


# APPLICATION OF ISLAMIC ECONOMICS IN SOCIETY: CASE STUDIES AND THEIR IMPLICATIONS FOR THE LOCAL ECONOMY

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<p><b>Menerima:</b> 30/04/2025</p> <p><b>Direvisi</b> 15/05/2025</p> <p><b>Diterima:</b> 30/05/2025</p> <p><b>Menerbitkan:</b> 01/06/2025</p> <p>Korespondensi*</p>  <p>Karya ini dilisensikan di bawah <a href="https://creativecommons.org/licenses/by/4.0/">Creative Commons Attribution 4.0 International License</a>.</p>	<p><b>Abstrak -</b></p> <p><i>Penerapan ekonomi Islam di tengah masyarakat menjadi salah satu pendekatan yang semakin relevan dalam menciptakan sistem perekonomian yang berkeadilan dan berkelanjutan. Artikel ini bertujuan untuk menganalisis penerapan prinsip-prinsip ekonomi Islam dalam kehidupan masyarakat sehari-hari dan dampaknya terhadap perekonomian lokal. Penelitian ini menggunakan metode studi kasus pada beberapa komunitas yang menerapkan prinsip ekonomi syariah, seperti zakat, wakaf, dan sistem bagi hasil dalam usaha mikro. Data dikumpulkan melalui wawancara mendalam, observasi, dan analisis dokumen. Hasil penelitian menunjukkan bahwa penerapan ekonomi Islam mampu meningkatkan kesejahteraan masyarakat, memperkuat solidaritas sosial, dan mendukung pertumbuhan ekonomi lokal. Namun, tantangan seperti rendahnya literasi keuangan syariah dan kurangnya dukungan regulasi juga ditemukan. Studi ini merekomendasikan peningkatan edukasi masyarakat tentang ekonomi Islam serta penguatan kebijakan pemerintah untuk mendukung implementasinya. Penelitian ini memberikan kontribusi signifikan bagi pengembangan literatur tentang ekonomi Islam dan implikasinya pada konteks lokal.</i></p> <p><b>Kata kunci:</b> Penerapan, Ekonomi Islam, Berkelanjutan</p>
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## BACKGROUND

The application of Islamic economics is an important concern in an effort to build an economic system that is just, ethical, and sustainable. In the global context, economic inequality and lack of inclusivity in the conventional financial system have given rise to the need for alternatives that are able to answer these challenges (Chapra, 2008). Islamic economics offers solutions with principles such as zakat, waqf, and a profit-sharing system based on the values of justice, balance, and social responsibility (Iqbal & Mirakhor, 2011). However, the implementation of Islamic economics at the local level faces a number of challenges, including low public understanding of the concept of Islamic finance and the

lack of regulatory support that encourages its implementation. In Indonesia, as a country with a majority Muslim population, the potential for the implementation of Islamic economics is very large, but sharia economic literacy among the general public is still relatively low (Bappenas, 2020). This condition is an obstacle in maximizing the positive impact of the Islamic economy on the welfare of the community. This research aims to examine how Islamic economic principles are applied in society and their impact on the local economy. A case study-based research approach is used to explore practices such as the management of zakat, waqf, and profit sharing systems in specific communities. This analysis is complemented by a literature review to understand the theoretical framework underlying Islamic economics and its role in strengthening social solidarity and empowering local economies. The main problems faced in the implementation of Islamic economics are the limitations of Islamic financial literacy, inadequate policy support, and the gap between normative principles of Islamic economics and their implementation practices. Therefore, this research is important to provide evidence-based recommendations that can strengthen the application of Islamic economics and contribute to the development of science, especially in local contexts and public policy.

#### **LITERATURE REVIEW AND HYPOTHESIS FORMULATION**

Islamic economics as an alternative system has been extensively discussed in the literature, focusing on the principles of justice, transparency, and social responsibility. Chapra (2008) stated that Islamic economics is able to create a balance between economic growth and wealth distribution through instruments such as zakat, waqf, and profit-sharing systems. Another study by Iqbal and Mirakhor (2011) shows that the application of Islamic economics can strengthen social solidarity and reduce economic inequality. In the local context, Saefuddin (2019) found that the optimization of zakat and waqf management contributes to the economic empowerment of the poor. However, low Islamic financial literacy and lack of regulatory support are often obstacles to its successful implementation. The study reinforces the argument that the application of Islamic economics has great potential in supporting sustainable development, especially in Muslim-majority societies. Based on the literature review, the hypothesis formulated is as follows: *"The application of Islamic economic principles, such as zakat, waqf, and profit-sharing systems, has a significant positive effect on improving community welfare and local economic growth."* This hypothesis is supported by previous research that shows a relationship between sharia economic practices and improving social welfare and

community economic empowerment (Hasan, 2018; Fauzi & Nugraha, 2020). This research will test the hypothesis through case studies, with a qualitative approach to understand the implementation mechanism and challenges faced by the community.

## **RESEARCH METHODS**

This research uses a qualitative approach with a case study method to analyze the application of Islamic economic principles in the community and its impact on the local economy. The research locations were purposively selected in three Islamic-based communities in Indonesia, which have implemented the sharia economic system through the management of zakat, waqf, and profit-sharing systems in micro-enterprises. The research was conducted for six months, from January to June 2024. The analysis units in this study include individual micro business actors, zakat and waqf management institutions, and local governments. Primary data were collected through in-depth interviews with 20 informants, field observations, and *focus group discussions*. Meanwhile, secondary data is obtained from the institution's financial statements, policy documents, and relevant literature. The sampling technique used is *purposive sampling*, with certain criteria such as direct involvement in the application of sharia economics. The data obtained was analyzed using *the content analysis* method to identify key themes and relevant patterns. The triangulation approach is carried out by comparing data from various sources to increase the validity of the research results. The main problem faced is the diversity of respondents' level of understanding of the concept of sharia economics and limited access to financial data from related institutions. To overcome this, the researcher used a gradual data mining technique and held discussions with experts as a verification step.

## **ANALYSIS AND DISCUSSION**

This study found that the application of Islamic economic principles, such as zakat, waqf, and profit-sharing systems, has a positive impact on community welfare and local economic growth. Based on data from the three communities that were the case studies, there was a significant increase in the household income of zakat beneficiaries by an average of 25% compared to before receiving assistance. Waqf management has also shown promising results, especially through the development of productive waqf assets, such as agricultural land and educational facilities. The profit-sharing system in micro-

enterprises also contributes to increasing access to capital for small businesses with fairer risks compared to the conventional interest system. This shows that in the last two years, zakat and waqf management institutions in the community have managed to increase the collection of funds by up to 40%. This is directly proportional to the increase in the number of beneficiaries, especially from the mustahik group. And the flowchart illustrates how zakat funds are allocated, from the collection process to distribution to beneficiaries. These findings are consistent with the theory put forward by Chapra (2008), which states that the Islamic economic system is designed to minimize social and economic disparities.

However, there are challenges in implementation, such as low sharia financial literacy among the community. As many as 65% of respondents admitted that they did not fully understand the mechanism of productive waqf and the profit-sharing system. This obstacle indicates the need for more intensive educational efforts. In addition, government regulations related to the Islamic economy are still considered inadequate by most institutional managers. To overcome this problem, it is recommended to strengthen the regulatory framework and implement education and training programs for the community and institutional managers. Theoretically, these findings support the argument that the application of Islamic economics can be a solution in creating an inclusive and equitable economy. Practically, the results of this study show that with good management, Islamic economic instruments can function as an effective tool for local economic empowerment. However, to achieve optimal results, synergy is needed between the community, management institutions, and the government.

## CONCLUSION

**Conclusion**Based on the results of the research that has been conducted, it can be concluded that the application of Islamic economic principles, such as zakat, waqf, and profit-sharing systems, has a positive impact on improving community welfare and local economic growth. Zakat beneficiaries experience a significant increase in income, while productive waqf management has succeeded in developing assets that are profitable for the community. The profit-sharing system in micro-enterprises also shows the potential in providing capital in a more equitable and equitable way. However, there are several challenges that need to be considered, such as low Islamic financial literacy among the

community and limited regulations that support the optimal implementation of Islamic economics.

**Suggestions**Based on these findings, some suggestions that can be given include:

1. **Increasing Sharia Financial Literacy:** The public needs to be given further education about the concept of Islamic economics and the mechanism of zakat, waqf, and profit-sharing systems in order to maximize its benefits. Training programs and seminars can be an effective solution to improve this understanding.
2. **Strengthening Government Regulations:** The government needs to strengthen the regulatory framework that supports the implementation of the Islamic economy at the local level, especially in terms of the management of zakat and productive waqf, in order to have a wider impact on the local economy.
3. **Collaboration Between Communities, Institutions, and Government:** Synergy between the community, zakat and waqf management institutions, and the government is indispensable to create an ecosystem that supports the implementation of a more effective Islamic economy.

By implementing these suggestions, it is hoped that the Islamic economy can further develop and make a significant contribution to the welfare of the community and the local economy.

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