

Integration of Islamic Economics with Modern Financial Systems: Challenges and Opportunities for Sharia-Compliant Growth

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<p>Accept: 01/09/2024</p> <p>Revised 08/09/2024</p> <p>Accepted: 25/09/2024</p> <p>Publishing: 01/10/2024</p> <p><i>Korespondensi*</i></p>  <p>This work is licensed under the Creative Commons Attribution 4.0 International License.</p>	<p>Abstrak -</p> <p>This article discusses the integration of the economy with the modern financial system and facing its opportunities and challenges. With the intention of informing the public about the application of Islamic economics in the financial system and its benefits for the country and society. This article is conducted with a literature review whose sources are obtained from books, articles, websites, and other supporting sources. The application of Islamic economic principles in a country can increase the country's economic growth which in practice will bring benefits to the people as a whole. The importance of implementing Islamic economics in the modern financial system so that its innovations can also improve society in the application and use of the modern Islamic financial system.</p> <p>Keywords:</p> <p>Economic Growth, Islamic Economics, Modern Financial System, Sharia Financial System.</p>
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Introduction

The development of Islamic economics has grown rapidly along with the spread of Islam in the past. Islamic economics is an economic science whose practice is based on Islamic principles. In Islamic economics there are also rules regarding the sharia financial system. Which financial system is one of the important indicators also influences various sectors of a country that include economics, social, education, etc. A country is said to be stable can be seen from the financial system of a country. In the financial system consists of 2 scopes, namely the conventional financial system and the Islamic financial system. Financial systems in various countries have differences. The financial system in Indonesia is a system consisting of financial institutions, financial markets, financial infrastructure, and non-financial companies and households that interact with each other in funding and providing financing for economic growth. While Islamic finance in Indonesia is the same as the conventional financial system, namely increasing economic growth, the difference is that Islamic finance uses sharia principles that are guided by the Qur'an and Hadith. In the modern era, in order to increase the productivity of the financial system, it is also not left behind in its existence by following the developments of the times, for example, banks in Indonesia utilize technology by launching digital access to make it easier for users/customers, such as mobile banking (m-banking).

The modern financial system has developed significantly along with the development of the times with innovations carried out in various parts of the world, as well as Islamic finance, the development of which can compete with conventional finance. Indonesia with a majority Muslim population, makes the Islamic financial system can develop rapidly starting from services and users that are so increasing that the Islamic financial system can even help increase state revenue through several Islamic financial products. With wide open opportunities, its development does not allow for challenges in the future. By seeing the opportunities and challenges that exist, the Islamic financial system continues to make changes, namely by utilizing technology and also studying it from an Islamic economic perspective.

Literature review

Islamic Economics

Islamic economics according to (Al-Jamal, 1980) is a collection of general principles of economics derived from the Qur'an al-Karim and as-Sunnah. Islamic economics is the main foundation for Muslims in conducting economic transactions based on Islamic principles and values. This includes the prohibition of usury, the prohibition of gambling, upholding the values of justice, and transparency in transactions. The goal of Islamic economics is to create an economic system that is in accordance with Islamic teachings, namely a system based on the principles of justice, balance, and welfare. Which sharia principles if implemented will obtain the welfare of the people.

Modern Financial System

The financial system is a system consisting of financial institutions, both banks and non-banks, financial markets, financial infrastructure, and households that interact with each other to provide financing and funding for economic growth. The modern financial system is no different from the financial system in general but is polished with innovations that utilize technology. Technological innovations in the form of ease of access and services that can be felt remotely such as using a smartphone.

Methodology

This article is written using qualitative research methods. With data collection using a literature research approach. The literature method is a method used to read a collection of books, journals/articles, data, information, references related to the research topic. In this article, source collection is done by searching for sources through books, journals/articles, websites, or other supporting sources that are relevant to the article as supporting arguments contained in the article.

Results and Discussion

Islamic economics is the science of economics that practices economic treatment based on Islamic principles. The principles of Islamic economics are the main foundation that regulates the economic behavior of Muslims. These principles do not only cover economic aspects alone, but also include moral, ethical, and social values that form the basis for the development of a just and sustainable economic system. One of the main principles in Islamic economics

is the concept of justice in the distribution of income and wealth. Islamic economics highly upholds the concept of justice so that the welfare of the people remains the main priority. By implementing Islamic economic principles, it can support all sectors in a country and be able to compete with conventional economic concepts such as in the financial, social, agricultural, etc. sectors.

The financial system is one of the important indicators in reviewing the country's economy. If a country's financial system is good, then the country's economy is also stable. The financial system in the economy is as a supporter of national economic activities, therefore the financial system is an important indicator in the country's economy. Islamic economics also regulates the issue of financial systems or other names for sharia finance. Unlike conventional finance, the principles of sharia finance are transparency in transactions, justice, prohibition of usury, and the welfare of the community or not only one party benefits but the other party must also feel it, or commonly called the term "Like for Like".

As the era of Islamic finance develops, it also makes innovations in the modern era by utilizing technology. Modern Islamic finance is able to contribute and innovate but does not eliminate the principles of Islam in it. Information that is easily conveyed through online media is currently an opportunity for Islamic finance to take over the country's financial system, especially Indonesia. With technology that has developed very rapidly, Islamic finance must provide digital services and good systems ranging. from security, comfort, and good service so that Islamic finance can be accessed widely and more efficiently so that more users will be able to use it and will affect state revenues. Muslim majority population has a huge market opportunity, supported by the existence of a halal industry that is currently developing well. This opportunity must be utilized by Islamic financial institutions as an opportunity to grow even faster.

Currently, Islamic financial institutions in Indonesia are developing well, one of which is in banking. Many Islamic banks have emerged, which used to be only Bank Muamalat Indonesia, now there are many other Islamic banks such as Bank Syariah Indonesia, CIMB Syariah, BTN, etc. These banks are banks that provide digital access to customers and also offer other products besides sharia-based savings ranging from insurance, cooperatives, pawnshops, financing, etc. that are sharia-based. Islamic economic principles in the financial system can increase the country's economic growth with products developed

based on sharia principles. One of its applications can be ZISWAF (Zakat, Sedekah, Wakaf, and Infaq) which will bring benefits to the community.

With such great opportunities, there are also challenges that will be faced in the future from modern sharia-based finance, namely the lack of public literacy about sharia finance is one of the challenges. To improve sharia financial literacy, the role and support of the government is needed so that access to literacy and services can be obtained evenly. The government must provide facilities and understanding to the public regarding sharia financial literacy. The integration of Islamic economics into the financial system will have an impact on society and the country. The principles applied, namely transparency, justice, prohibition of usury, etc., help reduce economic inequality and risks that may arise in the conventional financial system that prioritizes the whole or welfare of the people. By developing Islamic financial products, it can invite investors to invest and help promote economic growth. With the encouragement and support of the government, financial institutions, education and others, Islamic finance will be able to develop well, the benefits of which will be felt by the people and countries that implement it.

Conclusion

Islamic economics emphasizes the principles of justice, transparency, and the welfare of the people as the main foundation in regulating the economic behavior of Muslims. With the application of Islamic economic principles, the Islamic financial system has emerged as an alternative based on Islamic moral and ethical values. Indonesia, with its large market and rapidly growing halal industry, provides significant opportunities for Islamic financial institutions to grow and develop. Islamic banks that increasingly offer digital services and sharia-based products are an indicator of positive developments in the financial sector. However, the challenge of Islamic financial literacy needs to be addressed through the active role of the government in providing understanding and facilitation to the community. Integration of Islamic economics into the financial system can help reduce economic inequality and risks that may arise in the conventional financial system. With the support of the government, financial institutions, and education, Islamic finance can continue to grow and provide benefits to the people and countries that implement it.

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