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## POLITICAL PARADIGM OF CONVENTIONAL ECONOMICS AND ISLAMIC ECONOMICS: INDONESIAN SHARIA BANK DISCOURSE

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### Abstract

This article discusses the paradigm of Islamic political economy and conventional political economy by looking at the discourse of Indonesian sharia banks. This article aims to find out how the political economy that occurs in Indonesian sharia banks. This article is qualitative library research. The data in this study were obtained from library materials such as books, journals, and so on related to the problems studied, namely the conventional political economy paradigm and the Islamic political economy paradigm. The data collection technique used is to collect as much data as possible about the problems studied through the internet and library websites. The data writing technique used is data condensation, data presentation, and drawing conclusions. The analysis results show that the differences between Islamic and conventional political economy paradigms are seen in the unification (religion and economic activity) by Islamic economics and separation (religion and economic activity) by conventional economics. The dominance of the conventional economic system, represented by the capitalist and socialist economic system in the world economy, especially Indonesia, does not dampen the significant development of the Islamic economic system, which is agreed upon by various parties.

**Keywords:** *Paradigm, Conventional Economic Politics, Islamic Economic Politics, Indonesian Sharia Bank*

### A. Introduction

At the beginning of the 19th century, the modern world economic system faced two choices, namely capitalist and socialist economic systems. Each of these schools of economics has a different paradigm and various basic assumptions about human beings. Humans are positioned as economic beings who can use all limited resources to

fulfill unlimited wants for the capitalist system. Meanwhile, the socialist system views humans as social beings who must be associated with all social relations<sup>1</sup>.

The existence of these two modern systems does not imply a dichotomy or bipolarism. An economic system does not stand alone but is related to the community's philosophy, views, and lifestyle on which it

<sup>1</sup> Iskandar Iskandar, "Dialektika Paradigmatik Ekonomi (Studi Terhadap Konstruksi Aksiologi Ekonomi Kapitalis, Sosialis Dan Islam)," *Jurnal Ekonomi Dan*

*Bisnis Islam* 1, no. 2 (2017): 1, <https://doi.org/10.32505/jebis.v1i2.25>.

stands. The economic system established in Indonesia and various countries is often a matter of conflict and debate in society. These different economic systems grow slowly in different countries, depending on the historical environment and political developments. This discourse on Islamic economics emerged because recently, some weaknesses of the conventional economic system under the auspices of capitalism began to be discovered. Capitalism is considered to have failed in realizing the original ideals of an economic system, namely shared prosperity<sup>2</sup>.

Between capitalism and socialism, have a common point of view. They are both born from Western culture. According to Syed Naquib al Attas, as quoted by Muheramtohad, Western culture has a sharp difference with Islam, namely the difference in word view. If Islam generally puts its view of life only on Allah (theocentric), while the West puts its view of life on empirical things<sup>3</sup>.

Economic activity is something that cannot be separated from human life, especially for a country. Along with the times, the need for humans increases, therefore the economy continuously experiences growth and change<sup>4</sup>. Therefore, at this time, according to Gailbraith, economics has been used not only as a science but also to support certain ideologies or beliefs. Gailbraith reveals an economic model that is not appropriately accepted because it can explain reality but

divert attention from questions that have social urgency that have implications for political action. In other words, economics is not a science but a belief system that says that an ideology/doctrine is a science<sup>5</sup>.

Terminologically, political economy is the goal to be achieved by the legal methods used to enact a mechanism for regulating people's lives. In Islamic economics, many experts develop the discipline of Islamic economics politics, such as Masudul Alam Choudhury as quoted by Kholis<sup>6</sup>. Islamic economic politics is essentially studying the endogenous role of *ethico-economic relationships between polity and the deep ecological system*. In another editorial, Choudhury defines it as *the study of interactive relationships between polity (shura) and the ecological order (with market subsystem)*.

In the Indonesian context, the Indonesian government's Islamic economic policy is represented in government "intervention" in various forms (including regulating, entering the industry, initiating a movement, and others). This intervention has a positive meaning because it is not a co-optation of Islamic economics but instead encourages the development of Islamic economics. The political economy of Islam is based on the paradigm that the state is obliged to guarantee the fulfillment of all the basic needs of each citizen and the possibility of everyone meeting their complementary needs. This kind of view

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<sup>2</sup> Ika Prastyaningsih, Mohammad Ghazali, and Andi Triyawan, "Paradigma Ekonomi Syariah Dalam Fahaman Hegemoni Kapitalisme Dan Sosialisme Sebuah Solusi Pola Hidup Muslim," *Islamic Economics Journal* 3, no. 2 (December 20, 2017): 18, <https://doi.org/10.21111/iej.v3i2.2718>.

<sup>3</sup> Singgih Muheramtohad, "Perbandingan Antara Filsafat Ekonomi Islam Dan Barat," *Jurnal Stie Semarang* 10, no. 3 (2018): 74–75, <https://doi.org/10.33747/stiesmg.v10i3.211>.

<sup>4</sup> Dian Indah Cahyani and Sumadi Sumadi, "Alternatif Sistem Ekonomi Islam Untuk Indonesia

Yang Lebih Sejahtera," *Jurnal Ilmiah Ekonomi Islam* 1, no. 2 (2017): 89, <https://doi.org/10.29040/jiei.v1i02.31>.

<sup>5</sup> John Kenneth Galbraith, "Economics as A System of Belief", in *Andrea D. Williams (Ed.), A Contemporary Guide to Economics, Peace, and Laughter* (USA: Houghton Muffin Company, 1971), 64.

<sup>6</sup> N Kholis, "Potret Politik Ekonomi Islam Di Indonesia Era Reformasi," *Millah: Jurnal Studi Agama* 10, no. 2 (2011): 11, <https://journal.uui.ac.id/Millah/article/view/16946>.

becomes the basis for the government in carrying out all economic activities in the country. The state is not allowed to impose taxes (*dlariibah*) for its people, and there is no view that the state should or should not provide subsidies. Because the context of the relationship between the state and the people in the view of Islam is service and regulation, not a business relationship between subordinates and superiors. Therefore, in the context of service and regulation of people's affairs, the state is obliged to fulfill the people's interests at large. The state even guarantees the fulfillment of the primary or vital needs living in an Islamic state, such as electricity, health, education, security, and others. The state will measure the level of welfare based on the fulfillment of each individual's primary and complementary needs<sup>7</sup>.

Studies on the political economy of Islam have been carried out. Sudiarti in 2016 on Islamic economic-political strategy; Ahyani and Nurhasanah in 2020 about the role of Islamic political strategy on the economy in Indonesia; Julianan et al. in 2018 on economic growth and equity in the perspective of Islamic political economy; Kholis in 2011 about the portrait of Islamic economic politics in Indonesia during the reform era. These studies have similarities with the study that the author did, namely both discussing economic politics, but also have differences in the author's focus, namely the discourse of Indonesian sharia banks. Departing from the literature review, this article discusses the paradigm of Islamic political economy and conventional economic politics by looking at the discourse of Indonesian sharia banks. This article aims to find out how the political economy that occurs in Indonesian sharia banks.

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<sup>7</sup> Dahrun Sajadi, "Berhijrah Dari Sistem Ekonomi Sekuler Menuju Sistem Ekonomi Syariah," *Tahdzib Al-Akhlaq: Jurnal Pendidikan Islam* 1, no. 1 (2018): 51–77, <https://doi.org/10.34005/tahdzib.v1i01.425>.

## B. Research methods

This article is a qualitative research library. The data in this study were obtained from library materials such as books, journals, and so on related to the problems studied, namely the conventional political economy paradigm and the Islamic political economy paradigm. The data collection technique used is to collect as much data as possible about the problems studied through the internet and library websites. After the materials are collected, they are read and studied in depth. The data obtained are presented in a descriptive-narrative way. The data writing technique used is a data analysis technique known by Miles et al., namely data condensation, data presentation, and conclusion drawing<sup>8</sup>.

## C. Result and Discussion

### Conventional political economy paradigm

Paradigm is defined as a pattern or model or perspective on a problem in which there are certain assumptions, certain theories, and certain problem-solving. In the context of science, the paradigm is the main factor to say it is an important pillar in building new knowledge from old forms of knowledge. At this point, there actually is a kind of scientific transformation or scientific revolution driven by a strong and argumentative paradigm. Plato defines a paradigm as a universal idea. While Miller and Brewer in *The A-Z of Social Research argue*, a paradigm is a theoretical structure of a framework of thought that becomes a model to be followed. Thomas Khun describes a paradigm as a set of scientific and metaphysical beliefs that form a

<sup>8</sup> Matthew B. Miles, A. Michael Huberman, and Johnny Saldaña, *Qualitative Data Analysis: A Methods Sourcebook* (California: SAGE Publications, Inc., 2014).

theoretical framework, where this scientific theoretical framework can be tested, evaluated, if necessary, revised. In addition, Khun also considers the paradigm as universal and is considered a scientific achievement that provides a model for the community of practice<sup>9</sup>. Choudhury, as quoted by Iskandar, said that the paradigm aspect must have the character of acceptance and attraction for all systems of thought. The paradigm gives or provides a set of models that are “acceptable” to the scientific community so that it offers a “universal paradigm”<sup>10</sup>.

The existing conventional development paradigm elaborates a capitalist economic policy that places market freedom at its root<sup>11</sup>. What is meant by the conventional economic paradigm is a paradigm that refers to the paradigm of capitalism and socialism. Capitalism is an economic system that

emphasizes the role of capital or capital, which includes goods used in the production of other goods. Capitalism was born in the era of mercantilism and colonialism, pioneered by three great world figures, namely Martin Luther, Benjamin Franklin, and Adam Smith. In this system, individuals play more roles than the government because the government only has the right to give freedom to investors to develop their businesses. While socialism is an economic system or economic activity that provides considerable freedom to everyone, there is still government intervention. The government, in a socialist view, is tasked with regulating the economic life of the country as well as other types of the economy related to the interests of many people’s lives, such as water, electricity, telecommunications, gas, etc.<sup>12</sup>. The following are the characteristics of the capitalist economic system and the socialist economic system:

**Table 1.** Difference between Capitalism and Socialism Economic System

No.	Capitalism Economic System	Socialism Economic System
1.	Broad recognition of personal rights	More concerned with togetherness
2.	The market mechanism governs the economy	The government’s role is powerful
3.	Humans are seen as homo-economicus creatures or who constantly pursue their interests	The pattern of production determines human nature
4.	Understanding individualism is based on materialism, the legacy of Ancient Greece called hedonism.	

**Source:** Kurnia Firmanda Jayanti and Mohammad Ghozali (2018).

<sup>9</sup> Iskandar, “Dialektika Paradigmatik Ekonomi (Studi Terhadap Konstruksi Aksiologi Ekonomi Kapitalis, Sosialis Dan Islam),” 5; Thomas Khun, *The Structure of Scientific Revolution* (Chicago: The University of Chicago Press, 1970).

<sup>10</sup> Iskandar, “Dialektika Paradigmatik Ekonomi (Studi Terhadap Konstruksi Aksiologi Ekonomi Kapitalis, Sosialis Dan Islam),” 6.

<sup>11</sup> Euis Amalia, “Transformasi Nilai-Nilai Ekonomi Islam Dalam Mewujudkan Keadilan

Distributif Bagi Penguatan Usaha Kecil Mikro Di Indonesia,” *Al-Iqtishad: Journal of Islamic Economics* 3, no. 1 (2016): 66, <https://doi.org/10.15408/aiq.v3i1.2497>.

<sup>12</sup> Kurnia Firmanda Jayanti and Mohammad Ghozali, “Penerapan Sistem Ekonomi Syariah Di Negara Minoritas Muslim,” *Equilibrium: Jurnal Ekonomi Syariah* 6, no. 1 (2018): 115, <https://doi.org/10.21043/equilibrium.v6i1.3555>.

In conventional development economics, the main issue in the economy is growing. Economic growth has always been an indicator of prosperity and a solution to any economic crisis. This growth is driven by an increase in human resources, especially human resources and technology. The economic growth of a country occurs if there is an increase in the total value of goods and services produced. This growth is usually seen in two large dimensions, namely growth pressure points, and growth measurements. The logic built from this emphasis on growth is due to the ideological competition that shows which ideology between communists and capitalists is more capable of creating a good economy.

Furthermore, they assume that more is better. At the same time, the measurement of growth they use is per capita Gross National Product (GNP). If the per capita income obtained from the total real GNP divided by the total population is high, then the economic growth is high, and the welfare is also high.

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According to Prakasa, as quoted by Tho'in, the harsh and even disharmonious historical contradictions of capitalism and socialism have stimulated thinkers to seek an economic structure with essential characteristics, which is a combination of the best elements of both. The middle way economic system may eliminate the connotation of the combination of the two economic systems above because the middle way economic system can be significant in its way. The system drives dynamic elements previously owned by each economic system as Hegel said that the improvement and development of thought would reach the best form through a dialectical process towards a synthesis (dialectical theory). This process is a guide from tesa with antithesis in harmony and leads to dynamism. Developing countries think that they will be able to catch up by not following the extreme form of the economic system but absorbing the dynamic elements of both<sup>14</sup>.

### **Islamic economic politics paradigm**

The Islamic economic paradigm in this paper consists of combining the term paradigm with the phrase Islamic economics. The paradigm is mentioned in the Qur'an as

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<sup>13</sup> Juliana Juliana et al., "Pertumbuhan Dan Pemerataan Ekonomi Perspektif Politik Ekonomi Islam," *Amwaluna: Jurnal Ekonomi Dan Keuangan Syariah* 2, no. 2 (2018): 262, <https://doi.org/10.29313/amwaluna.v2i2.3824>.

<sup>14</sup> Muhammad Tho'in, "Konsep Ekonomi Islam Jalan Tengah (Kapitalis–Sosial),"  
*Jurnal Ilmiah Ekonomi Islam* 1, no. 3 (2015): 128, <https://doi.org/10.29040/jiei.v1i03.34>.

*tashawwur*, which comes from the root word *shawwara* and is mentioned in the Qur'an as in Surah Ali 'Imran/3:6, al-A'raf/7:11, Ghafir/40:64, al-Hasyr/59:24, at-Taghabun/64:3 and al-Infithar/82:3. The word *shawwara* has three primary meanings. First, give feedback on the appearance of something described. Second, explain the accurate picture of something. Third, it results in the emergence of something in mind.

Thus, the term *tashawwur* etymologically means a response, description, mental attitude, or way of looking at things. In Islamic thought, there are various terms used for paradigms, including the term *tashawwur al-Islamiy* (Islamic worldview), *al-mabda' al-Islamiy* (Islamic principles), *nazhariyyah al-Islam* (Islamic vision), *altashawwur al-tawhidiy* (monotheistic view of life), and *ru'yat al-Islam li al-Manifest* (Islamic view of existence). Sometimes also called *nazrah al-Islam li al-kawn* (Islamic view of the universe)<sup>15</sup>.

It is undeniable that the term Islamic economics gives rise to various impressions. For some people, the word "Islam" positions Islamic Economics in a very exclusive place, thereby eliminating its natural value as an order for all humans (*rahmatan lil'alam*). For others, Islamic economics is described as an economy that results from a mixture of capitalist and socialist flows so that the specific characteristics possessed by Islamic economics itself are lost<sup>16</sup>.

The re-emergence of the Islamic economic system, both in the world and Indonesia, as witnessed in the last three or four decades, has led to various views and attitudes. Some were against it, some were skeptical, some were accommodating, but some accepted it with open arms<sup>17</sup>. The Islamic economic system has a paradigmatic difference from the conventional economic system. The Islamic economic system is based on a religious worldview. The Islamic economic system has a paradigmatic difference from the secular worldview and vision in the conventional economic system. As and vision, which is derived from the Qur'an and Hadith, which diametrically have many examples, the Islamic economic system addresses human needs in a balanced way and without discrimination, both material and non-material. Thus, the Islamic economic system will focus on "optimizing" *falah* (worldly-hereafter welfare) and fulfilling "needs". This is diametrically different from the conventional economic system, which does not discuss non-material needs because it is not measurable and involves a value judgment, so the conventional economic system tends to focus on "maximizing" material wealth (profit maximization) and fulfilling "wants"<sup>18</sup>.

The essence of Islamic economic politics is a legal policy designed by the government related to economic development that can guarantee to meet the needs of the community and is based on Sharia values as a reference parameter. This rule is a law that regulates the relationship between the state and society, individuals with individuals, and individuals with society in economic activities. The built

<sup>15</sup> Azharsyah Ibrahim et al., *Pengantar Ekonomi Islam* (Jakarta: Departemen Ekonomi dan Keuangan Syariah - Bank Indonesia, 2021), 16.

<sup>16</sup> Nur Kholis, "Masa Depan Ekonomi Islam Dalam Arus Trend Ekonomi Era Global," *Unisia: Jurnal Ilmu-Ilmu Sosial* 31, no. 68 (June 18, 2008): 9–10, <https://doi.org/10.20885/unisia.vol31.iss68.art5>.

<sup>17</sup> Agus Arwani, "Ekonomi Islam Salah Satu Model Alternatif Strategi Merekatkokohkan NKRI,"

*An-Nisbah: Jurnal Ekonomi Syariah* 2, no. 1 (2015): 227, <https://doi.org/10.21274/an.2015.2.1.275-294>.

<sup>18</sup> Abu Khaer, "PARADIGMA EKONOMI ISLAM DAN EKONOMI KAPITALIS (Studi Komperatif)," *Nur El-Islam* 1, no. 2 (2014): 9, <http://ejournal.staiyasnibungo.ac.id/index.php/nurelislam/article/view/49>.

legal policy is not an internal policy of the state (government) in enforcing a program. The legal policymaking above involves two things, namely first, adapting the existing legal provisions. Second, fill the legal vacuum by making rules. Academically, the discussion of the political economy results from the development of Islamic law, which is in the field of state wealth management policies. In Islamic economic politics, it is commonly called *siyasah maliyah*. In other words, namely *tadakhkhul ad-daulah* (state intervention). State intervention, referred to by *ash-shadr*, is a state that intervenes in economic activities to ensure the adaptation of Islamic law relating to the community's economic activities<sup>19</sup>.

The paradigm of the Islamic economic system can be divided into two, namely: First, the general paradigm, namely the *aqidah Islamiyah* which is the basis of thought (*al-qa'idah fikriyah*) for all Islamic thought, such as the Islamic economic system, the Islamic political system, the Islamic education system, and the Islamic economic system, etc. *Aqidah Islamiyah* here is understood not only as *aqidah ruhiyah* (spiritual creed), namely creed, which is the basis for pure spiritual activities such as worship, but also as *aqidah siyasiyah* (political creed), namely *aqidah* which is the basis for managing all aspects of human life without exception. Including the economy. Second, the extraordinary paradigm (branches), namely several generals and fundamental principles in Islamic Sharia born from Islamic Aqeedah, which specifically become the basis for building an Islamic economic system. This particular paradigm consists of three principles (pillars), namely: (1) ownership (*al-milkiyah*) according to

sharia, (2) utilization of ownership (*tasharruf fi al-milkiyah*) according to sharia, and (3) distribution of wealth to the community (*tauzi ' al-tsarwah baina al-nas*), through the mechanism of sharia<sup>20</sup>.

### Indonesian sharia banking discourse

Talking about Islamic economics, attention is usually focused on Islamic banks, or in Indonesia, called Islamic banks, this is not entirely wrong, but also not entirely true. Islamic economics is not only about Islamic banks. However, Islamic banks are currently the gateway to developing Islamic economics. Among the many banks operating in Indonesia, only one is considered to survive and remain strong in the face of the 1997 economic crisis that hit the Indonesian people, namely Bank Muamalat. Reflecting on the success of Bank Muamalat, the economists then slowly changed the orientation of their thinking towards the Islamic economic paradigm, which was considered more convincing and promising<sup>21</sup>.

Responding to this encouraging development, universities, especially Islamic universities, are trying to make a breakthrough by establishing a department of Islamic Economics. This phenomenon confirms that the agenda is a mere discourse and a natural action that the community can feel. On the scientific plane, the paradigm and methodology of Islamic economics are considered unclear, so that its existence is considered closed and is still often questioned<sup>22</sup>.

<sup>19</sup> M. Zia Ulhaq, "Politik Ekonomi Islam Era Globalisasi," *AMAL: Journal of Islamic Economic And Business (JIEB)* 2, no. 2 (2019): 32–33, <https://iainambon.ac.id/ojs/ojs-2/index.php/amal/article/view/1709>.

<sup>20</sup> Arwani, "Ekonomi Islam Salah Satu Model Alternatif Strategi Merekatkokohkan NKRI," 283–84.

<sup>21</sup> Ali Muhayatsyah and Yoesrizal M Yoesoef, "Paradigma Integrasi-Interkoneksi Dalam Ekonomi Islam," *Jurnal JESKaPe* 2, no. 1 (2018): 119, <https://www.neliti.com/publications/326586/paradigma-integrasi-interkoneksi-dalam-ekonomi-islam>.

<sup>22</sup> Muhayatsyah and Yoesoef, 119–20.

If you refer to the modern scientific tradition, you are still reluctant to accept religion as a scientific source of knowledge<sup>23</sup>. Finding the relationship between economics and religion in this modern era is indeed very strange. This is because the culture of modern society has been secularized –marginalizing and even trying to break away from religious mythologies– so that linking religion and economic life feels a bit odd. However, Adam Smith, as quoted by Sajadi in his book *The Wealth of Nation*, has talked a lot about religion, the church, religious sects, morals, and ethics<sup>24</sup>.

The discourse of economic development began to be widely discussed after the Second World War (1939-1945), which the United States commanded during the reign of Harry S. Truman around the 1950s<sup>25</sup>. The significance of the approach brought by liberal economic development has penetrated various parties, they believe that this approach can create changes both socially, politically, and economically. Two philosophies that are familiar in economics, namely capitalist or better known as post-classical philosophy, and Marxist or so-called radical philosophy, which adhere to Western social science principles, have influenced many views of human life (worldview) date<sup>26</sup>.

The market-oriented capitalist system had lost its prestige after hyperinflation or

massive inflation in Europe in 1923 and a period of recession or sluggishness in the economy in 1929-1933 in the United States and other European countries. The capitalist system is considered to have failed in creating the welfare of the world community due to the system's development, which resulted in millions of unemployed workers, bankruptcies in the world's banks, the cessation of the production sector, and depression in the world economy<sup>27</sup>.

When viewed from the strategic role in Indonesia's Islamic economic empowerment system, the form of establishment of Islamic financial institutions, both banks, and non-banks, has been positively guaranteed in the form of legislation. For example, the Banking Law Number 7 of 1992 was revised to become Law Number 10 of 1998, the most substantial legal basis for implementing Islamic Financial Institutions (LKS) in Indonesia. LKS in the form of banks (Bank Muamalat Indonesia (BMI) and Sharia People's Financing Bank (BPRS)) and non-banks (Takaful Insurance, Baitul Maal wat Tamwil (BMT), and Small Business Incubation Center (PINBUK)) are economic institutions Islam that is valid and efficient enough to support the process of accelerating national economic growth<sup>28</sup>.

Even though the development of Islamic financial institutions in Indonesia is quite excellent and able to survive the economic and

<sup>23</sup> Hafas Furqani, *Metodologi Ekonomi Islam: Membangun Paradigma Dan Format Keilmuan* (Aceh: Naskah Aceh (NASA) & Pascasarjana UIN Ar-Raniry, 2020), 69.

<sup>24</sup> Sajadi, "Berhijrah Dari Sistem Ekonomi Sekuler Menuju Sistem Ekonomi Syariah," 7; Adam Smith, *The Wealth of Nation* (New York: The Modern Library, 1937).

<sup>25</sup> Fadllan Fadllan, "REKONSTRUKSI PEMBANGUNAN EKONOMI BERBASIS ISLAM: Telaah Pemikiran M. Umer Chapra," *NUANSA: Jurnal Penelitian Ilmu Sosial Dan Keagamaan Islam* 15, no. 2 (December 18, 2018): 364, <https://doi.org/10.19105/nuansa.v15i2.2064>.

<sup>26</sup> Syamsuri Syamsuri, "Paradigma Pembangunan Ekonomi: Satu Analisis Tinjauan Ulang Dari Perspektif Ekonomi Islam," *ISLAMICONOMIC: Jurnal Ekonomi Islam* 7, no. 2 (October 28, 2016): 221, <https://doi.org/10.32678/ije.v7i2.42>.

<sup>27</sup> Amiral Amiral, "Perbandingan Ekonomi Konvensional Dan Ekonomi Islam," *Iqtishodiyah* 5, no. 2 (2017): 148, <https://doi.org/10.15548/turast.v5i2.365>.

<sup>28</sup> Hisyam Ahyani and Elah Nurhasanah, "Peran Strategi Politik Islam Terhadap Perekonomian Di Indonesia," *Mutawasith: Jurnal Hukum Islam* 3, no. 1 (June 23, 2020): 26, <https://doi.org/10.47971/mjhi.v3i1.185>.

monetary crisis, there are still weaknesses in various aspects, including: First, the limitations of supporting facilities and infrastructure owned by Islamic financial institutions; Second, limited human resources who have insight and knowledge as well as practical skills (skills) in the operational field of LKS; Third, there is still a lack of socialization about sharia economics to the lower classes, especially in rural areas. Therefore, a breakthrough is needed to encourage the process of empowering the Islamic economic system more optimally. Today's society relatively needs a service system that is fast, precise, easy, and practical. Conventional financial institutions generally still carry out these fast, precise, easy, and practical services. Moreover, these conventional financial institutions have long played a role in economic development in Indonesia. Meanwhile, not all LKS provide similar services due to the limited infrastructure and superstructure aspects they have. To achieve the goal of empowering the Islamic economic system, one can be done by developing real sector business activities<sup>29</sup>.

In the Indonesian context, the Indonesian government's Islamic economic policy is embodied in government "intervention" in various forms (including regulating, entering the industry, initiating a movement, and others). This intervention has a positive meaning because it is not a co-optation of Islamic economics but instead encourages the development of Islamic economics. In terms of Islamic economic politics, several rationales require the Indonesian government to intervene in the development of the Islamic economy, namely: 1) The Islamic finance industry has a positive impact on Indonesia's macroeconomic stability; 2) The Islamic

finance industry has a reasonably high resilience/resistance to the shocks of the financial crisis; 3) The need for an active role of the government as a regulator and supervisor to create efficiency, transparency, and justice; 4) Islamic economy can act as a savior in the event of business/economic uncertainty; and 5) In theory and reality, the Islamic finance industry requires infrastructure that supports its development<sup>30</sup>.

On a practical level, it also looks very encouraging when Islamic banks or financial institutions are born, grow and increase day by day, week after week, and month after month. Interest and involvement in Islamic banking and financial institutions are not only shown by micro private institutions such as cooperatives at the village level but also involves the highest monetary authority in this country, namely the Central Bank or Bank Indonesia. In the latter institution, there has been a Directorate of Sharia Banking for the past few years. In addition, the Ministry of Finance (MoF) also decided to establish a sub-directorate of sharia insurance and a directorate of sharia financing. This is done in line with the rapid growth of the Islamic insurance and Islamic financing industry in Indonesia, so that the government needs special attention. The government has also promulgated Laws on Sharia Banking, State Sharia Securities (SBSN), and others and issued Government Regulations that support the development of Sharia Financial Institutions<sup>31</sup>.

#### **D. Conclusion**

The conventional political economy paradigm elaborates capitalist and socialist economic policies, which are reflected in the application of a free market in obtaining

<sup>29</sup> Sri Sudiarti, "Strategi Politik Ekonomi Islam," *Human Falah* 3, no. 1 (2016): 58–59, <http://www.jurnal.uinsu.ac.id/index.php/humanfalah/article/view/147>.

<sup>30</sup> Sudiarti, 63.

<sup>31</sup> Arwani, "Ekonomi Islam Salah Satu Model Alternatif Strategi Merekatkokohkan NKRI," 279.

economic benefits. Meanwhile, the political economy paradigm of Islam is a perspective on a legal policy designed by the government related to economic development that can guarantee to meet the needs of the community and is based on sharia values as a reference parameter. The difference between Islamic and conventional political economy is seen in the unification (religion and economic activity) by Islamic economics and the separation (religion and economic activity) by conventional economics.

The dominance of the conventional economic system, which is represented by the capitalist and socialist economic system in the world economy, especially Indonesia, does not dampen the significant development of the

Islamic economic system, which various parties agree upon as to the issuance of Law Number 7 of 1992 which was revised into Law Number 10 of 1998 which is the most robust legal basis for the implementation of Islamic Financial Institutions in Indonesia. Then LKS in the form of banks (Bank Muamalat Indonesia (BMI) and Sharia People's Financing Bank (BPRS)) and non-banks (Takaful Insurance, Baitul Maal wat Tamwil (BMT), and Small Business Incubation Center (PINBUK)) are economic institutions Islam that is valid and efficient enough to support the process of accelerating national economic growth.

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