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## SHARIA ECONOMY AS THE FOUNDATION OF THE PEOPLE'S ECONOMY TO ACHIEVE A PROSPEROUS INDONESIA

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### Abstract

This study examines the role of Islamic economics as the foundation for a people-centered economy in promoting sustainable economic growth and realizing the vision of a prosperous Indonesia. The objective is to analyze how Islamic economic principles grounded in justice, sustainability, and social responsibility can contribute to equitable distribution, community empowerment, and the elimination of harmful economic practices. The research employs a qualitative descriptive method, using literature review and analysis of secondary data from relevant sources on Islamic economic practices and their impacts. The findings reveal that the implementation of Islamic economic instruments such as zakat (almsgiving), waqf (endowments), and Islamic financing plays a significant role in supporting micro, small, and medium enterprises (MSMEs), reducing socio-economic disparities, and strengthening the real sector. These mechanisms contribute to building a more inclusive, stable, and welfare-oriented economic system. In conclusion, Islamic economics holds substantial potential as a foundation for a people-centered economy, offering practical solutions to achieve sustainable development and economic prosperity in Indonesia. This study contributes to the discourse by demonstrating the practical relevance of Islamic economics in addressing contemporary economic challenges and fostering inclusive growth.

**Keywords:** indonesia; islamic economics; people-centered economy; prosperity.

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### Introduction

Indonesia is a country with the largest Muslim population in the world, which has great potential to implement the principles of Islamic economics in its economic system (Surur et al., 2024). Islamic economics, which is based on Islamic values such as justice, honesty, and social responsibility, offers an alternative economic system that focuses not only on economic growth, but also on equitable distribution of public welfare. In the context of people's economy, Islamic economics has an important role because it is in line with principles that encourage inclusiveness, community participation, and real sector empowerment (Dzulkepli & Barom, 2021).

Conventional economic systems that are widely adopted by countries in the world, including Indonesia, often face various challenges, such as inequality in wealth distribution, exploitation of resources, and the negative impact of globalization on local economies (Kaplinsky & Kraemer-Mbula, 2022). In this condition, the people's economy is one of the solutions considered relevant to overcome these problems. A populist economy emphasizes the strengthening of the micro, small, and medium enterprise (MSME) sector, community participation in economic development, and equitable access to economic resources. However, in its implementation, this system requires a solid foundation of values to ensure its sustainability and success. This is where sharia economics comes into play as a foundation that can provide direction and ethical principles for the development of a populist economy (Ali & Huda, 2022).

Islamic economics offers a holistic concept, where economic aspects are not separated from moral and spiritual values. Principles such as tawhid (unity), distributive justice, the prohibition of usury (interest), and the recommendation to share through zakat and infaq are elements that make Islamic economics relevant to be applied as the basis of a populist economy (Lubis et al., 2023). By prioritizing these values,

Islamic economics not only aims to increase income and wealth, but also create social balance and reduce economic disparities in society.

In addition, strengthening the people's economy through a sharia approach can be an effective strategy to achieve the vision of a prosperous Indonesia. This is because sharia economy has mechanisms that support community empowerment, such as sharia-compliant financing, productive waqf management, and empowerment through sharia cooperatives. Through these mechanisms, MSMEs, which are the backbone of the national economy, can be strengthened so that they can contribute significantly to economic growth and welfare distribution (Mayangsari et al., 2024).

However, despite its great potential, the implementation of Islamic economics as the foundation of the people's economy still faces various challenges. Among these are the lack of public understanding of the concepts and benefits of Islamic economics, the limitations of supporting infrastructure such as Islamic financial institutions, and the lack of optimal government regulations and policies that support the widespread implementation of Islamic economics (Abbas & Aravossis, 2024). Therefore, an in-depth study is needed to further explore the potential and development strategies of the Islamic economy so that it can play a maximum role in supporting the people's economy and creating equitable welfare in Indonesia.

This study aims to analyze the role of Islamic economics as the foundation of the people's economy in an effort to achieve a prosperous Indonesia. Through this approach, it is expected to obtain a comprehensive picture of the relationship between the principles of Islamic economics and community-based economic development, as well as recommendations for more effective Islamic economic development in Indonesia.

## Research Method

This research adopts a qualitative approach, utilizing a literature review as the primary method for data collection. The study systematically gathers data from a variety of secondary sources, including peer-reviewed journal articles, books, official reports, and relevant publications on Islamic economics and its application in people-centered economic systems. The data collection process involves identifying credible and up-to-date literature that discusses the principles, instruments, and impacts of Islamic economics in promoting economic equity and sustainability.

The selection criteria for the literature include relevance to the research objectives, publication within the last ten years to ensure current perspectives, and academic rigor. Data sources are obtained from academic databases such as Google Scholar, Scopus, and relevant institutional repositories.

For data analysis, the study employs content analysis techniques to interpret and categorize the information gathered. The analysis focuses on identifying key themes related to the role of Islamic economic instruments such as zakat, waqf, and Islamic financing in supporting micro, small, and medium enterprises (MSMEs), reducing socio-economic disparities, and fostering sustainable economic growth. Through thematic coding and synthesis of findings, the study aims to provide a comprehensive understanding of how Islamic economics can serve as a foundation for a people-centered and prosperous economy in Indonesia.

## Result And Discussion

### Definition of Sharia Economics and its Characteristics

According to Ash-Shidiqy, Sharia economics is a response from Muslim scholars to economic challenges that arise in a particular era. This development process is guided by the Qur'an and As-Sunnah while also incorporating reasoning (*ijtihad*) and practical experience (Sani, 2022).

Meanwhile, M. A. Mannan defines Islamic economics as a social science that examines economic issues within society, drawing inspiration from Sharia principles. Mannan argues that Islamic economics functions as both a positive and normative science, as these two aspects are interconnected in shaping and evaluating a well-structured economic system.

Islamic economics possesses several distinctive characteristics that serve as its identifiers, including:

1. Being an integral part of the comprehensive Sharia framework.
2. Establishing a balance between individual needs and the collective welfare of society.

## Basic Principles of Sharia Economic System

### A. Individual Freedom

Every individual has the right to make decisions regarding the fulfillment of their life needs. This freedom allows humans to fully optimize their potential (Youvan, 2024). However, in the context of Sharia, individual freedom is rooted in the principle of *tawhid*, which liberates individuals from dependence on anything other than Allah.

With this foundation, humans are encouraged to innovate and create positive changes, as Islamic teachings emphasize that humans serve as *khalifah* (stewards) of Allah on Earth. Their role includes preserving and responsibly managing natural resources. Consequently, while humans are granted the ability to utilize nature's resources to the fullest, they also bear the responsibility of maintaining ecological balance and sustainability.

This perspective stands in contrast to current realities, where natural resources are often exploited without considering their long-term sustainability. Such reckless actions have contributed to environmental degradation and disasters, as witnessed in recent years.

### B. The Right to Property

In Sharia, individuals are granted the right to own property, but ownership must be acquired through lawful means that align with Islamic principles. The Sharia framework ensures that property rights are established for the common good, fostering mutual respect and fairness in wealth distribution (Handayani et al., 2023). For Muslims, property is not merely personal wealth but a trust (*amanah*) from Allah. As stated in the Quran:

*"O you who believe, do not consume one another's wealth unjustly, but only [do so] through lawful trade conducted with mutual consent. And do not kill yourselves; indeed, Allah is Most Merciful to you."*

Wealth, in Islamic teachings, is regarded as a responsibility entrusted by Allah to humankind, which must be managed wisely and accounted for in the hereafter.

*"He is Allah, who has created all that is on Earth for you. Then He directed Himself to the heavens and made them into seven heavens. And He is All-Knowing of everything."*

A devout Muslim understands that Allah's blessings carry great significance and should not be wasted. Every resource provided by Allah is believed to have a purpose and must be used responsibly for the benefit of all.

### C. Economic Inequality within Reasonable Limits

Sharia acknowledges the presence of economic disparities among individuals. In reality, some people can easily meet their daily needs, while others struggle. As a result, financial resources that serve the common good must be available to balance these economic gaps.

One of the key instruments in achieving economic balance within a country is zakat. Several types of zakat are required to be paid, including:

1. Zakat on wealth
  - a. Zakat on trade and commercial goods
  - b. Zakat on mining resources
  - c. Zakat on professional income
  - d. Zakat on livestock
  - e. Zakat on agricultural produce
2. Zakat fitrah

The zakat regulations mentioned above apply to individuals who possess wealth exceeding the minimum threshold (nisab) as determined by Islamic jurisprudence (fiqh).

Zakat, along with voluntary charitable giving such as infaq and sadaqah, serves as an economic equalizer. The funds collected from these sources are distributed to those in need, ensuring that economic disparities within society remain manageable and do not lead to extreme imbalances.

### D. Social Security

Every individual has the right to reside within a country and have their basic needs met. It is the fundamental duty and responsibility of the state to ensure that all citizens can fulfill their essential requirements, in line with the principle of the right to life.

Within the Islamic economic framework, the state is entrusted with managing natural resources to enhance the well-being of society (Rifai, 2022). Therefore, sharia emphasizes wealth distribution through

mechanisms such as zakat, infaq, and sadaqah, which contribute to creating a more prosperous and equitable community.

The social effects of zakat can be seen from two aspects, namely the aspect of taking it from the rich and the aspect of giving it to the poor (needy).

In terms of taking it from the rich, it automatically cleanses them of their miserly nature and encourages them to make a habit of sacrificing and giving to their brothers who cannot afford it (Hilton, 2024). From the point of view of giving zakaah to the needy, it cleanses their souls from resentment and jealousy and saves them from any distress. Thus, the rich will be safe from the evils of the poor, and there will be security and mutual love in the whole community.

#### **E. Prohibition of Accumulating Wealth**

The Islamic economic system strictly forbids the hoarding of wealth without redistribution, as it disrupts the natural flow of the economy and hinders societal prosperity (Aravik et al., 2021). Muslim is encouraged to practice moderation in all aspects of life, including financial matters, and to avoid excessive accumulation of wealth.

"O you who believe, do not forbid the good that Allah has made lawful for you, and do not exceed the limit. Indeed, Allah does not like those who go beyond the bounds."

#### **F. Wealth Distribution**

In Sharia, hoarding wealth is not encouraged; instead, it strongly emphasizes the need to distribute wealth to those who are entitled to it. Natural resources are human rights that must be utilized for the well-being of society. However, their use can become problematic if not optimized according to Sharia principles (Amin et al., 2023). If an individual's sustenance has been determined by Allah, then any attempt to acquire it outside the boundaries of Sharia is considered unjust.

#### **G. Society**

Sharia places great importance on recognizing both individual and societal rights. Society plays a crucial role in shaping individual attitudes (refer to tarbiyah sources), meaning that an individual's character is influenced by the collective character of society (Islamy, 2024). Conversely, society exists because of individuals. Therefore, the active participation of both individuals and communities is essential in building an advanced civilization, which also encompasses economic factors.

*"And help one another in acts of righteousness and piety, and do not help one another in sin and transgression. And fear Allah; indeed, Allah is severe in punishment."*

### **Transformation of the Similarity of Popular Economic Values Found in the Islamic Economic System**

Before discussing the concrete concept of economic welfare within the framework of Islamic economics, it is essential to first understand the similarities between the characteristics of Indonesia's people's economy and Islamic economics. The key characteristics of Indonesia's people's economy include:

1. Belief in God,
2. Humanity,
3. Unity,
4. Deliberation and
5. Social justice Characteristics of Islamic economics

From these characteristics, it is evident that the goals of a populist economy and Islamic economics are fundamentally aligned. However, in practice, significant socio-economic disparities still exist due to the influence of socialist and capitalist economic systems. Therefore, the foundational principles of the Islamic economic system must be carefully considered to achieve economic welfare for the Indonesian people. Several key instruments that drive the Islamic economic system include:

1. Profit sharing (mudharabah)
2. Forward purchasing (salam)
3. Pawning (rahn)
4. Deposit (wadiah)
5. Loans

These instruments can be applied across various economic transactions, both in banking and other financial institutions, at both micro and macro levels.

In addition to these economic drivers, several economic balancing mechanisms within the Islamic economic system can be summarized as follows:

1. The fundamental principle of Profit and Loss Sharing
2. The implementation of zakat, infaq, and sadaqah
3. The productivity of waqf
4. Government intervention in providing public facilities and infrastructure

### **Effective Strategies for Internalizing the Sharia Economic System in Indonesia**

Given the significant potential of the Islamic economic system, its comprehensive implementation at both the socio-political and socio-economic levels in Indonesia should be prioritized. To accelerate its internalization and application, several strategic pathways can be utilized:

#### **A. Educational Institutions**

Through this avenue, the fundamental principles of Islamic economics can be introduced from an early age, ensuring that mainstream policies rooted in Sharia values become an integral part of education. This approach will contribute to producing highly competitive human resources (HR) who are both intellectually capable and morally grounded in Islamic teachings.

#### **B. Financial Institutions**

Once the foundational understanding of Islamic economic policies is well established through education, the next step is the practical application of these principles in financial institutions. Since the financial sector plays a crucial role in supporting the real sector, the integration of Islamic financial principles will strengthen overall economic development. Various implementations that can be applied within Indonesian financial institutions in accordance with Sharia principles include:

1. Islamic banking applications
2. Capital and money market applications
3. Islamic philanthropy applications, which involve the centralization of the collection and distribution of zakat, infaq, sadaqah, and productive waqf

#### **C. Government and Legal Institutions**

The legal framework also plays a vital role in institutionalizing the Islamic economic system. This includes the enactment of regulations related to Islamic finance, such as the Islamic banking law, sukuk law, and the reinforcement of various fatwas issued by DSN-MUI to be integrated into state policies.

### **Conclusion**

This study highlights the significant potential of Islamic economics as an alternative foundation for Indonesia's people-centered economy, distinct from conventional Socialist and Capitalist systems, which have yet to effectively address the country's economic disparities. Islamic economics offers a comprehensive framework that not only serves as an economic driver but also acts as a stabilizing force to promote justice, inclusivity, and resilience in the national economy.

The findings of this research contribute to the growing discourse on the relevance of Islamic economic principles in contemporary economic development, particularly in fostering equitable wealth distribution, empowering communities, and supporting micro, small, and medium enterprises (MSMEs). The study demonstrates that through the systematic internalization of Islamic economics via integration into educational curricula, the establishment and strengthening of Sharia-based financial institutions, and the development of supportive legal and regulatory frameworks Indonesia can advance towards sustainable and inclusive economic prosperity.

As a recommendation, policymakers are encouraged to prioritize the adoption of Islamic economic instruments in national economic planning. Additionally, further research is needed to explore the practical challenges of implementing Islamic economics at a larger scale and to assess its long-term impact on economic stability and social welfare. The broader implication of this study is the potential for Islamic economics to serve as a model for other countries seeking an ethical and people-centered approach to economic development.

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