

POTENTIAL AND STRATEGY OF SHARIA MARKET IN INCREASING NATIONAL ECONOMIC ACTIVITIES IN INDONESIA

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Abstract: The sharia market has great potential in increasing Indonesia's national economic activities. With the application of sharia principles that focus on justice, transparency, and sustainability, sharia markets can be an effective alternative to encourage inclusive economic growth. This research aims to analyze the potential of the sharia market in Indonesia, as well as strategies that can be applied to optimize its contribution to the national economy. The method used is descriptive analysis and literature study related to the sharia market, economy, and Indonesian government policies. The results of the study show that the sharia market in Indonesia has potential that has not been fully utilized. There needs to be a synergy between regulations, Islamic financial institutions, and education to the public to encourage its growth. This research is expected to provide insights for policymakers and economic practitioners in designing effective strategies to develop the sharia market in Indonesia.

Keywords: Sharia Market, National Economy, Strategy, Potential

Introduction

Based on data, the number of Muslim populations in Indonesia in 2023 is around 86.7% or 237 million people. (Kemenkeu, 2023). As a country with a majority Muslim population, the sharia market has the potential to develop and have a positive impact on the economy and society. In recent decades, the sharia market in Indonesia has shown positive growth, but it is still far from its full potential. The sharia market, which includes the banking, capital market, insurance, and halal industries, is one of the important alternatives to drive the wheels of the national economy in an inclusive and sustainable manner. Based on Islamic teachings, economics is one of the things that is discussed and has rules. As quoted (Fachruddin, 1982:30-36) which discusses the essence of the sharia economy is an economy that is carried out based on the principles of Islamic law and prohibits the existence of usury, which has been stipulated in accordance with the verses in the Qur'an. This makes the sharia market a fairer, more transparent, and socially welfare-focused economic system.

The Indonesian economy itself is facing various challenges, both domestically and abroad. These challenges include social inequality, low financial inclusion, and high dependence on commodity sectors that are vulnerable to global price fluctuations. In this context, the sharia market can be a very relevant solution, because sharia principles not only ensure fairness in economic transactions, but also pay attention to aspects of sustainability and community welfare. For example, in Islamic banking, financing is carried out on a profit-sharing basis, which is fairer and does not burden customers compared to the interest system

in conventional banking. Thus, the sharia market can function as one of the important instruments in creating a more inclusive, equitable, and sustainable economy.

However, although the Indonesian sharia market has enormous potential, its contribution to the national economy is still relatively small. One of the main reasons behind this condition is the lack of public understanding of the sharia market and the lack of innovative and easily accessible sharia products. In addition, the development of the sharia market in Indonesia is still hampered by the limitations of regulations that can support its growth, as well as the lack of synergy between Islamic financial institutions and other sectors. Seeing the existing potential, the Indonesian government has realized the importance of developing the sharia market and has begun to take strategic steps to encourage this sector, one of which is the OJK officially launched the Roadmap for the Development and Strengthening of Indonesian Sharia Banking (RP3SI) 2023-2027 with the theme "Superior Sharia Banks for a Prosperous Society" on November 27, 2023. This transformation focuses on a stronger and more competitive Islamic banking, as well as a significant contribution to the national economy and social development that not only attaches importance to business goals, but also supports its social functions to achieve the benefit of the community so that it is hoped that Islamic banking can play a significant role in promoting the moral economy. (OJK, 2023)

The concept of sharia marketing is actually not much different from the concept of marketing in general, namely marketing is a science and art that leads to the process of creating, delivering and communicating values to consumers and maintaining relationships with stakeholders. According to Hermawan, marketing today has a psychology that is interpreted to persuade someone to shop as much as possible or marketing that ultimately makes the packaging as good as possible while the product is not good or persuades someone in every way so that people want to join and shop. In contrast to sharia marketing which teaches marketers to be honest with consumers. Sharia values avoid marketers from falling into the churology earlier, because there are values that must be upheld by marketers. (Putra & Hasbiyah AN, 2018)

The sharia market not only provides alternative financing for the community, but can also play an important role in supporting the development of the real sector, which in turn will have a positive impact on the national economy. The halal industry sector, which is an integral part of the sharia economy, has great potential to create jobs, increase exports, and drive the growth of related sectors such as agribusiness, manufacturing, and halal tourism. Thus, the development of the sharia market must be carried out holistically, involving various parties and sectors, to create a mutually supportive and sustainable economic ecosystem. Seeing this condition, this study aims to analyze the potential of the sharia market in Indonesia and identify various strategies that can be applied to optimize its contribution to the national economy. A deep understanding of the potential and challenges of the sharia market and the right strategies in its development will provide clear direction for the government, Islamic financial institutions, and the private sector in designing effective policies and measures to advance this sector.

Literature Review

Islamic economics is an economy based on divinity. Islamic economics starts from Allah, aims to Allah the end, and uses means that cannot be separated from Allah's law. According to Islam, economic activities are part of a holistic life, based on values derived from the Quran and Hadith that are applied to the relationship to Allah and to humans at the same time. These values are the source of Islamic economics. So that economic activities are bound by Islamic values, including in meeting needs (Muhammad, 2007:1)

Indonesia has great potential to develop the sharia market, with the largest Muslim population in the world. Along with the growth of the global economy, Indonesia is starting to see the sharia market as one of the pillars in national economic development. On a practical level, the existence of Islamic financial institutions today shows an increasingly rapid development. This is in line with the increasing awareness of most Muslims to carry out Islam in a kaffah manner. This development certainly provides new hope for business actors to run a business that is not only oriented towards material profits, but also in accordance with the spirit of sharia law which promises to meet inner needs. (Burhanuddin, 2010:2)

In 2006, Bank Indonesia issued a policy for the Islamic banking industry, namely PBI No. 8/3/PBI/2006. In the regulation, there is material on the implementation of office channeling for sharia banks. This policy is an innovation and a new breakthrough for the development of the Islamic banking industry in Indonesia. Currently, the global community is starting to look at the sharia economy to be applied in the banking system. This is because the condition of world economic growth from 2015 to 2019 has decreased, but it is different from regions that apply Islamic banking instruments (Ihwanudin, 2017:87).

The sharia market in Indonesia has various potentials to support the national economy, including in creating financial inclusion, supporting real sector growth, and attracting investment from abroad. Islamic banks in Indonesia have shown steady growth despite challenges in facing the dominance of conventional banks. In addition, Indonesia's sharia capital market has also experienced development with the launch of sharia products such as state sukuk which has attracted the attention of investors. Despite its great potential, the sharia market in Indonesia faces several challenges, such as a lack of public understanding of sharia products, limited sharia financial institutions that can provide various services, and a lack of regulations that support the growth of the sharia market. In addition, there is still an assumption that sharia products are more expensive than conventional products, which makes some people hesitant to switch.

Method

This study uses a qualitative descriptive approach by relying on literature studies to collect relevant data. The data used in this study came from various sources such as scientific articles, books, and policy documents related to the sharia market and the Indonesian economy. The analysis was carried out to identify the potential and challenges of the sharia market, as well as strategies that can be applied to optimize the role of the sharia market in improving the Indonesian economy.

Result and Discussion

Indonesia's Islamic banking sector is showing positive developments despite still facing several challenges. According to data from the Financial Services Authority (OJK), national Islamic banking assets grew 10.38% annually to reach IDR 878.61 trillion as of August 2024 from the same period, reaching IDR 796.01 trillion in August 2023. This solid asset growth also contributed to an increase in the market share of Islamic banking to the banking industry to 7.27%, up from 7.2% the previous year. Chairman of the Indonesian Sharia Bank Association (ASBISINDO) said that the banking industry and the Islamic economy in Indonesia have great potential and have good room for growth. (Bisnis.com, 2024)

Indonesia's sharia capital market is also experiencing rapid development. The Indonesia Stock Exchange (IDX) has launched sharia products that are increasingly attracting investors, such as state sukuk and sharia stocks. This provides a great opportunity for Indonesia to attract global investors, especially from Muslim-majority countries. Indonesia's

halal industry is growing rapidly, with the halal food and beverage sector as the main contributor. Indonesia has the potential to become the center of the global halal industry, given the large Muslim population and the vast export market potential for halal products. The strategy for developing the sharia market in Indonesia requires a comprehensive and integrated approach, paying attention to various aspects such as regulations, public education, and innovation in products and services. Indonesia as a country with the largest Muslim population in the world has great potential to develop the sharia market, but its use is still limited. Therefore, strategic steps are needed to maximize the potential of this sharia market, both in the banking sector, capital market, halal industry, and other sectors.

First, one of the main strategies that needs to be implemented is the strengthening of regulations that support the development of the sharia market. Clear and supportive regulations are essential to create an environment conducive to the growth of this sector. The government must continue to update and simplify regulations related to the sharia market, so that more economic actors, be it individuals, financial institutions, or companies, are interested in participating in the sharia market. With supportive regulations, it is hoped that the sharia market can develop faster and attract investment from abroad. In addition, good supervision from relevant authorities such as the Financial Services Authority (OJK) and Bank Indonesia is also very important to ensure that the operations of Islamic financial institutions are in accordance with applicable sharia principles.

Second, the development of literacy and education about the sharia market is also a very important strategy. Although the majority of Indonesian people are Muslims, they still do not fully understand the concept of the sharia market and the products in it. Therefore, the government together with Islamic financial institutions need to work together to educate the public about the advantages and benefits of transacting in accordance with sharia principles. This can be done through educational campaigns, seminars, training, or even through digital platforms that make it easier for the public to access information. The increasing public understanding of the sharia market will encourage them to participate in this sector, both as consumers, investors, and other economic actors.

In addition, innovation in Islamic financial products is a key factor in the development of the Islamic market in Indonesia. Islamic financial institutions need to innovate to create products that are not only in accordance with sharia principles, but also attractive to the community. This innovation is not only limited to Islamic banking products, but also to investment products such as sukuk, sharia stocks, and sharia insurance that are more accessible and understood by the public. These products must be able to meet the needs of diverse communities, both for individuals, families, and companies. With innovation, it is hoped that Islamic financial products can compete with conventional products, even attracting the interest of consumers who have not previously been involved in the Islamic market.

In addition to product innovation, it is also important to strengthen collaboration between the public and private sectors in developing the sharia market. Synergy between the government, Islamic financial institutions, educational institutions, and the private sector will accelerate the development of a more inclusive sharia market. For example, Islamic financial institutions can collaborate with universities and other educational institutions to develop a curriculum that focuses more on Islamic financial literacy. On the other hand, the private sector can play an active role in creating innovative sharia products and expanding the reach of the sharia market through business partnerships.

In addition, the strengthening of the halal industry in Indonesia is also an integral part of the development of the sharia market. The halal industry sector, such as food, beverages, fashion, and tourism, has enormous potential to support the Indonesian economy. With the largest Muslim population in the world, Indonesia has the opportunity to become the center of

the global halal industry. The government needs to encourage the development of this sector by providing incentives for companies committed to the production of halal goods and services, as well as increasing halal certification for local products. The strengthening of the halal industry sector will create an ecosystem that supports the sharia market and expand the market for existing sharia products.

Finally, it is important to continue to increase Indonesia's involvement in the global Islamic financial market. As a country with great sharia market potential, Indonesia must be more active in establishing international cooperation with countries that have developed sharia markets. This can be done through trade agreements, increasing international sukuk, and collaborating in the development of global sharia products. By strengthening Indonesia's position in the global market, it is hoped that the country can attract more foreign investment interested in the rapidly growing sharia market.

Overall, the strategy for developing the sharia market in Indonesia requires a comprehensive approach, involving various parties, and focusing on improving regulations, public literacy, product innovation, collaboration between sectors, and strengthening the halal industry sector. With these strategic steps, the sharia market in Indonesia can grow rapidly, make a greater contribution to the national economy, and strengthen Indonesia as one of the global sharia economic centers.

Sharia marketing in Indonesia can also affect the image of Islamic educational institutions. (Sutama Wisnu, Widhayani, 2021). This is reinforced by the results of research conducted by (Supranto & Latifah, 2023), showing that from the overall marketing strategy, Islamic educational institutions must always pay attention to Islamic values and use Islamic values as the foundation in every activity and program. In this way, Islamic educational institutions can build a strong brand and differentiate themselves from competitors, as well as make a positive contribution to advancing Islamic education in society. This is in line with (Shiroth & Diningrum Citraningsih, 2023) that efforts can be made to improve the image of Islamic educational institutions, namely: maintaining Islamic sharia principles in marketing, and improving the quality of services and digitizing the marketing of Islamic educational services.

Although the potential of the sharia market is huge, there are several challenges that need to be overcome, such as the lack of public understanding of sharia principles, the limitations of available sharia products, and the lack of sharia financial literacy among the public. For example, in Islamic banking, people still feel confused in understanding the basic characteristics that underlie the Islamic banking operational system, namely the profit-sharing system. The profit-sharing system in practice in the eyes of the public still resembles the interest system like in conventional banks. The distribution of Islamic bank funds is more based on murabahah financing, which takes profits based on margin, which is still considered by the public to be just another way to take interest on conventional banks. The public still finds it very difficult to distinguish between profit sharing, margin, and conventional bank interest. If you can distinguish only in theory, while in practice you cannot distinguish between profit sharing, margin, and interest (Budiman, 2014:64).

In some ways, people also often experience difficulties in accessing these sharia products. With complicated requirements and convoluted bureaucracy, sharia institutions have shifted to an ivory tower that is difficult for the grassroots to reach. In fact, in fact, the sharia economy was born to accommodate the underclass. Some circles also often criticize the attitude of the Indonesian Ulema Council (MUI) in the formation and appointment of the National Sharia Council (DSN) and the Sharia Supervisory Board (DPS). Often these institutions are labeled as mere products of formality considering that the standardization of skills and capabilities of the people in them is not clear. The board that is expected to be fully

committed in supervising the products, concepts, performance, and policies of sharia institutions often disappoints. Its members, who are still dominated by elder kiai, are considered less able to keep up with the movement and development of the sharia economy which is moving very quickly (Rahardjo, 1999:27).

In sharia institutions themselves, the appointment and management of human resources (HR) is also still biased. Sharia principles, in fact, require 70% moral weight, followed by knowledge and appearance. But in practice, they are crammed with Arabic memorization and included in instant training. Sometimes business ethics and Islamic concepts have not been comprehensively mastered. Unfortunately, these shortcomings are further exacerbated by the attitude of existing financial institutions. They view sharia solely as a market opportunity that is worth taking advantage of. This action is certainly an economic crime because sharia products are a tool for capitalists to make as much profit as possible and as quickly as possible. Their alignment and commitment to the continuity and development of sharia itself is still questionable (Budiman, 2014:49).

Conclusion

The sharia market in Indonesia has enormous potential to contribute to the increase in national economic activities. In recent decades, the sharia market in Indonesia has shown positive growth which includes the banking sector, capital market, insurance, and halal industry, is one of the important alternatives to drive the wheels of the national economy in an inclusive and sustainable manner. However, the potential of the sharia market is still far from its full potential and must face several challenges that need to be overcome, such as the lack of public understanding and limited available sharia products, and the lack of sharia financial literacy among the public. Therefore, a comprehensive strategy is needed, including public education, strengthening regulations, innovation of Islamic financial products, and synergy between the government and Islamic financial institutions. With the right efforts, the sharia market can become a driving force for a more inclusive, fair, and sustainable Indonesian economy.

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