, including conveying information. The players from the Islamic finance industry will be able to convey their information to the public more easily, and the majority of the Indonesian population is Muslim, thus causing the rapid development of the Islamic Economy in this era of economic digitization.

Keywords: Economy, Digitalization Era, Sharia Economics, Sharia.

A. INTRODUCTION¹

The reappearance of Islamic economics on the surface of the earth makes a substantial contribution to the new economic system, with new models and innovations that are applied in accordance with the conditions it experiences, without compromising the values that must be implemented in the Islamic economic system. Nonetheless, it is clear that this Islamic economic system is not new and has a recent history in the modern era (Mignolo, 2021).

The Islamic financial system is one of the systems that uses the fundamental Islamic principles of sharia and the basis of Islamic law as a reference and a guide. The use of this system can be carried out for activities in Islamic financial institutions. In essence, the financial system has the main task of diverting loanable funds from customers to fund users (Pratama et al., 2019).

The basic principles of sharia used by this financial system come from the rules set in the Qur'an and the sunnah that Islam believes in. The prohibition imposed on the Islamic economic system prohibits usury, gambling, monopoly, fraud, gharar, hoarding of goods, etc. Therefore, this system's financial activities must follow sharia principles regulated through the Qur'an and Sunnah.

Looking at the development of the Islamic economy in the country is an exciting topic to discuss. Sharia economic growth has progressed rapidly in the last three years, considering that Indonesia is also a country with the largest Muslim population in the world (Khitam, 2022).

One of the factors that drive Sharia economic growth is a halal lifestyle, which is a lifestyle that observes and is in harmony with a lifestyle according to sharia or ethical principles that can be applied by anyone of all ages, including millennials who now play a role in introducing these lifestyle trends (Karoui & Khemakhem, 2019).

Similarly, experienced by the Sharia-based financial sector's market share of Islamic banking is also growing from year to year. According to data released by the Financial Services Authority (OJK) in January 2021, Islamic Finance assets have increased by 14.2%. The concept of non-usury finance is increasingly in demand, providing a sense of comfort and distinct advantages for users/customers regardless of religion.

The growth potential of the Islamic finance industry is still promising and has the potential to continue to grow, especially if all business actors in these sectors can synergize and collaborate effectively to be able to contribute positively to the national economy of the country (Menne et al., 2022).

Since the pandemic began last year, advancements in digitalization technology have played a significant role in shaping consumer habits in an all-online world and encouraging the financial industry to compete to satisfy the requirements of the community (Lo, 2021).

The Islamic finance sector can still expand its wings through various business fields or other businesses, such as tourism, media, supply chain, and medicine; which provides opportunities for these sectors to fulfill their social responsibilities by emphasizing unique and sustainable values that have a positive effect on society (Shammi et al., 2021).

To accomplish this, it is necessary to develop a well-targeted business strategy and foster strong collaboration between diverse stakeholders, such as regulators, experts, and Sharia-based industry players, in order to jointly face challenges, develop market potential, and increase public acceptance of the Islamic economy and finance.

B. LITERATURE REVIEW

1. Sharia Finance

Islamic finance is a financial management system implemented regarding Islamic principles and the basis of Islamic law as a guideline. This applies not only to the system but also to financial institutions and the products they offer (Hassan et al., 2021).

In particular, the purpose of this management is no different from conventional financial management in general, this management functions to transfer stored funds sourced from customers to fund users. However, interest determination in Islamic finance is profit sharing for loans and savings. The profit sharing will be based on Islamic law (Mosteanu & Faccia, 2020).

In addition to some of the things that have been mentioned, there are still many things about this that you need to know about managing money according to sharia-based on Islamic principles. This is due to Islam's teachings, which recognize the concept of maintaining wealth so that it can be owned by all humans properly. Not only that, but its management must also benefit many people (Liu et al., 2022). The management system applied is based explicitly on Islamic teachings. The principle of financial management is to expect the pleasure of Allah SWT. In addition, this management system is also free of interest. This is done because flowers are one of the things that are prohibited in the Qur'an. Therefore, Islamic finance only recognizes a profit-sharing system.

2. **Islamic Financial Management**

Management comes from French, which means the art of organizing and executing. Management means planning, organizing, coordinating and controlling resources to effectively and efficiently achieve goals (goals) effectively and efficiently. Meanwhile, broadly, management implies a process of planning, organizing, coordinating, and controlling resources to achieve goals or objectives effectively and efficiently (Pan et al., 2021).

Sharia financial management is an economic managerial activity to achieve goals by paying attention to compliance with Sharia principles in Islam. There are several things you should know about Islamic financial management. The first is fundraising activity. This means that everything that is done as an effort to obtain assets must pay attention to methods that follow sharia, such as mudharabah, musyarokah, murabahah, greetings, istishna, ijarah and others (Ridwan & Mayapada, 2022). The second is the activity acquisition activity. This point means that in terms of wanting to invest money, you must also pay attention to the principles of “money as a medium of exchange, not as a traded commodity”, which can be done directly or through intermediary institutions such as Sharia banks and Sharia mutual funds (Aruan & Felicia, 2019).

Next is the activity of using funds. The explanation is that the assets obtained are used for things that are not prohibited, such as buying consumer goods and so on. Used for recommended things, such as infaq, waqf, and shadaqah. Used for required things such as zakat (Aji et al., 2020).

3. **Sharia Finance Principles**

In terms of how to obtain it, Islamic finance must be based on the principles of Islamic finance, namely by avoiding transactions prohibited by Islamic sharia. Transactions that are forbidden by sharia include:

- a) Dealings with objects of illicit substances
- b) Riba transactions (requires excess returns from accounts payable)
- c) Gharar transactions (uncertainty about what should be confirmed)
- d) Maysir transaction (speculation)
- e) Risywah transactions (bribes)
- f) Tadlis transactions (fraud)
- g) Immoral transaction
- h) Unjust transactions, as well as all transactions that do not meet the terms of the contract (Ishak & Asni, 2020)

From the professional side, every profession that is carried out, such as buying and selling, consists of goods and benefits, this benefit consists of the benefits of goods and the benefits of actions (services) to obtain assets according to sharia.

- a) Merchants of goods such as vegetable traders, food traders, and traders of any halal goods.
- b) Merchant benefits of goods are vehicle rental owners, home rental owners, and rental storage owners.
- c) Merchant benefits of deeds (services) are graphic design services, laundry services, and others (Ahmad Hamid et al., 2021).

In terms of spending, in this case, too, we must avoid transactions prohibited by Islamic law. We must know not only the source of the funds but also lawfully allocate them, such as providing a living for ourselves, our parents, wives, children, brothers, the poor, and others (Shovkhalov & Idrisov, 2021). That is an explanation of Islamic financial management, of course, financial management is essential in our lives, especially in carrying out religious law Islamic financial management. In managing business finances, it is also necessary to monitor where and where the company will use the money and apply the sharia principles that have been discussed (Riinawati, 2021).

4. Digital Era

In general, the digital era is a state of existence or a time period in which all life-sustaining tasks are facilitated by technology. It is also possible to say that the digital age has arrived to replace obsolete technologies with those that are more useful and contemporary (Pirhonen et al., 2020).

As the number of new technologies introduced to the public increases, some of the older technologies will inevitably become obsolete. So technological development in the digital era continues to run (Reitz et al., 2020). Here's the progress:

a) Communications

The field of communication is experiencing the most rapid development regarding digitalization. In the past, you had to use a cellphone by relying on communication between SIM cards to connect with other people from different places. Then the development of communication in the digital era began to occur with smartphones with very sophisticated features (Pencarelli, 2020). One of the most important parts is the internet function which has become much more optimal and is used to communicate with other people. You can also communicate via video calls which in the era of ordinary cell phones could not be done at all (Wargadinata et al., 2020).

b) Applications For Business

Another development that is starting to become massive is using business applications. Digital technology makes it easier for companies to reach consumers. In contrast to the past, it wasn't easy to introduce their products to consumers. The impact is that entrepreneurs who are not ready for the digital era will automatically start to be out of date. Everyone has to switch to digital technology (Björkdahl, 2020).

c) Technology Finance

The development of the financial sector has also been seen in recent years when the number of digital wallet providers has increased. This development is still related to application-based business. Because fintech also relies heavily on applications to provide services to its users. You can make transactions using only a smartphone without leaving the house (Mutiara et al., 2019).

d) E-Commerce

E-commerce is another development that contributes considerably to the expansion of the economy. This is a service that provides digitally delivered products and goods via an application or website. You no longer need to go to the mall to purchase anything because you can now do it immediately through your smartphone. It also helps sellers to increase their purchases (Xuhua et al., 2019).

C. ³ **METHOD**

This research will be carried out using a qualitative approach. The data used in this study came from various research results and previous studies relevant to this research. After the researcher has collected the research data, the data will then be processed, so that the conclusions in this study can be found.

D. **RESULT AND DISCUSSION**

1. **Future Opportunities for Islamic Economy Due to Economic Digitization**

Today, information and communication technology development has made various innovations in various lifelines, including Islamic banking and entrepreneurship. Islamic economics is expected to be able to answer these opportunities at a practical level in pioneering and managing sharia entrepreneurial businesses in anticipation of limited employment opportunities. The digital economy currently provides an opportunity for the Islamic economy to take part optimally, especially in the Islamic banking area, which is starting to show progress. Ease, convenience, speed, efficiency, security, and flexibility of economic transactions are expected to be obtained from the use of the digital economy so that the wider community can still run their business even though they have high mobility. Economic activities such as online payment transactions are not only accessible because they can be carried out by the seller/producer as well as by the buyer/consumer, all of whom are sharia entrepreneurs but can also involve Islamic banking, meaning that both parties have easy access to carry out transactions to increase sharia economic activities regularly.

Meanwhile, the digital economy has access for 24 hours, and this can be done anytime and anywhere, which means the space for using the digital economy application is flexible and expansive so that anyone who wants a transaction can do it immediately and can pay at the same time. In conventional sales systems, opportunities like this are difficult to find because consumers are obliged to go to the market or shop, and if the desired transfer system is in payment, the buyer must come to the bank and through an ATM. In general, buyers/consumers feel reluctant, especially if they have essential activities that are difficult to abandon, so the possibility of a purchase transaction failure increases.

The digital economy is gradually anticipating this and trying to maintain consumer/buyer trust by giving an excellent impression to form trust between the two parties so that transactions and sharia economic activities can increase and the opportunities can be optimally utilized.

2. **Islamic Economic Challenges in the Digital Economy**

One of the results of technological developments in communication is social media. One part of communication is sales, so social media's influence also impacts economic transactions. These economic activities include promotion through social media, which is also one of the challenges of the future of Islamic economics, namely how to make maximum use of social media because it has an extensive network and access to its use almost all the time.

Most Muslim consumers currently carry out Islamic economic activities through the digital economy. The digital economy has formed a new marketing space with accurate, fast,

and broad reach. Personal marketing networks can be created by producers/sellers with Muslim consumers, and besides that, sellers/producers can directly build or introduce their products to the “world” with “fingers” through the digital economy. One of the Islamic economic activities is promotion through digital media, which is categorized as an activity that is relatively affordable and has a huge effect if appropriately managed. This is one of the reasons why digital media promotion can significantly influence the future challenges of the Islamic economy. One of the challenges of advertising is interesting content to get the attention of buyers/consumers.

One of the challenges for the Islamic economy is how to make consumers/communities interested in carrying out sharia economic activities, be it sharia entrepreneurship or through sharia banking. Another Sharia economic challenge is that Sharia banking and Sharia entrepreneurs must prove that the economic activities carried out are worth the transactions made. Therefore, the quality of goods becomes urgent so Muslim consumers do not feel cheated or disappointed. This is very important because, in this digital economic system, the physical form of the product is direct and tangible, the buyer/consumer cannot see and know it.

3. The Future of Sharia Economy in the Digital Economy Era

According to Basu Swastha, other factors, such as advertising, demonstrations, campaigns, and giving gifts, are things that affect sales because it is expected that with these factors, consumers will make purchases of the same goods again so that Sharia entrepreneurs and or Sharia banking can take advantage of opportunities well and respond to challenges and ultimately the wheels of sharia economic growth are accelerating.

Sharia economic actors must be able to translate well the development of the digital economy, which also provides new opportunities and challenges that are not easy. The ability to adapt will make Sharia entrepreneurship and Sharia banking develop rapidly because the primary key to economic transactions, both online and conventional, is honesty and trust between producers/sellers and consumers/buyers. So it should prioritize and maintain good Islamic economic values and principles.

There are several essential things in this paper as material for evaluation and improvement in formulating a better method for sharia entrepreneurship and banking in the future. Something that can be done includes:

- a) Sharia activists and economists should take advantage of digital economy opportunities as well as possible and optimally to increase sharia economic activity.
- b) The enormous potential possessed by the digital economy, in this case, social media, is expected to maximize productivity and the value of benefits that can be taken for Sharia economists through sharia entrepreneurship and sharia banking.
- c) One of the challenges for the Islamic economy, which is expected to adapt well, is today’s digital economy’s development. In various lines of life and business, Islamic economics is growing rapidly along with the entry of information and communication technology that offers easy access to multiple lines of energy. So many new sharia business sectors have sprung up, especially those that use online systems, requiring a new business strategy so that the Sharia economy can continue to grow. The dynamics of competition also require high adaptability so that Islamic economic activities can continue to learn and not be left behind in the competition because the use of the

digital economy is only a small simulation of how significant changes in economic activity are out there.

4. Islamic Finance Growth in the Digital Economy Era

Along with the development of globalization, the condition of Islamic finance is also growing and getting a good response from various regions. The development of Islamic finance has grown rapidly over the last 2 decades with the presence of Bank Muamalat as a bank that runs its operations according to Islamic law.

In 2019, Indonesia's total Islamic financial assets amounted to US\$99 billion, up from US\$86 billion in 2018. The growth in total assets places Indonesia in seventh place globally in terms of total Islamic financial assets. The Islamic banking sector experienced the greatest growth, with an increase of US\$10 billion from US\$28 billion to US\$38 billion, followed by an increase in Sukuk from US\$51 billion to US\$57 billion. Indonesia ranks in the top ten countries in terms of total assets in all Islamic finance sectors, including sharia banking, sharia insurance, and non-Islamic financial institutions other than takaful, Sukuk, and sharia mutual funds. This demonstrates that Indonesia is among the countries that should serve as a model for Islamic finance. In addition to the rise in total Islamic financial assets, Indonesia's ranking on the Islamic Finance Development Indicator 2020 reported in the Islamic Finance Development Report 2020 also rose. Indonesia, which was ranked fourth in 2020, was ranked second in 2021, after Malaysia. The growth was driven by the Knowledge and Awareness category, which is characterized by the highest number of Islamic financial education institutions and the second-highest number of Islamic finance research papers produced per country.

Sharia financial assets grow yearly in sharia banking, IKNB, and capital markets. The real growth of Islamic financial assets that occurs cannot be separated from the interest of the public, who are increasingly interested in Islamic finance, coupled with the development of this era of digitalization.

E. CONCLUSION

Along with the times, Islamic finance also continues to grow. Numerous statistics and facts indicate that Islamic finance is expanding each year. Obviously, this cannot be divorced from the development of current technology. In our digital age, everything has become simpler. One of them is knowledge. Through social media, stakeholders in Islamic finance can share information more efficiently.

In this manner, individuals are growing increasingly anxious about where and how to invest their money. Indonesia is a country where Muslims constitute the majority of the population. Consequently, it is not unexpected that Islamic finance continues to expand rapidly in Indonesia, as more and more people see that the transactions they wish to engage in are unquestionably halal and can be a boon to the community.

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