

Resonance of Islamic Economics on the Stage of Globalization

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Abstrak: *This research aims to investigate and describe the global influence of Islamic economics in the context of the growing phenomenon of globalization. Using a descriptive qualitative approach, data was collected through literature study, document analysis, as well as interviews with economic experts and Islamic economic practitioners. Data analysis was conducted by considering key concepts in Islamic economics and how they interact with the current globalization process. The research findings show that Islamic economics has significant resonance on the globalization stage, influencing economic policies, business practices, and economic thinking at large. The contribution of Islamic economics to sustainable development, economic inclusiveness, and social justice is increasingly recognized and applied in various global contexts. However, challenges and constraints in the implementation of Islamic economic concepts are also found, including the gap between theory and practice, as well as the integration of Islamic economics with the dominant conventional economic system. The implications of this study highlight the importance of understanding and applying Islamic economic principles effectively in facing complex global challenges, by strengthening the role of Islamic economics in creating a sustainable positive impact amidst globalization.*

Keywords : *Islamic Economics, Global Trends, Developments*

INTRODUCTION

Islamic economics has earned a place of honor in recent decades. After the conventional financial system caused various economic soot that led to the financial crisis. Until Islamic finance became a global phenomenon, where Islamic financial institutions were born (Nihayah & Rifqi, 2023). Islamic economics can be accepted as a financial rule because it is full of moral values, which are very universal values to be applied. Another positive value that makes Islamic finance acceptable is that it always promotes fairness, honesty and ethics (Nurapih et al., 2021). It has been presented by various studies, that a single conclusion can be pinned on Islamic economics, namely that Islamic finance has been tested to be resistant to various financial crises (Pradesa et al., 2022).

And prosperity based on justice and equity is the pulse of this Islamic economy. Therefore, the development of the Islamic financial economy in the future will be a major force in the financial industry. Indeed, a decade ago Frederick's study in Novirin (2021) still examined whether the rise of the Islamic

economic system was real or just a myth (Novirin, 2021).

However, this study will emphasize that the strength of the Islamic economic system in the future is not just a "beautiful romance" with a variety of the latest data, the superiority of Islamic economics will manifest into a force in global financing in the future. If a little trace back Islamic economics can be accepted as well as a new reference is inseparable from the era of globalization, where according to Prayogi (2022) Globalization is accepted as one of the fundamental processes that characterize the contemporary world, a process that leads to increasingly strong interdependence between increasingly large parts of the world (Riziqiyah & Prayogi, 2022). And one country with another country as if there is no barrier that limits, this is due to the rapid development in the field of information technology. And progress in the field of technology certainly also brings changes to the financial industry. And in Varga's research (2018) documents the stages of technological development in the realm of the financial industry. Islamic financial

practices have also developed with the achievements of information technology. Until the acceptance or welcome of the Islamic system was accepted in various countries ranging from Asia, Africa, Australia, America to Canada and also of course the Middle East (Fathoni, 2021; Kusumaningrum et al., 2022; Mawarni, 2021). An overview of the development of technology in the financial sector in various periods described by Varga (2018) through stages (Varga, 2018). In the early period or what is called "Financial Technology 1.0" this phase occurred between 1866-1987 the physical infrastructure of modern telecommunications began around the world (including, such as the installation of transatlantic transmission cables). At this stage, correspondence between the world's financial institutions also began to be carried out intensively. Thus, interconnectivity between global financial institutions was established. This infrastructure is used by banks to strive to provide reliable services to their customers. Without this infrastructure investment, the financial industry innovation, as it is today, would not have happened. Then came the "Financial Technology 2.0" phase from 1987-2008. The financial sector that still uses traditional methods began to be abandoned. Banks became increasingly digitized and built significant information technology and this became the infrastructure to support their operations, such as the use of ATMs and other innovative financial products and services. Clearing centers, stock exchanges and international correspondent banking became widespread, and regulatory standards were established. During this period the banking industry opened many branches as a modern financial business model. And from 2008 to the present or the so-called "Financial Technology 3.0" period, the current stage is ongoing and innovation is relentless. Including the emergence and development of financial services companies and also financial technology startups. Even now, developments in the financial industry are accompanied by a new, more advanced chapter with Artificial

Intelligence (AI). This artificial intelligence is the gateway to the industrial revolution 4.0. According to Biancone (2019), Industrial Revolution 4.0 is an era when human needs can be helped quickly and efficiently (Biancone, P. P., & Radwan, 2019; Giaconi et al., 2019). Even if juxtaposed with data from the Financial Services Authority (OJK), if in 2006 to 2007 only about 7% of those who used financial technology, but a decade later or in 2017 those who walled in fintech stepped on 78% with the total transactions of these fintech companies reaching Rp 202.77 Trillion. By observing the growth of fintech, anticipatory steps were immediately taken by the Financial Services Authority (OJK) by issuing Financial Services Authority Regulation Number 77 / POJK.01 / 2016, this regulation is the legal force for OJK with all its authority to regulate and regulate fintech.

METHOD

In this research, the methodology used is descriptive qualitative which refers to the data. Data about the traces of technological progress in the financial industry. The data used is documentation data in the form of books, news or scientific papers and previous research journals related to fintech and also sharia fintech. Some opinions from fintech and sharia fintech are the basis of this research. Furthermore, the data containing the information is analyzed. So as to get an overview of the development and growth of Islamic fintech which will become the main instrument of financing..

RESULTS AND DISCUSSION

Some literacy presents how the Islamic economic system has become attractive in the modern era. As stated by Khursd Ahmad, in Nur Kholis (2017) where he is one of the founding fathers of Islamic Economics, according to him there are several stages through which Islamic economics can be accepted and believed to be a better financial system than conventional financial systems (Nur kholis, 2017). The stages are summarized as follows. The initial stage, starting in the

mid-1930s, at this stage the ulama's understanding of economic science obtained from formal education is still very rare.

However, their sensitivity to the problems and issues faced by the people is very well understood. So that even the issue of banking interest, they discussed (Zuchroh, 2021).

They came to the conclusion that bank interest is usury, and all dealings with conventional banks should be avoided. The intense discussion of the ummah's problems regarding banking occurred from the end of 1950 to the beginning of 1960. The second stage, starting in 1960, thoughts about the concepts of the Islamic monetary system began to be discussed. These ideas were attributed to Muslim economists who had been formally educated at universities in America and Europe.

The study of usury was continued in discussions and even large-scale meetings such as seminars and conferences on Islamic finance were held. The exchange of ideas is done not only with fellow Muslims, but the thoughts of non-Muslim economic experts are also heard. They put forward alternatives to the prohibition of usury or bank interest. The Third Stage, at this stage, is the realization of the previous stage. Collaboration between Muslim scholars, bankers, entrepreneurs and philanthropists took place. Until the establishment of various non-riba banks, both in the private sector and the government sector. The stage that occurred in the 1970s was also a milestone in the establishment of the first Islamic bank, the Islamic Development Bank (IDB), precisely at the Second Conference of Ministers of Finance of Islamic Countries, held in the city of Jeddah in 1974 (Warde, 2010; Zuchroh, 2022).

Fourth stage, at this stage the implementation of the theory and practice of the Islamic economic system has been implemented thoroughly. So that the economic indicators of the people become a mirror of financial and banking institutions based on sharia law (Leeman & Wardekker, 2011). One of the strengths of the sharia system implemented by the Islamic development Bank is that its role is not only as access to

Islamic finance but its role is more diverse. Assistance to projects for the public sector which have an impact on improving welfare and alleviating poverty is more widely carried out. The following table presents assistance from the IDB through Islamic Social Finance. Touching the basics with poverty alleviation programs in various countries. The funds channeled from the annual average continue to increase. Funding from the Islamic Bank Development for humanity during the period of a decade continues to creep up. If in 2010 it disbursed USD 2,078 billion, 5 years later there was an increase of 15% to USD 2342 billion. Even this figure continues to creep up. The increase was quite significant in 2017, 2018 and 2019 respectively. USD 2,500 billion, USD 2,614 billion and USD 2,981 billion respectively (State of the Global Islamic Economy Report, 2019). This potential is read by the World Bank that funding in Islamic Social Finance is quite large in humanitarian programs. In the previous year's report the programs financed were also presented. In 2018 a total of 71 projects were financed and 272 grant operations were completed during the year. The IDB's contribution to these projects was around USD 6.5 billion covering several countries. The energy sector accounted for 31% of the approvals followed by transportation (19%), health and agriculture (13% each) and water, sanitation and urban services 9% each. The above presentation presents one of the portraits of economic strength based on the sharia system (Wahyuni & Kusumaningrum, 2020). So the Islamic economic system in the future is the answer to the conventional economic system. Several academic studies have found soot in the conventional economic system, among others, namely first, there is a potential for instability arising from this system (Effendi & Maulida, 2021; Joni et al., 2022; Razali & Amiruddin, 2022), second, empirically the economic crisis arises from the conventional economic system as well, third, the disparity of the gap to the gulf separating the poor and the rich is also the result of this system and finally, the Islamic economic system can conceptually create a fairer financial system so

that the achievement of welfare becomes a necessity (Fajar et al., 2022).

Referring to the rules of the Indonesian Financial Services Authority, fintech is currently licensed in several sectors. It is mentioned what fintech can operate in Indonesia, namely payment, aggregator, personal or financial planning, crowdfunding, and lending. And based on OJK data, the most lush fintech players are from the payment category, the figure reaches 42.22% of all fintechs. And in the future this percentage will certainly continue to increase. Currently, digital payments are openly competing to offer online loans through digital wallets and fintech. When banks are still considered rigid and winding when customers need loans or financing, fintech quickly fills the hole. So it is not surprising that the growth of fintech has skyrocketed. So is financial technology a threat to banks.

Brett King (2020) through his book answers loudly, that conventional banking is entering its twilight period. Of course it is not without reason for this bitter opinion. Because giant companies such as Amazon, Apple, Alibaba, to Microsoft and Facebook already have financial services (Banaian & Zhukov, 2019). Half a century ago, there was an explicit rule that every financial transaction was conducted at a branch office, meaning that the physical branch office was the main means of every transaction. Even in 2011, only 51% of the world's population had a banking connection or account number. But now based on data from the World Bank survey through Globalindex (2017) in 2017 alone, more than 4 billion people have been connected to financial services. They already have access to bank accounts or money accounts on their devices in the form of e-money. This means that compared to 50 years ago, thanks to financial services technology today only less than 35% of the earth's population does not have access to finance. Of course, this is a big leap, as financial technology has given a tremendous acceleration to the financial industry (Globalindex, 2017). In fact, according to a recent study from cgap.org, only 1.7 billion of the population has no contact with financial activities, either

conventional or digital. Of course, based on the speed of financial technology in the past few years, this number will decrease significantly in the near future. And this also backs up the belief that fintech is the financing instrument of the future. And research from cgap.org in 2019, as outlined in the September 2019 publication entitled "China: A Digital Payments Revolution". The study shows that more than 80% of the Chinese population uses digital wallet services. There are two major platforms that are the choice of the majority of residents of the Bamboo Curtain Country, namely Alipay from Ant Financial and Tencent WeChat Pay. They use both platforms as a means of transaction every day. The two digital wallets revolutionize their behavior towards financial access such as savings and credit. Indeed, the ease of credit is also embedded in these fintech platforms, The big thing to achieve is that the wall of credit barriers for the poor and obstacles for remote communities can be broken down. So that the poor can rise with access to finance through fintech, and the scheme has proven faster than any program.(cgap.org, 2019). And the Chinese government with this success is increasingly stepping on the gas towards the role of fintech. Regulation is one of the things that is of concern so that fintech becomes the main financing tool there. And of course innovation and creation of fintech products will grow there because of the regulatory climate and a supportive ecosystem(Feyen et al., 2021; Zuchroh, 2021).

CONCLUSIONS

From the various descriptions above, it can be concluded that the Islamic economic system has become a global phenomenon. The economic system with guidelines on Islamic teachings puts morals as the key to implementing a fair and healthy economic process. Because, morals will lead economic actors to socioeconomic justice. So it is certainly not a hope in a vacuum if the Islamic economic system is the best solution and route for the realization of a prosperous country. On the other hand, financial technology has accelerated very quickly, the financial industry revolution is inevitable. So that regulators and

market players have no choice but to surf the waves of change. The shift to FinTech 3.0 is driving major changes to the financial industry map. And this marriage between morals and technology is what the financial industry will rely on in the future. So sharia ditech as the main transaction instrument of the financial universe in the coming era is not an ideal dream in wishful thinking. Islamic fintech will materialize into a global economic order system. Of course, this melodious conclusion is not without note. Supervision will be the mantra for regulators, because after all, the protection of the market, investors and consumers is the main thing. Of course it will be anticlimactic if advances in financial technology lead to cyber crime. So the strong rules, strong regulations and strong laws will be a fortress to avoid technological disasters.

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