The Political Challenge of Islamic Economic Development in The Jokowi’s Government, Indonesia

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Abstract

Indonesia in developing its Islamic economic system is closely bound up with the political situation of its time. The New Order is the government that established the first Islamic bank in Indonesia, but its relationship to political Islam has been strained in the past so it is delayed up to 1992. The era of reform marked by better relations between political Islam and the state has had an impact on progress in the field of Islamic financial institutions. However, in the development of the last 5 years, there has been no visible progressive policy that has led to the accelerated growth of Islamic finance, especially Islamic banking, which has stopped at 5% market share of conventional banking. The era of President Jokowi is the first government to formulate the Sharia Economic Master Plan 2019-2024 within the framework of state policy. This paper focuses on the opportunities and challenges for the realization of the master plan based on previous political policies and the reality of the political issue of the 2019 election results or the second period of Jokowi and the potential of Islamic economic resources in Indonesia.

Keywords: jokowi’s government; islamic economic development; indonesia

A. Introduction

Indonesia has a negative specificity against the backdrop of Islamic banking development that is not present until 1992. It is a political backwardness and reflects the sociological weakness in asserting the Islamic economic system.

Before 1992, especially in the 1983-1985s, the Indonesian under the New Order obligated all mass organizations to use Pancasila as the sole foundation, also frequently intervened in Muslim organizations, highlighting unfairly. It shows the politics of the New Order era closed down the political Islamic movement, which
affected the difficulty in developing Islamic economics or Sharia banking. Then, New Order collapsed and changed to the era of reform in 1998.

Today, Indonesia was led by the President Jokowi Widodo (Jokowi), along with Ma'ruf Amin, who won the 2019-2024 presidential election. Previously, Jokowi accompanied by vice president M. Jusuf Kalla had led Indonesia for the 2014-2019 period.

Jokowi said that the sharia economy is a vital key to reaching Indonesia’s vision of becoming one of the world’s largest economies in 2045. The key is sharia economy as to drive the growth of the national economy, a source of people welfare. He explained that the sharia economy has a huge potential in the global level. The National Development Planning Agency (Bappenas) predicted that the market value of the sharia economy in 2023 would reach US$3 trillion or equal to around Rp. 45,000 trillion (Tempo, May 14th, 2019).

In this article, we examine the development of the Islamic economic system during the Jokowi-Jusuf Kalla administration (2014-2019) and the possibilities for Islamic economic development in the Jokowi-Ma'ruf government (2019-2024).

This study is very interesting because the Jokowi government is the first government in Indonesia to put together the Islamic economic development master plan. Starting with Indonesia’s Shari’a Financial Architecture Master Plan (AKSI/Aksitektur Keuangan Syariah Indonesia) in 2015. Next, they continued a major plan on the Indonesian Shari’a Economic Master Plan (MAKSI/Masterplan Keuangan Syariah Indonesia) 2019-2024 in 2019. On the other hand, the Islamic economics movement in Indonesia mostly done by political Islam are less affiliated to the Jokowi government.

B. Literature Review

Several previous studies show the growth of Islamic banking or Islamic financial institutions on a global, regional, and national scale has always attracted by researchers. Kahf (2004) emphasizes the birth of the Islamic Development Bank (IDB) is a phenomenon of the rise of political Islam over the wealth of natural resources. Venardos (2005) doubts the Islamization of financial institutions in Southeast Asia can develop ideally according to sharia. However, Ahmad (2003) found that Malaysia’s political history has not always been harmonious, but it is the first country to implement Islamic banking and economic development and very influential in Southeast Asia.

Even it spreads to a European country, Ahmad (2008), Engzell (2008), Belouafi & Chachi (2014) found that Britain is the center of the Islamic bank in Europe. It opens the political sector towards the Islamic economic system and a strong
sociological support marked by the positive development of the Muslim population in Great Britain.

The research on the development of the Islamic economy within the Jokowi administration has not been studied in detail. However, some research can be linked to the previous political situation and its time. Hefner (2001), Ali (2004), Carnegie (2009), Barton (2010), Hadiz (2010, 2011), Choiruzzada & Nugroho (2013), Indrastomo (2016), and Gyene (2019) show the political situation of the Indonesian before Jokowi’s government is under the New Order that closed the Islamic political movement for many years until the 1990s. This affects the difficulty of developing the Islamic economy.

There is the historical recognition of Islam, but also the concomitant containment of its political attractiveness on the state level. The traditionalist Sunni Islamic organization, Nahdlatul Ulama (NU, Awakening of Ulama), the modernist Islamic political party, Masjumi (Council of Muslim Organisations) and the militant Islamist movements, Darul Islam (DI, Abode of Islam) and Tentara Islam Indonesia (TII, Indonesian Islamic Army) under the secular nationalism of both Sukarno and Suharto frustrated the political ambitions of these organizations by imposing major restrictions on a politicized Islam. For example, after 1949, Sukarno ‘Old Order repositioned the meaning of Islam in the national political plan by withdrawing the Jakarta Charter from the constitution. Following the events of 1965, Suharto’s New Order also hampered the old influence of political Islam by denying Masjumi any kind of return. The revision of the electoral system by Suharto in 1971 effectively destabilized the political structure of Indonesian states. Suharto tried to subsume Islamic identification in the government, but it remained only partially. The truth is that political Islam is still marginalized.

Hefner (2001) sees the rise of Muslim intellectuals in the 1980s as a forerunner to the revival of the Islamic political-socio-economic system in Indonesia. Choiruzzada (2013) and Indrastomo (2016) see the Indonesian Ulema Council (MUI/Majelis Ulama Indonesia) and the Indonesian Muslim Scholars Association (ICMI/Ikatan Cendikiawan Muslim Indonesia) is the institution that played a role in the establishment of the first Islamic bank in Indonesia in the 1990s.

The difference between this article and previous research is the focus of the study on Islamic economic development during Jokowi’s 2014-2019 administration and its potential in 2019-2024, and its comprehensive examinations in social and political aspects.
C. Islamic Economic Development Before Jokowi’s Government

1. The Tension of Political Islam

Political Islam is a response to issues related to inequalities of power and wealth in the modern world as conveyed through the ideals, terminology, imagery, and symbolism of the Islamic religion (Hadiz, 2011).

The development of the Islamic economy in Indonesia has a lot to do with the relationship between political Islam and government in disharmony, especially before 1992s.

Before the 1992s, especially in the 1975-1980an, Indonesia under President Suharto's New Order is still undergoing a period of tension with political Islam. Suharto’s system was a strictly centralized presidential dictatorship, made maximum use of and even strengthened the executive’s dominance, and wanted to curb the power of political Islam as well as that of the communists that were supported by majority among generals (Barton, 2010; Gyene, 2019).

The government always looks the political Islam that has some of the historical negative. The Islamic State (DI/Darul Islam), Indonesian Islamic Army (TII/Tentara Islam Indonesia) or the Indonesian Islamic State (NII/Negara Islam Indonesia) was driven by S.M. Kartosuwiryo from West Java who had a wide influence in Indonesia in the 1949s (see Elson, 2011; Hasbi, 2014; Rahman, 2020), and the illusion to re-adopt the Jakarta 1945 Charter of Islam as a state foundation has made the New Order government in the Islam phobia.

Then, President Soeharto in the course of his policies was not synergistic with Islam. The state plays political ideology down to the level of lower society, and opposes the Islamic circles, giving birth to ideological conflicts.

In the 1970s and 1980s, opponents of political socialization emerged in the Muslim community affiliated Masyumi, the Natsir Party, and Darul Islam (Hadiz, 2011) to affect the pattern of relations between Islam and the New Order government was disharmonious.

The tension of political Islam relations in Indonesia reduce when emerged the young modernist Muslim thinkers in the last of 1988s. They drive the goal of Muslim politics is not a centralized state with monopolistic rights over politics and culture, but about Muslim civil society that can balance the power of the state, and promote a public culture of pluralism, public participation, and social justice (Hefner, 2001). Their presence added to the strength of political Islam’s bargaining power towards the New Order’s power in subsequent
developments, especially when ICMI was built in the 1990s. The ICMI was the foremost Islamic political infrastructure in influencing the policy process, capital, and establishment of the first Islamic bank in Indonesia in 1992. Historically, the New Order’s power was very powerful in realizing the establishment of the first Islamic bank in Indonesia in 1992.

2. Stages of Islamic Economic Development

Some references may be explained the steps of economic development of Islam in Indonesia as follows:

First, on the eve of independence, Mas Mansur spoke of the interest-free banking system but obtained less positive responses from various politicians and academics. However, there is Trade Group of Indonesia (SDI/Sarikat Dagang Indonesia) who reflects the Moslem identity by doing business to compete with Chinese people (Prayudi, 2017).

Second, in Sukarno's Old Order Period there is almost no idea of growing Islamic economics. Because of the relationship between political Islam and countries still focus on the national political arrangements. Soekarno had also become increasingly close to the Indonesian Communist Party by the early and mid-1960s. At the same time, his relationship with sections of organized Islam had become strained – he had, for example, banned the major Muslim party. There was a real fear among the leadership of organized Islam (which was made up predominantly of petty-bourgeois small town merchants and rural landowners) of the threat posed to them by a communist take-over of state power with an alliance with Soekarno (Mortimer 1974; Hadiz, 2010: 15).

Third, in Suharto's New Order Period before the 1990s. The relationship between the state and Islam has met a lot of political deadlock in accommodating the various aspirations of the interests of Muslims. The New Order required Islamic organizations to be based on the single principle of Pancasila. Meanwhile, large Islamic organizations such as Nahdhatul Ulama and Muhamadiyah avoid open opposition (Pepinsky, 2014; Prayudi, 2017).

However, at that time around the year 1980 has begun to emerge the ideas of the Islamic economy and banking sector triggered by Muslim thinkers, such as A.M. Saefuddin with Amin Aziz, Abdillah Thoha, Adi Sasono, and Dawam Rahardjo. They established the Agribusiness Development Center (PPA/Pusat Pengembangan Agribisnis) which had a grand design that did not focus on the Islamic economic project, but they discussed the ideas and agenda of the Islamic economic movement (Choiruzzad, 2012; Indrastomo, 2016; Dahlan, 2018; Ramadhan, 2018).
Fourth, the transition from the New Order to accommodative political Islam in the 1990s (Effendy, 2003). From here began the development of the Islamic economy with the presence of the first Islamic bank in Indonesia in 1992.

D. Islamic Development In Jokowi’s Government

1. Jokowi’s Political Power

Jokowi has a good political hierarchy; lead at the regency two periods (Mayor of Surakarta, 2005-2009, 2009-2012), lead at the province (Governor of DKI Jakarta 2012-2014), then the national leader becomes the 7th President on two periods (2014-2019, 2019-2024). His popularity was appreciated by The Strait Times awarded Jokowi as “the ST Asian of the year 2019” (see The Strait Times, Dec, 5, 2019).

Jokowi is a gift for the Indonesian Democratic Party of Struggle (PDIP), the major party supporting Jokowi. He represented grass road leaders, careers from the bottom, and became a president although genealogically hasn’t royal blood like the six previous presidents. He gave joy to the Chairperson of PDIP, Megawati Sukarno Putri, who failed to nominate the president twice in the era of direct democracy. Megawati in the 2004 presidential election with Hasjim Muzadi and in 2009 with Prabowo Subianto was always defeated head to head with President Susilo Bambang Yudhoyono (SBY).

Jokowi’s winning at the presidential election brought back the figure and Megawati’s political stage at the national level, which faded during Susilo Bambang Yudhoyono’s government, from 2004 to 2014.

On the other side, Jokowi is a controversy in the election of his deputy. In the 2014-2019 Presidential Election, he chose Vice President Jusuf Kalla who is a senior figure in the Golkar party. At that time, the Golkar Party was a party supporting Koalisi Merah Putih (the Red and White Coalition) that support of Presidential Candidate Prabowo Subianto-Hatta Radjasa, the Jokowi’s sole competitor.

During this period, Jokowi successfully deflated the Red and White Coalition. PPP (United Development Party) and PAN (National Mandate Party), which were originally supporters of the Red and White Coalition (government opposition), joined in 2015, followed by the Golkar Party officially joining on 17 May 2016, simultaneously marking the dissolution of the Red and White Coalition (Wardi, 2016).

The controversy continues in the 2019-2024 period. He appointed Ma’ruf Amin in the last minutes to be a his vice-presidential candidate and stripped off
Mahfud MD, a highly experienced national figure and a strong candidate for a vice-presidential candidate at that time.

Jokowi’s courage in the final seconds of the presidential election with Ma’ruf and leaving Mahfudz MD, according to Bland (2019: 6) that Ma’ruf with all his reputation for Islam has shifted from the rigid orthodox model in applying religion to be more open. It influences the many nationalists dominated which PDIP to accept Ma’ruf as a vice-presidential candidate accompanying Jokowi.

Jokowi’s politics are very superior. With Ma’ruf Amin, he continued to be supported by loyal parties in the 2004 presidential election, namely PDIP, NasDem, PKB, Hanura, and PKPI, and two new parties (PSI, Perindo). Even of the large parties like Golkar and PPP did not move to remain loyal to the Jokowi government. PAN came out of the Jokowi government coalition and joined the Gerinda Party, the Prosperous Justice Party (PKS), the Democratic Party, and the Work Party in the Adil Makmur Coalition to support Presidential Candidate Prabowo Subianto-Sandiaga Uno. The Jokowi-Ma’ruf Amin won the 2019-2024 presidential election with a vote of 55.50%, and Prabowo-Sandiaga with a vote of 44.50%

2. The Debate of Jokowi’s Politics

Jokowi’s political superiority still has gaps and several experts see that is a part of the weakness in his political policy. Of course, this view is still in subjectivity, but for political and democratic insight, it is very important to be understood.

Aspinal & Mietzner (2019) describe the last five years, an old social cleavage separating pluralists from Islamists has been reactivated. In the 2019 presidential election, the incumbent, Jokowi, won by increasing support from religious minorities and traditionalist Muslims, and his competitor, Prabowo, was backed by groups promoting a greater role for Islam in political life. Empowered by this socioreligious polarization, Jokowi’s government has relied on increasingly illiberal measures to contain the populist-Islamist alliance, undermining some of Indonesia’s democratic achievements in the process.

Power (2018) examines the decline of Indonesian democratic institutions under President Jokowi, especially ahead of the 2019 presidential election. It relates to the mainstreaming and continuing legitimacy of a conservative and anti-pluralistic political Islam brand, and increasingly open oppression and the powerlessness of political opposition. These trends have helped to unbalance democratic playing fields, limit democratic choices, and reduce government accountability. The Jokowi’s government adopted a policy of “authoritarian
turn” ahead of the 2019 general election, the government effort to undermine and suppress democratic opposition.

Warburton (2016) argues Jokowi’s development strategy is not unique and incoherent, and his decision making is more *ad hoc*. However, Jokowi has broad structural characteristics from the socio-political situation so that Indonesia during Jokowi’s presidency can return Indonesia to its developmental style. In 2016, Jokowi’s new developmental model began to emerge. Jokowi’s administration focuses on infrastructure and deregulation.

Muhtadi (2015) criticized Jokowi’s policies for the 2014 period. Initially, the public had high hopes for Jokowi’s new political style. But Jokowi failed to keep his promise of reform due to a combination of personal and external factors. He failed to show leadership on anti-corruption and human rights issues, for example-partly because he preferred economic development over democratic reform, but also because he was not immune to oligarchic politics that dominated Indonesian political life and promoted the interests of the Indonesian elite.

Warburton and Muhtadi’s opinion describes the side of Jokowi’s infrastructure development model, which is successful. The toll road has stretched from West Java to southeastern Central Java. However, the developmental model has left many more important governance issues, such as controlling foreign debt, which continues to increase. Corruption has also not declined, and past human rights issues have not been resolved.

Hamayotsu & Nataatmadja (2016), Jokowi has faced formidable challenges; managing the competing partisan and personal interests as well as the economy and religious conflict. Overall, the new government’s contribution to democratic reforms has been modest thus far.

3. Jokowi’s Policy in Islamic Economic Development


- **Indonesian Sharia Financial Architecture Master Plain (*AKSI*)**

It was inaugurated in 2015 or 1 year after Jokowi was appointed as the 7th President of Indonesia. *AKSI* is the response of the Jokowi government
to the 20 years of development of shari’a finance in Indonesia that has not yet had a major impact on the national financial industry (Bappenas, 2015).

The complexity of Indonesia’s shari’a financial industry is due to a large part of its orientation on retail, which is hindered by many regulations, and the unclear consumer database.

However, Islamic finance in Indonesia has salient and unique features, such as the world’s first Shariah Online Trading System (SOTS), retail Sukuk (sharia online securities trading system), Islamic Rural Bank (BPRS), and informal Islamic microfinance institutions called BMT (Baitul Maal wat Tamwil).

b. National Sharia Finance Committee (KNKS)

KNKS was inaugurated by Jokowi in 2016. Minister of National Development Planning/Head of National Development Planning Agency (Bappenas), Bambang Brodjonegoro said KNKS is the government commitment to develop Sharia economy and finance seriously in Indonesia by involving all stakeholders and to speed up coordination and synergy between communities, ministries/institutions and other stakeholders in Islamic finance (Aisyah, 2019).

KNKS led by the President and the Vice President, and the Steering Committee which comprises 10 leaders from government and related authorities, namely the Coordinating Minister for Economic Affairs, the Minister for National Development Planning/the Head of the National Development Planning Agency, the Minister of Finance, the Minister of Religion, the Minister of Business Entities State-owned, Minister of Cooperatives and Small and Medium Enterprises, Chair of the Board of Commissioners of the Financial Services Authority, Governor of Bank Indonesia, Chair of the Board of Commissioners of the Indonesian Deposit Insurance Corporation, and Chair of the Indonesian Ulema Council (MUI).

c. Indonesian Sharia Economic Master Plan (MAKSI)

The Indonesian Sharia Economic Master Plan (MAKSI) 2019-2024 results from work compiled by KNKS as a reference for the development of the real sector and sharia finance in the country.

MAKSI has a big target to increase the market share of Islamic finance to 20 percent in the next 5 years and make Indonesia a major player in the global halal industry.
Jokowi said the government divided the focus of the development of Indonesia’s sharia economy into five sectors, namely the food and beverage industry, fashion, tourism, media and recreation, as well as pharmacy and cosmetics. The government is also committed to strengthening Shari’a finance, Sharia-based MSMEs, and a digital economy that serves Shari’a products (Aisyah & Gorbiano, 2019).

E. The Opportunity of Islamic Development In Jokowi’s Government

AKSI, KNKS, and MAKSI policies are very strategic for national and global economic development. Berdasarkan laporan Global Islamic Economy, belanja (spending) halal Indonesia mencapai 218,8 miliar dolar AS pada 2017. Ini merepresentasikan pasar industri halal terbesar di dunia. Nilai ini akan terus bertambah sekitar compound annual growth rate (CAGR) atau rasio pertumbuhan rata-rata gabungan lima sampai enam persen per tahun (Republika, 2019).

Globally, the 2018 Global Islamic Economy (GIE) indicator that places Indonesia in Halal Finance (#10), Halal Travel (#4), Halal Modest Fashion (#2). Then, in the 2019 Global Islamic Economy Report (GIER), Indonesia moved up in rank from 10th to 5th, after Malaysia, UAE, Bahrain, and Saudi Arabia. Indonesia has the best sector in halal modest fashion (#3), Islamic finance sector (#5), and Muslim friendly travel (#4).

As for the 2019 Islamic Finance Country Index (IFCI), Indonesia attains a score of 81.93 or first place in the global Islamic financial market. According to the Director-General of Cambridge Institute of Islamic Finance (Cambridge-IIF) Humayon Dar, the 2019 Global Islamic Finance Report (GIFR) assesses that the factors that have the greatest impact on Islamic economic development in Indonesia are the regulation and improvement of the Islamic banking and financial industry ecosystem, strong political support, and great potential (Lawi, 2019).

Several reports and indexes above show that Indonesia has potential in the field of Halal or Islamic finance, Halal Travel, and Halal Modest Fashion.

1. Islamic finance

Ranking 10th in the halal finance (GEI) category is an abnormal situation for Indonesia as the country with the largest number of Shari’a financial institutions in the world. It has more than 5000 institutions consisting of 34 Shari’a Banks, 58 Takaful (Shari’a Insurance), 7 Shari’a Venture Capital, 163 Shari’a Rural Banks (BPRS), 4500-5500 Shari’a Cooperatives or Baitul Mâl wat Tamwil (BMT).
Data from OJK until August 2017, total Indonesian Islamic financial assets (excluding Sharia Shares) reached IDR 1,048.8 trillion. Especially on sharia banking has total assets of Rp. 389.7 trillion or 5.44 percent of total national banking assets (Hasan, 2019).

The biggest problem is this amount could not increase the market share of Islamic banking is still below 6% (Hasan, 2019). Another problem in encouraging the growth of Shari'a financial institutions is the classic problem, the amount of Shari’a finance does not yet reflect a very large representation of Indonesian Muslims. Since 1992, a real Islamic bank which is the product of Muslim society is 1 only, Bank Muamalat. Another of the 34 Shari’a Banks are fractions of conventional commercial banks or units of conventional businesses.

Ironically, Bank Muamalat as the Shari’a pioneer of commercial banks and the genuine of Muslims belonging is experiencing financial distress (liquidity problems) and recovering.

2. Halal Travel

Indonesia is a destination country like a heaven of all the beauty of the universe; marine and mountain tourism (Raja Ampat Papua), integration of the oceans and hills (Gunung Kidul Yogyakarta), integration of the oceans and forests (Mangrove Pariaman, West Sumatra), the Natural Hill Area (Bandung West Java, Baturarraden Central Java, Kaliurang Yogyakarta), deserts and mountains (Bromo East Java), garden packages are covering 264 hectares; Bogor Safari Park, Bogor Botanical Gardens, and the Mekarsari Fruit Park, plus the Dian Al Mahri Mosque (Golden Dome Mosque) in Depok, West Java, and there are many more potential halal tourism in Indonesia.

The issuance of the Regulation of the Minister of Industry (Permenperin) No. 17 of 2020 concerning Procedures for Obtaining a Certificate in the Framework of Establishing a Halal Industrial Zone, is the first step in developing an integrated halal industrial area in Indonesia. For example, the Modern Industrial Estate Cikande Serang, Banten and the Halal Industrial Zone SAFE n LOCK Sidoarjo, East Java. Likewise with Ilham Habibie's plan to develop a Special Economic Zone (KEK) in Aceh.

Based on data from the Global Islamic Economy Summit report, halal tourism spending recorded a turnover of 184 billion US dollars in 2017, especially from the Gulf Cooperation Council (GCC) countries which are relatively small in number but have an average spending of up to 5,000 US dollars per visit. By 2023, it is estimated that the halal tourism market share will reach US$ 177 trillion (Republika, 2019).
However, the entire potential of the Indonesian halal has not been supported by supporting infrastructure, namely Shari’a hotels. Head of the Team for the Acceleration of Halal Tourism Development (TP3H) Riyanto Sofyan said the growth of Shari’a hotels in Indonesia to increase per year in 2018 amounting to 730 (growing 118%). Referring to BPS (Central Statistics Agency, 2018), in 2018 only 730 Islamic hotels or still outnumbered by conventional two-star hotels (745), and almost half of the number of three-star hotels (1,302) (BPS, 2018).

Reports of gatra.com (June 10th, 2018) and Syarizka (Bisnis.com, May 11th, 2018) show data in the Ministry of Tourism show only two hotels have certified by DSN-MUI (Shari’a or Halal Authority Council), namely Shari’a Solo Hotels and Sofyan Hotels at Cut Mutia and Supomo street, Jakarta. As for the restaurants that have Shari’a-certified are 75 number.

Halal tourism can also promote MSMEs based on Muslim communities. Tanggulangin Leather Crafts in Sidoarjo (East Java), Silver handicrafts in Kota Gede, Ceramic Crafts in Kasongan (Yogyakarta), carved wooden furniture Jepara, batik centers Pekalongan, muffler and eyelash crafts (Centra Java), and Cibaduyut West Java. Almost all regions have the potential of Shari’a SMEs, especially in the regions of Sumatra, South and East Kalimantan, South Sulawesi, West Nusa Tenggara, and North Maluku.

However, not many of the MSMEs are synergistic with Shari’a financial institutions, especially in the capital. KSPPS (Savings and Loan Cooperatives and Sharia Financing) at the level of BMT has not been able to provide cheap Shari’a financing and in large amounts of capital to MSMEs. While MSMEs are also partly difficult to access to Shari’a banking institutions, even though they are at the Shari’a rural bank (BPRS) level because of the many conditions and guarantees that must be met, many MSMEs are not bankable (Antonio, 2011).

3. Halal Modest Fashion

The enactment of Law Number 33 of 2014 concerning the Guarantee of Halal Products, the rise of Muslim fashion designers, Muslim fashion events, and positive public responses have made the halal modest fashion to grow.

In 2019, exports of the Muslim fashion sector have exceeded US$ 9.2 billion, equivalent to 9.8% of total exports from the manufacturing industry. In the domestic market, consumption of Muslim fashion products has reached US$ 20 billion with an average growth rate of 18.2%.

Indonesia also occupies the 3rd position in the Top 10 Modest Fashion and Top 10 Fashion Muslim Consumer Markets with a total spending of US$ 21

Therefore, Halal Modest Fashion can be used as a driving force for the halal industry which controls the domestic market. The largest Muslim population in the world and the level of need for Muslim clothing in various activities, work, study, and socio-religious activities at all society levels make the halal modest fashion a most potential market compared to halal finance and halal travel.

4. Halal Potential

a. Agribusiness

During the 2013-2018 period, the additional accumulated value of GDP in the agricultural sector that was able to be generated reached IDR 1,375 trillion, and the GDP value of the Agricultural Sector in 2018 increased by 47% compared to 2013.

In addition to positive growth, the role of the agricultural sector in national economic growth is also increasingly important and strategic. In 2014, the Agriculture Sector (including forestry and fisheries) contributed around 13.14% to the national economy and in 2017 it increased to 13.53%.

The idea of the development of halal agro-industry in Indonesia is balanced with Indonesia's economic competitiveness on a global scale and optimize the access and control of agricultural technology to elevate farmers' markets are still weak (Apriantono, 2006).

b. Islamic Economic based on digital

Digital market share is booming in retail and e-finance. There are providers owned by Indonesian youth Muslims like Gojek of Nadiem Makarim and Bukalapak of Ahmad Zaky. But of all the e-markets and e-finance have not push for halal trading mechanisms and systems (Shari’a economics).

This condition is caused by the literacy scarcity of the Islamic economic system in the fields of e-commerce, e-market, and e-finance. Indonesia must be able to encourage influential and potential universities in creating resources in the development of Shari’a economic system literacy based on e-commerce and digital transactions.

F. The Social-Political Challenges

Islam in Indonesia, despite the sporadic violence of Muslim militants, is held up as an exemplar of moderation, and Indonesia hailed as a country in which Islam and
democracy co-exist admirably. Malaysia is touted as proof that Muslim nations can overcome economic backwardness by engaging with global capitalism (Barton 2004; Teik & Hadiz, 2010). What is the correlation with Islamic economic development?

Indonesian democracy in Jokowi’s government has given rise to a faction of Islamic politics. There is something important that is not revealed in the public of many grassroots Shari’a economic movers in Indonesia, among those who are affiliated with the “right-thinking” of Islam, and some of whom are Islamic activists of “212 movement”.

The Islam of “212 movement” according to million Moslem demonstrators gathered to protest against the alleged blasphemy of Jakarta’s former Governor, a Chinese-Christian Indonesian popularly known as Basuki Tjahaya Purnama or Ahok. Mass demonstrations occurred twice within a few weeks, on the 4th of November 2016 (popularly called the ‘411 movement’) and the 2nd of December 2016 (called the ‘212 movement’). Both demonstrations were considered the largest mass-gathering organized under the name of Islam in Indonesia’s history. Many scholars and commentators of Indonesian politics perceived the mass demonstration as a heightening politics of right-wing Islamic populism (Juoro, 2017; Lubis, 2017; Supriatma, 2017; Savitri & Adiyanti, 2018).

At the “212” of the 2019 reunion event, although not much attended by religious and political figures such as the “212 movement” in the 2016-2018, Muslims from various regions in Indonesia remained present. This shows that the “212 Movement” has become a Muslim force that is not in the mainstream.

Sholikin (2018) positioned the 212 movement as a critical event to see religious developments in Indonesia, especially regarding the fragmentation of religious authority. If previously NU, Muhammadiyah, and MUI were national religious authority holders, new figures and institutions are emerging, Habib Rizieq Shihab with the Front of Islamic Defenders (FPI, Front Pembela Islam) is a name that has become the new center of religious authority. Perhaps this is what causes mainstream Islamic power, especially NU and GP Ansor (NU Youth Organization) do not support it.

The 212 movement continues to run in mass communication named the 212 Alumni Management (PA 212/Pengurus Alumni 212). PA 212 is the mainstream always carries issues with nuances of religious defense that often criticizes the Jokowi government.

The positive effect of the 212 movement is his personages formed the 212 Syariah cooperative officially launched at the Andalusian mosque, the Tazkia Institute complex, West Java, on January 6, 2017. M. Syafi’i Antonio’s influential
person in developing the Islamic economy in Indonesia served as chairman. The other figures are Didin Hafidhuddin (Advisory Council), Anggito Abimanyu Board, Ichsanuddin Noorsy (Supervisor), and the chair of the Advisory Council is Ma’ruf Amin. (www.dakwatuna.com). Hafidhuddin is a figure of Dompet Dhuafa, an NGO of zakât, infâq, sadaqat. Abimayu is known as a straightforward and clean economic figure, while Noorsy is a critical economic observer, and Ma’ruf Amin as Jokowi’s vice president.

The Syariah Cooperatives “212” has opened the “212Mart” retail store that had 192 stores (Kompas.com, August 29th 2018). It is a new model of sharia cooperatives, which has so far been more focused on Shari’a Savings and Credit Cooperatives (KSPPS).

Savitri & Adriyanti (2018) see the establishment of a cooperative “212” as a vehicle for Muslim middle-class entrepreneurs who launched the “economic jihad” campaign. The rise of political power 212 is a phenomenon of the rise of Islamic populism in Indonesia, which can be understood as the return of fascist ideologies and practices that use nationalism and religion as political instruments for capital accumulation.

In this aspect, the development of “Mart 212” is a positive social practice in encouraging Islamic economic growth in Indonesia, but it becomes a political problem because there is a symbol of “212” which has been an icon against the Jokowi government.

The political problem seems to be right, because in the Indonesia-Forward Cabinet 2019-2024, members of the president’s advisors, and members of the Presidential Advisory Council (Wantimpres) there are no experts or movers of Shari’a economic business. Influential figures in the field of Islamic economics, such as M. Syafi’i Antonio (Tazkia Institute), Adiwarman Karim (Karim Business Consulting), Agustianto (UIN Syarif Hidayatullah Jakarta), Irfan Syauqi Beik (CIBEST, Bogor Agricultural Institute), M. Dawam Rahardo (ICMI senior and activator of Shari’a economics) is not included in the cabinet, advisor, or Wantimpres.

Sharia MSMEs so far have been supported by Dompet Duafa, BAZNAS, and LAZ, but the president does not take one or two persons who are experts and able to move national zakat, such as Didin Hafidhuddin (Dompet Dhuafa Republika) or Bambang Sudibyo (current Chairman of BAZNAS ) in MAKSI.

Political power at this time, that the Jokowi government was indeed close to NU, as the largest Islamic organization in Indonesia. But NU does not yet have a sharia commercial bank, and the relationship between the two is more by political
movements. Many NU figures even doubted and did not support Shari’a banks or Shari’a economic practices in Indonesia.

G. Conclusion

There are still contradictory notes between the GIE index and social conditions. In the Halal Food category, Indonesia (score 48) is excluded of 10 great, and still far compared to Brunei Darussalam (score 58). Whereas logically, Indonesia should have a high score in halal food and halal modest fashion because Indonesia already has social capital as the largest Muslim population in the world.

However, referring to the development policy in the 2014-2019 period, the Jokowi government has not united the stakeholders directly involved in the development of the Shari’a economic system in Indonesia.

The government also has not involved masssively the role of Islamic economists as an important part in the development of a national economy based on the Islamic economic system. The election of Ma’ruf Amin as vice president is only a political aspiration of the coalition to win the election rather than as a tangible manifestation of the development of the Islamic economy in Indonesia. Some policies that must be carried out are;

First, synergistic policies between government institutions, the legislature, DSN-MUI, MES, Islamic Financial Practitioners organizations, and educational institutions that organize Islamic economic education in the success of the Indonesian Sharia economic Master plan 2019-2024.

The aim is to give birth to human resources who fully understand the Islamic economic system between theory and practice, and the development of an Islamic economic system based on e-commerce, e-finance, and e-market.

Secondly, the open dialogue between the government and personnel in the political movement of “212”. Within them is the “212Mart” which is affiliated with Islamic cooperatives and can become the mainstream in retail sales (halal food, halal fashion, halal cosmetics, et al). Moreover, the management of 212 Islamic cooperatives are people who are experts in the field of Islamic economics. So far, Islamic cooperatives are more engaged in KSPPS (Savings and Financing of Shari’a Cooperative) at the level of BMT, which rarely operates in the retail of goods, and this is an opportunity in the development of distribution and channel of Sharia MSMEs and halal food production.

Third, expand the literacy of the Islamic economy for national programs. The advantage of Islamic economic literacy is insensitivity to drive radical ideology such as political literacy and fiqh which has led to Islamic factions in Indonesia. For
example, *Iqtisâdunâ* (Our Economy) by Baqr al-Ṣadr from Shi‘i, *al-Nidzâm al Iqtishâdy fî al-Islâm* (the Roles of Islamic Economics), *Al-Amwâl fî Daulâ al-Khilâfa* (Finance in the Khilâfa State) by Taqiyyuddin al-Nabhânî from Hizb ut-Tahrir has become references in Indonesia. It also hasn’t a negative impact on the social interrelationship.

In closing, Indonesia has the real potential of Islamic public financial resources that are second to none in the world. The Government of Indonesia should consider *zakat* funds as one of the financial sources for the country besides tax funds. The results show that the total of all potential *zakat* in Indonesia from various sources is approximately IDR 217 trillion. This number is equal to 3.4% of Indonesia’s 2010 GDP.

Structurally, *MEKSI* needs to be guarded not only by the National Development Planning Agency but if necessary there is a Deputy Minister under the Minister of Religion specializing in Islamic economic policy and development, especially in increasing national *zakat* collection. The national *zakat* fund is very important for the development of Islamic micro small or medium enterprises (MSMEs) which are the third point in *MEKSI* 2019-2020.

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