STRATEGIES AND CHALLENGES OF DEVELOPMENT ECONOMY IN REALIZING SHARIA-BASED SUSTAINABLE GROWTH

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Abstract

Islamic economics plays a crucial role in addressing the economic challenges of sustainable development in Indonesia. With principles based on social justice, wise management of natural resources, and redistribution of wealth, usury is prohibited. This research aims to examine the role of Islamic economics principles and identify appropriate strategies to overcome the economic challenges of sustainable development in Indonesia. This research employs a qualitative approach, utilizing a systematic review method to analyze the latest scientific articles from the past decade, as well as e-books. The results showed that the principles of the five central values of Islamic economics, such as tawhid, justice, prophethood, khilafah, and ma'ad, can contribute to sustainable economic development. Islamic economic strategy in Indonesia plays a crucial role in promoting sustainable economic growth by increasing public awareness of Islamic economic literacy, strengthening the Islamic financial sector, developing the halal industry, leveraging digital technology, and fostering collaboration between the government and society to achieve inclusive welfare. This study concludes that by applying the principles of sharia economics, Indonesia can create a fairer financial system, reduce social inequality, and ensure long-term economic stability. The goal of this research is to create a fair, inclusive, and sustainable economic system that enhances people's welfare and preserves the environment by applying Sharia principles in all aspects of economic development.

INTRODUCTION

Sustainable development economics focuses on meeting current needs without compromising the capabilities of future generations (Amalia, 2022; Depari, 2024). Sustainable development economic policy is a set of measures and strategies designed to balance economic growth, environmental protection, and social well-being (Liana, 2024). Principles such as justice, sustainability, and ethics are key in achieving the economic goals of sustainable development in various countries. Sharia economics, with its distinct principles, offers an intriguing approach to promoting sustainable development in the economy (Amsari et al., 2024).

Sharia economics emphasizes the principles of Sharia that focus on social justice, the wise management of natural resources, wealth redistribution, and the prohibition of usury (Dayu, 2023). This principle ensures that economic transactions do not damage the environment or cause negative impacts on society. It promotes the responsible use of natural resources and the equitable distribution of wealth (Dayu, 2023). The prohibition of riba aims to prevent injustice in economic transactions and promote a financial system based on a fair distribution of profits and risks (Haikal & Efendi, 2024). The implementation of Sharia economic principles in sustainable development economic policies plays a vital role in maintaining a balance between economic growth, social justice, and environmental conservation (Maulana et al., 2024).

Indonesia, as a country with the largest Muslim population in the world, has great potential to integrate sharia economic principles in achieving the Sustainable Development Goals (SDGs) (Yudant, 2022). The Indonesian government has taken steps to advance the sharia economy through the establishment of organizations, programs, and sharia financial institutions. The sharia economy has the potential to enhance economic and social stability, thereby supporting the comprehensive achievement of the SDGs. (Samsudin et al., 2024). The practical application of Sharia economic principles can make a real contribution to achieving an inclusive and sustainable development economy in Indonesia (Ajustina & Nice, 2024).

However, many banks and communities still do not apply the principles of sharia economics, resulting in high social inequality, inflation, and economic crises due to the interest system (riba), which tends to benefit a few wealthy individuals. At the same time, small communities are increasingly burdened by the high cost of living and weak purchasing power. The development of the Sharia economy in the digital era also faces various challenges. (Fuadi, 2016). The lack of digital literacy among the public and small and medium enterprises (SMEs) hinders the integration of Sharia economic services with digital platforms (Hakim & Nisa, 2024). Additionally, regulatory and compliance challenges pose a significant issue. To overcome these challenges, strategies such as cross-border cooperation, educational campaigns, and the development of supporting digital infrastructure are needed (Mustaqim, 2023). Therefore, it is essential to review the strategies and challenges of developing an economy that achieves sustainable growth, based on Sharia principles.

According to Wahid, the sharia economy has great potential for realizing a sustainable development economy due to its principles, which align with social justice, ethics, and environmental conservation (Wahid, 2022). The implementation of the sharia economy must focus on the fair distribution of wealth through zakat, infaq, and waqf mechanisms, as well as the elimination of riba to create a more stable and inclusive financial system (Wahid, 2022). Investment is essential in sectors that are sustainable and benefit the wider community, such as renewable energy and organic agriculture. Kahf argued that by integrating Islamic values in economic policies, Muslim countries can achieve sustainable growth without sacrificing social welfare and environmental sustainability (Mahipal, 2024).

According to Maulida, he emphasized the importance of ethics and morality in all aspects of economic activities (Maulida et al., 2024). The sharia economy is not just a financial system, but also a comprehensive framework for achieving social justice and sustainable economic development (Maulida et al., 2024). Principles such as the prohibition of riba (interest), gharar (uncertainty), and maisir (gambling) aim to create transparent, fair, and sustainable economic transactions. The principles of prudence and transparency guide the importance of responsible resource management. Maulida also argued that by avoiding exploitative practices and ensuring that all business activities are carried out ethically, the sharia economy can help maintain the balance of the ecosystem and support the sustainability of resources (Maulida et al., 2024).

Meanwhile, according to Pellu, emphasizing that financial stability is the key to achieving sustainable economic growth (Pellu, 2024). The conventional financial system is based on debt and usury, which, according to him, can lead to an unstable economy and financial crisis (Adam, 2020). Sharia economics offers a more stable and fair alternative through profit-sharing-based financial instruments, such as mudharabah and musharakah (Siregar et al., 2025). Pellu also emphasized the importance of strict supervision of Islamic financial institutions to ensure that they operate in accordance with Islamic principles and refrain from engaging in speculative practices that are considered risky (Pellu, 2024). By creating a more stable and equitable financial system, Muslim countries can achieve sustainable and inclusive economic growth.

This research focuses on Islamic economics as an alternative model to achieve sustainable economic growth. In particular, this study examines the role of sharia-based economic principles, such as the prohibition of usury, fair distribution of wealth through zakat and waqf, and ethical resource management, in overcoming these global economic challenges. By addressing these issues, Islamic economics can offer a more inclusive, equitable, and sustainable approach to development.

The novelty of this research lies in its emphasis on integrating Islamic economic principles into the Indonesian economic system, particularly in addressing the challenges posed by conventional financial structures. Additionally, this research will examine the potential application of digital technology and collaboration between the government and the community to enhance the impact of sharia-based economic practices in promoting sustainable development.

The urgency of this research arises from the need for a viable alternative to the current economic model, which has proven to be unsustainable and unfair. By examining the strategies and challenges associated with implementing sharia-based economics in Indonesia, this research aims to offer valuable insights for policymakers, business professionals, and communities seeking to achieve inclusive and sustainable development.

The primary objective of this study is to investigate how Islamic economic principles can promote sustainable economic development and to identify the necessary strategies to address existing challenges. Additionally, this study aims to highlight the benefits of integrating Sharia economic principles in promoting social justice, financial inclusion, and environmental sustainability. Ultimately, the findings of this study are expected to provide practical recommendations for policymakers and stakeholders in Indonesia and abroad, guiding them toward a more sustainable and equitable economic system.

METHOD

The research method used in this study is a *systematic review* with a qualitative approach. This method was chosen because the researcher sought to delve deeper and understand the strategies and challenges of development economics in achieving Sharia-based sustainable growth. The data used from research sources are in the form of articles and *e-books* that have been published in several databases, including Google Scholar, Garuda Portal, and PubMed, over the last decade. The source search was conducted using keywords such as "Strategies and challenges," "Development economics," and "Sharia-based." The data were analyzed by comparative analysis and data categorization. This study employs this method to understand the principles of Sharia economics and identify effective strategies for addressing the economic challenges of sustainable development in Indonesia. The expected outcome of this research is the creation of a just, inclusive, and sustainable financial system that can enhance people's welfare and promote environmental sustainability by applying sharia principles in all aspects of economic development.

RESULT AND DISCUSSION

Based on the strategies and challenges of development economics in realizing sharia-based sustainable growth, presented in Tables 1 and 2 as follows:

Table 1. Sharia Economic Principles Supporting Sustainable Development Economy

It	Principles of Sharia Economics
1.	*Tawhid*
2.	Keadilan
3.	Prophetic
4.	Caliphate
5.	*Ma'ad*

Source: (Rohaini et al., 2024)

Table 2: Sharia Economic Strategies in Overcoming Economic Challenges for Sustainable Development

It	Sharia Economic Strategy
1.	Public awareness of Sharia economic literacy Strengthening the Islamic financial sector
2.	Developing the halal industry
3.	Leveraging digital technology
4.	Encouraging collaboration between the government and the community

Source: (Mutmainnah & Yuwana, 2024)

Discussion

Sharia Economic Principles Support Sustainable Development Economy in Indonesia

Sustainable development economics is essential for creating the well-being of people around the world. This aims to meet the needs of the current generation without sacrificing the needs of future generations (Nasution et al., 2024). In this case, the sharia economy provides an ethical and comprehensive approach to supporting sustainable development (Damans, 2024). The principles of Sharia economics prioritize a balance between economic progress, social justice, and environmental preservation (Depari, 2024).

The sharia economy has five primary values that are guidelines. (Rohaini et al., 2024). The first is *Tawheed*, which emphasizes that everything in the world belongs to God, and humans serve as managers. The second is justice, which ensures that wealth and resources are distributed fairly so that no party is harmed or left behind. The third is prophethood, which teaches people to emulate the qualities of the Prophet Muhammad (PBUH), such as honesty, trust, and transparency in transactions (Rohaini et al., 2024).

The fourth value is the caliphate, which reminds humans that they are leaders on earth and are responsible for maintaining the balance of nature and making wise use of resources (Rohaini et al., 2024). The fifth is *ma'ad* (results), which is a principle that teaches that the results of every economic activity are not only judged by material profits, but also by their impact on life in the hereafter. In other words, the sharia economy emphasizes spiritual responsibility in every economic action (Rohaini et al., 2024).

These principles also teach the importance of protecting the environment and natural resources. As the stewards of the earth, humans must ensure that resources are not overexploited (Rahmah, 2024). Sharia economics promotes wise and sustainable management, as natural resources are viewed as a trust from Allah that must be managed responsibly. By preserving the environment, future generations can continue to benefit from these resources. In addition, the sharia economy also emphasizes the importance of social justice through mechanisms such as zakat and infaq. Zakat serves as a tool for redistributing wealth to help those in need, thereby reducing social inequality (Hidayati, 2024).

With a more equitable distribution of wealth, the overall welfare of the community can be improved, and economic inequality can be reduced (Suhaili, 2020). Through the application of these principles, Sharia economics can be a solution to support a sustainable development economy. By integrating spiritual, social, and environmental values in economic activities, the financial goals of sustainable development can be achieved more equitably and responsibly. Sharia economics not only provides material benefits but also brings blessings to the life of the world and the hereafter (Kriswahyudi, 2022).

Sharia Economic Strategy in Overcoming Economic Challenges for Sustainable Development

Sharia economic strategy in Indonesia plays a vital role in facing the financial challenges of sustainable economic development (Adin, 2023). One of the first steps that needs to be taken is to increase public awareness of the sharia economy (Mutmainnah & Yuwana, 2024). This can be achieved through improved education and literacy, enabling people to understand the benefits and principles of Sharia economics. With sufficient knowledge, it is hoped that the community can actively participate in the sharia economy and support sustainable economic growth (Romli, 2024).

Furthermore, strengthening the Islamic financial sector is also key to the strategy for overcoming the challenges of a sustainable development economy (Mutmainnah & Yuwana, 2024). Because government regulations have not fully supported these principles. Therefore, adjustments to the rules are necessary to ensure the effective implementation of the sharia economy, thereby achieving a positive impact on society. The government and related institutions should encourage the growth of Islamic banks and financial institutions to increase participation in the Islamic economy (Sutarsih, 2023). This includes providing better access to financing for micro, small, and medium enterprises (MSMEs), which are the backbone of Indonesia's economy.

With adequate financial support, MSMEs can grow and make a significant contribution to the national economy (Bahasoan, 2024). Furthermore, the development of the halal industry must be strengthened to establish an effective supply chain (Mutmainnah & Yuwana, 2024). This includes halal product certification and the development of halal industrial estates in various regions. By building a halal ecosystem, Indonesian products can be more readily accepted in the international market. This not only enhances the competitiveness of local products but also generates new job opportunities for the community.

Digital technology must also be utilized to support Sharia economic strategies (Mutmainnah & Yuwana, 2024). Utilizing digital platforms in financial transactions can expand the reach of Islamic financial services. Additionally, technology can help improve the operational efficiency of small and medium-sized businesses, enabling them to better compete in the global market (Rahman & Astria, 2023). Collaboration between the government, financial institutions, and the public is essential to realize this strategy (Mutmainnah & Yuwana, 2024). All parties must work together to create an environment that supports the growth of the Sharia economy. With an integrated approach, Indonesia can overcome the economic challenges of achieving sustainable development and attain prosperity for all its people (Usman et al., 2024).

CONCLUSION AND RECOMMENDATION

Sustainable development economics is crucial for ensuring the well-being of current and future communities, and Sharia economics provides an ethical framework for achieving this goal. With the principles of the five central values of Sharia economics, such as monotheism, justice, prophethood, caliphate, and ma'ad, we are taught to take responsibility in natural resource management and encouraged to promote social justice through zakat and infaq. The application of these principles helps to safeguard the environment and ensure a more equitable distribution of wealth, thereby reducing social inequality. By integrating spiritual, social, and environmental values into economic activities, Sharia economics can contribute to the economic goals of sustainable development, which are more equitable and beneficial to both the life of this world and the hereafter. The Islamic economic strategy in Indonesia plays a crucial role in addressing the economic challenges of sustainable development. To achieve this, it is necessary to increase public awareness through better education and literacy about the Sharia economy. Strengthening the Islamic financial sector and adjusting regulations are also required to increase participation, particularly in supporting micro, small, and medium-sized enterprises (MSMEs). Furthermore, the development of the halal industry and the adoption of digital technology can enhance the competitiveness of local products and operational efficiency. Through collaboration among the government, financial institutions, and the community, Indonesia can foster an environment that supports economic growth and promotes prosperity for the entire community. Based on the results of this study, there are recommendations that can support the implementation of sharia-based economics for sustainable economic development, including increasing sharia economic literacy through education and training that can increase public and business actors' understanding of sharia economic principles.

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