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Sharia Economic Law in Encouraging Sustainable Economic Development in Indonesia

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Abstract

Sustainable economic development requires an approach that integrates economic growth, equitable prosperity, and environmental responsibility. In this context, Islamic economic law offers principles of justice, balance, partnership, benefit, and responsible resource management. This study aims to analyze how Islamic economic law contributes to sustainable economic development in Indonesia and to identify the challenges and opportunities in implementing its principles. The study uses a descriptive qualitative approach utilizing primary and secondary data analyzed thematically and supported by a comparative perspective. The findings show that Islamic economic law contributes to sustainable development through profit-sharing and partnership mechanisms, expanded access to Islamic financial services, responsible resource management, and regulatory strengthening. This framework is supported by Law No. 21 of 2008 concerning Sharia Banking, Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector, Law No. 4 of 2026, and OJK Regulation No. 4 of 2026 concerning the Implementation of Islamic Banking Investment Products. However, limited public literacy, institutional and human resource capacity, regulatory adaptation, and the need to demonstrate measurable economic, social, and environmental benefits remain significant challenges. Therefore, the contribution of Islamic economic law depends on effective implementation of its principles through adaptive regulation, institutional strengthening, and community empowerment.

Keywords

Community Empowerment; Economic Development; Inclusive Finance; Sharia Economic Law; Sustainable Economy.

1. Introduction

Today's economic development can no longer be assessed solely on the basis of increased production and income. Economic growth must go hand in hand with equitable distribution of prosperity and sustainable use of resources. This need has driven the development of development ideas that consider the relationship between economic interests, social conditions, and environmental sustainability. In the Indonesian context, the need for a balanced development model is increasingly important because economic activity is not only related to profit generation but also to reducing inequality and improving social welfare. It is at this point that Islamic economic law has room to be studied as an approach that offers an economic orientation based on justice and benefit.

Sharia economic law has characteristics that distinguish it from economic systems solely oriented towards profit. Transaction principles in Sharia economics emphasize fairness, balance, transparency, and the welfare of the people as essential elements of economic activity. The prohibition of practices involving usury, gharar, and maysir demonstrates an effort to create more proportional economic relationships and avoid actions that could harm either party. These principles provide the basis for economic activity that considers not only financial outcomes but also the social consequences of economic activity (Ghofur, 2017; Fasya & Al-Jawami, 2021).

The development of Islamic economic law also demonstrates that this system is increasingly gaining a foothold in Indonesia's economic life. Strengthened regulations provide a foundation for the development of various Islamic-based business activities and financial services. Ihwanudin (2017) explains that Islamic economic law is linked to global economic developments, so its existence is not limited to the economic activities of Muslim communities but also becomes part of the dynamics of the broader economic system. These developments demonstrate that Islamic economics has the potential to contribute to the national development agenda if supported by adequate regulations, institutions, and economic practices.

In the financial sector, the contribution of Islamic economics can be seen through the profit-sharing principle and financing mechanisms that foster a more proportional relationship between the parties involved. This model has the potential to expand public access to economic activities and encourage the empowerment of groups that previously had limited access to financing. Komarudin et al. (2021) place the empowerment and development of Islamic economics as a crucial component in understanding the practical application of Islamic principles. Thus, Islamic finance can be viewed not only as an alternative financial service but also as an instrument that can support equal economic opportunities.

The sustainability dimension is also linked to the basic principles of Islamic economics. Asset and resource management should not be excessive or solely focused on short-term interests. The principle of utility requires that economic activities consider their impact on society and the environment. In the context of sustainable development, this approach is relevant because development success is determined not only by economic growth but also by the ability to maintain resources for future needs. This perspective demonstrates the intersection between Islamic economic principles and the concept of sustainability-oriented development.

This development is also supported by changes in the legal framework of the Indonesian financial sector. Law No. 21 of 2008 concerning Sharia Banking serves as a key foundation for the implementation of Sharia banking activities, which has subsequently been amended through the development of financial sector regulations. This framework was further strengthened through Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector and its most recent amendment, Law No. 4 of 2026. The 2026 regulations update several provisions in

Law No. 4 of 2023 and demonstrate that financial sector strengthening continues to adapt to legal needs and developments in the Indonesian financial sector.

This regulatory strengthening is also evident in the development of Islamic banking regulations. In 2026, the Financial Services Authority (OJK) issued POJK No. 4 of 2026 concerning the Implementation of Islamic Banking Investment Products. This regulation emphasizes sharia principles, governance, risk management, transparency, consumer protection, and the separation of investment products from savings products. These developments demonstrate that strengthening the Islamic economy is not only related to the existence of institutions, but also to the quality of regulation and governance of economic activities.

Despite its significant potential, the application of Islamic economic law to sustainable development still faces several challenges. Limited public understanding, inconsistent regulatory development, institutional capacity, and the ability of economic actors to implement Islamic principles are challenges that require attention. Arif (2020) emphasizes the importance of Islamic economic law in national and state life, while Mufrih and Hadiroh (2022) point out that the development of fatwas and regulations plays a role in strengthening national economic development. This means that the success of Islamic economics depends not only on normative concepts but also on the legal and institutional capacity to translate these principles into practice.

This issue becomes increasingly important as the Islamic economy faces the demands of sustainable development. A sustainability-oriented economic system requires instruments capable of reconciling the interests of growth, equity, and social responsibility. Zakiyah (2021) points out the opportunity for Indonesia to strengthen its position in financial transactions based on Islamic economic law. Meanwhile, Hartanto (2022) points out that the development of the Islamic economy continues to adapt in line with changes in the modern economic environment. This situation demonstrates the opportunity to develop Islamic economic law as part of a more sustainable economic development strategy.

Based on this description, a more integrated study is still needed to link the principles of Islamic economic law with the needs of sustainable development. This study is not sufficient to simply examine the development of Islamic financial institutions or instruments; it also needs to consider their contribution to community empowerment, economic equality, resource management, and regulatory support. Therefore, this study aims to answer two research questions: (RQ1) How can Islamic economic law contribute to sustainable economic development in Indonesia? (RQ2) What are the challenges and opportunities for implementing Islamic economic law principles in supporting sustainable economic development in Indonesia? These two questions form the basis for analyzing the relationship between Islamic economic law principles, economic empowerment, resource sustainability, the financial sector, and regulatory developments in Indonesia.

2. Methods

This research uses a descriptive qualitative approach to gain an understanding of the role of Islamic economic law in supporting sustainable economic development in Indonesia. This approach was chosen because the research focuses on understanding the principles, practices, contributions, and various issues that arise in the application of Islamic economics in development.

The research data consists of primary and secondary sources. Primary data was obtained through interviews with individuals with knowledge and experience in Islamic economics, sustainable development, and inclusive finance. Informants included academics, Islamic banking practitioners, and those involved in economic policy. Informants were selected using a snowball sampling technique, which involves gradually selecting informants based on recommendations from previous informants until information sources relevant to the research focus were obtained.

Secondary data was obtained through a review of various written sources related to the research topic. These sources included scientific journals, books, institutional reports, laws and regulations, and other official documents. The collected materials were then analyzed to obtain information on the principles of Islamic economic law, the development of the Islamic financial sector, economic empowerment, resource sustainability, and policies related to economic development.

The analysis process was conducted through thematic analysis. Data from interviews and documents were first identified and categorized based on emerging issues, then coded to identify key patterns and themes. These themes were then compared and interpreted to explain the contributions and obstacles to implementing Islamic economic law in sustainable development.

The research also employs a comparative perspective, comparing the characteristics of Islamic economics and conventional economics in supporting sustainable development. This comparison is used to examine the differences in orientation, mechanisms, and potential contributions of each system to economic, social, and environmental aspects. The entire analysis process is aimed at generating a comprehensive understanding and formulating practical implications for the development of Islamic law and economics in Indonesia.

3. Results and Discussion

3.1. Contribution of Sharia Economic Law to Economic Empowerment and Equality

The findings show that Islamic economic law can contribute to sustainable economic development by strengthening community empowerment and expanding economic equality. This contribution is based on principles of justice, partnership, balance, welfare, and shared responsibility, which direct economic activities beyond profit generation toward broader social benefits. The profit-sharing principle creates a more proportional relationship between parties because it emphasizes partnership and risk sharing rather than fixed obligations. Islamic financial services can also expand access to financing for small businesses and community groups with limited access to formal financial sources (Fasya & Al-Jawami, 2021; Komarudin et al., 2021). Thus, empowerment is not limited to providing capital but also concerns creating economic relationships that enable communities to participate in productive activities.

The development of Islamic economic law requires legal certainty so that Islamic principles can be translated into applicable economic practices. Arif (2020) emphasizes the importance of the legalization of Islamic economics in national and state life, while Mufrih and Hadiroh (2022) demonstrate the relationship between fatwas, regulations, and national economic development. Legal certainty provides a basis for regulating transactions, institutional responsibilities, and the rights and obligations of economic actors. Regulatory developments further strengthen this contribution. Law No. 21 of 2008 concerning Sharia Banking provides a foundation for Sharia banking activities, while Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector and Law No. 4 of 2026 demonstrate the continuing development of the financial legal framework. OJK Regulation No. 4 of 2026 concerning the Implementation of Islamic Banking Investment Products also emphasizes Sharia principles, fairness, balance, transparency, profit sharing, risk sharing, governance, risk management, prudence, and consumer protection.

These developments indicate that Islamic economic law can support empowerment through three interconnected channels: balanced economic relationships through partnership and profit sharing, broader access to Islamic financial services, and regulatory certainty supported by responsible governance. Wider access to financing can support small businesses and community groups in developing productive activities (Komarudin et al., 2021). Zakiyah (2021) also indicates the potential of Indonesia as an Islamic finance transaction center. Therefore, the contribution of Islamic economic law should not be measured merely through the growth of Islamic financial institutions but through its ability to expand access, increase productivity, reduce inequality, and improve community welfare.

3.2. Sharia Economic Law, Resource Management, and Sustainable Development

The findings further demonstrate that Islamic economic law contributes to resource management and the sustainability dimension of economic development. Economic activities are not viewed solely through financial outcomes but also through their effects on society and the environment. The orientation toward benefit, balance, responsibility, and avoidance of excessive exploitation provides a normative basis for managing resources while considering long-term interests and future generations (Ghofur, 2017). This indicates that economic development should maintain a balance between economic interests and broader social needs.

Fasya and Al-Jawami (2021) show that Islamic economic principles can be applied to modern business activities, allowing economic activities to be assessed not only according to profit but also according to the appropriateness and impacts of their processes. Islamic financial instruments can therefore support productive activities with long-term economic, social, and environmental benefits, including productive businesses, infrastructure, and other activities related to sustainable development. The role of Islamic finance is consequently not limited to providing financial resources but also concerns how those resources are directed and managed.

OJK Regulation No. 4 of 2026 reinforces this orientation through requirements concerning governance, risk management, prudence, separation of investment and savings fund management, and consumer protection. Sustainable Islamic finance therefore concerns both the activities being financed and the manner in which funds are managed, risks are controlled, information is communicated, and financial service users are protected. Arifin (2021) emphasizes the importance of legal certainty in economic relationships, while Hartanto (2022) shows that Islamic economics continues to adapt to changes in the modern economic environment. These findings indicate that positive law provides mechanisms for translating Islamic values into economic practice, while Islamic economic principles provide a framework for balancing growth, equity, and responsibility. Therefore, Islamic economic law can contribute to sustainable development by encouraging responsible resource use and supporting financial activities that provide broader benefits.

3.3. Challenges in Implementing and Strengthening Sharia Economic Legal Regulations for Sustainable Development

The implementation of Islamic economic law faces several challenges, particularly limited public literacy, regulatory adaptation, institutional and human resource capacity, and the ability to demonstrate measurable development impacts. Public understanding is often limited to the prohibition of usury or the existence of Islamic financial institutions, while the broader relationship between Sharia principles and empowerment, equality, social responsibility, and sustainability remains insufficiently understood. This condition can influence the public's ability to understand Islamic financial products and make appropriate financial choices. A broader understanding is therefore needed so that Islamic economic law is viewed not only as a set of prohibitions but also as a framework based on justice, balance, partnership, and welfare.

Economic and technological developments also produce increasingly diverse transaction forms, requiring regulations that provide certainty while allowing innovation. Mufrih and Hadiroh (2022) emphasize the importance of developing fatwas and regulations so that Sharia principles can be implemented within the national legal system. OJK Regulation No. 4 of 2026 strengthens this framework through provisions on governance, risk management, prudential principles, separation of fund management, transparency, and consumer protection. However, regulation alone is insufficient. Human resources must possess knowledge of Islamic law as well as economics, finance, risk management, technology, and regulation, while institutions must have the capacity to ensure consistent implementation (Arif, 2020).

The success of Islamic economic development also needs to be assessed through concrete outcomes such as expanded financing access, strengthened small businesses, employment creation, equitable distribution of benefits, and support for sustainable economic activities. Ihwanudin (2017) emphasizes that Islamic economic law is connected to global economic dynamics, while Komarudin et al. (2021) demonstrate that Islamic economics has both theoretical and practical dimensions that need to be connected to societal needs. Therefore, Islamic economic institutions need to maintain their principles while responding to changing economic conditions and societal needs.

The findings indicate that Islamic and conventional economic systems should not necessarily be viewed as absolute opposites. The conventional system has developed mechanisms that support economic efficiency, while Islamic economics emphasizes justice, partnership, and risk sharing. Strengthening Islamic economic law therefore concerns ensuring that these principles can provide a meaningful contribution to economic development. Thus, the answer to RQ2 indicates that the opportunities for implementing Islamic economic law in sustainable development are substantial, but their realization depends on improvements in literacy, regulation, institutional capacity, human resources, innovation, and the ability to translate Islamic principles into measurable economic, social, and environmental benefits. The effectiveness of Islamic economic law ultimately depends on the integration of these principles with legal certainty, responsible governance, and the practical needs of society.

4. Conclusion

The research results indicate that Islamic economic law has a strong potential to support sustainable economic development in Indonesia. This contribution can be seen in the principles of justice, balance, partnership, welfare, and responsibility that underlie economic activity. These principles provide direction so that economic activity does not solely pursue increased profits but also prioritizes equitable distribution of benefits and the broader interests of society. Therefore, the application of Islamic economic law is relevant to development needs that place economic, social, and environmental aspects as interconnected.

In terms of economic empowerment, Islamic financial instruments and mechanisms can provide alternatives for communities to gain access to financing and financial services. The principles of profit-sharing and risk-sharing enable the formation of more balanced economic relationships between the parties involved. If developed appropriately, these mechanisms can help increase community business capacity, expand economic opportunities, and support the reduction of inequality. This contribution becomes increasingly important when the Islamic financial sector is directed at reaching community groups and business actors who have traditionally faced limited access to financing sources.

Sharia economic law is also relevant to resource management and long-term development. Resource utilization must consider utility, balance, and impact on community life. This orientation aligns with the need for sustainable development, which not only considers current economic outcomes but also considers the sustainability of resources for future generations. Therefore, the application of Sharia principles can be directed toward fostering more responsible economic behavior toward society and the environment.

However, the implementation of Islamic economic law still faces several obstacles. Limited public literacy, unequal understanding of Islamic economics, the need to improve the quality of human resources, and the demand for regulations that can keep pace with economic developments are issues that must be addressed. Strengthening Islamic financial sector regulations is a crucial step, but its effectiveness still requires institutional support, oversight, education, and the industry's ability to translate Islamic principles into concrete economic practices.

Based on these findings, the development of Islamic economic law in Indonesia needs to be directed towards a more integrative approach. Strengthening the financial sector must go hand in hand with community empowerment, increased literacy, human resource development, and attention to environmental sustainability. The government, financial institutions, academics, business actors, and the community have complementary roles in ensuring that Islamic economic development yields tangible benefits.

Thus, Islamic economic law not only serves as a normative basis for determining the suitability of an economic activity but can also serve as an instrument supporting more equitable and sustainable development. This potential will be even greater if Islamic principles are substantively applied, supported by adaptive regulations, and translated into economic policies and practices that address societal needs. Future Islamic economic development needs to prioritize a balance between growth, equity, and sustainability so that Indonesia's economic development can provide broader and more sustainable benefits in the long term.

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Conflict of Interest Statement

The authors declare that there is no conflict of interest.

Ethical Approval and Originality Statement

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

Data Disclosure Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.