

Implementation of Islamic Economic Law in Strengthening Sharia-Based Economic Systems

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Abstract

This study analyzes the implementation of Islamic economic law in strengthening sharia-based economic systems. The research aims to examine how Islamic legal principles are applied in modern financial practices and how they contribute to building ethical, fair, and sustainable economic systems. A normative legal research method is used with statutory and conceptual approaches, relying on secondary data from legal documents, academic literature, and institutional reports. The findings show that Islamic economic law plays a crucial role in promoting justice, financial inclusion, and risk-sharing mechanisms through institutions such as Islamic banking, zakat, and waqf systems. However, challenges such as regulatory differences, limited human resources, and lack of public understanding still hinder its optimal implementation. The study concludes that strengthening Islamic economic law requires regulatory harmonization, institutional development, and increased public awareness to ensure the sustainability of sharia-based economic systems.

Keywords

Islamic Economic Law; Sharia Economy; Financial Ethics; Islamic Finance; Economic Justice



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INTRODUCTION

Islamic economic law has become an increasingly important field of study in response to the growing demand for ethical, fair, and sustainable economic systems. In contrast to conventional economic systems that often prioritize profit maximization, Islamic economic law emphasizes moral values, social justice, and equitable distribution of wealth. These principles are derived from Islamic teachings that regulate economic activities based on the concepts of halal (permissible), haram (prohibited), justice (‘adl), and public welfare (maslahah). In this context, Islamic economic law serves not only as a legal framework but also as a moral foundation for economic behavior.

The development of sharia-based economic systems has gained significant momentum in both Muslim-majority and non-Muslim countries. Financial institutions such as Islamic banks, Islamic insurance (takaful), and Islamic microfinance institutions are increasingly recognized as viable alternatives to conventional financial systems. According to Islamic Financial Services Board, the growth of Islamic finance reflects a global shift toward more ethical and stable financial practices that align with risk-sharing and asset-backed transactions. This development demonstrates the relevance of Islamic economic law in addressing modern economic challenges.

In addition, Islamic economic law is deeply rooted in the objectives of Sharia (maqasid al-shariah), which aim to protect religion, life, intellect, lineage, and wealth. Scholars such as M. Umer Chapra emphasize that the primary goal of Islamic economics is to achieve socio-economic justice and human well-being. This perspective highlights that economic activities should not only focus on material gain but also consider ethical and social dimensions.

The implementation of Islamic economic law also plays a significant role in promoting financial inclusion and poverty alleviation. Instruments such as zakat, waqf, and Islamic microfinance contribute to wealth redistribution and support marginalized communities. As noted by Islamic Development Bank, Islamic finance has the potential to support sustainable development by fostering inclusive economic growth and reducing inequality in society.

However, despite its rapid development, the implementation of Islamic economic law still faces several challenges. These include differences in regulatory frameworks across countries, limited public understanding of Islamic financial products, and a shortage of qualified human resources in Islamic economics. In addition, globalization and digital transformation require Islamic economic systems to continuously adapt while maintaining compliance with Sharia principles.

Based on this background, this study aims to analyze the implementation of Islamic economic law in strengthening sharia-based economic systems. The focus of this research is to examine how Islamic legal principles are applied in financial practices and how they contribute to building a more ethical and sustainable economic system.

METHODS

This study employs a normative legal research design with a conceptual and statutory approach to analyze the implementation of Islamic economic law in strengthening Sharia-based economic systems. The normative approach is used because the study focuses on legal norms, principles, and doctrines that govern Islamic

economic practices, particularly those related to financial transactions and institutional frameworks. The statutory approach is applied by examining relevant laws and regulations governing Islamic economic systems, including national legislation on Islamic banking and financial institutions, as well as international Sharia governance standards. The conceptual approach is used to analyze theoretical frameworks in Islamic economics, particularly concepts such as justice (adl), welfare (maslahah), and prohibition of harmful practices (haram), which form the foundation of Islamic economic law. The data used in this research consist of secondary legal materials obtained through library research. These include primary sources such as legislation, Sharia financial regulations, and international standards issued by Islamic financial bodies, as well as secondary sources such as academic books, peer-reviewed journal articles, and policy reports related to Islamic economics. Data collection is conducted through systematic documentation and review of relevant literature. The data are then analyzed qualitatively using descriptive and interpretative methods. The analysis involves identifying key legal principles, examining their application in Islamic financial institutions, and evaluating their contribution to the development of Sharia-based economic systems. To ensure the validity of the findings, this study applies source triangulation by comparing various legal and academic references. Through this methodological approach, the research aims to provide a comprehensive understanding of how Islamic economic law is implemented and how it contributes to strengthening ethical and sustainable economic systems.

FINDINGS AND DISCUSSION

The findings of this study indicate that the implementation of Islamic economic law plays a significant role in strengthening sharia-based economic systems by providing a normative framework grounded in principles of justice, transparency, and ethical responsibility. Islamic economic law emphasizes the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation), which are considered harmful to economic fairness and social welfare. In practice, these principles are reflected in the operations of Islamic financial institutions such as Islamic banks, *zakat* institutions, and sharia-based investment systems, which aim to promote equitable distribution of wealth and risk-sharing mechanisms. This aligns with the objectives of Islamic economics as articulated by scholars such as M. Umer Chapra, who emphasizes that the ultimate goal of Islamic economic law is to achieve socio-economic justice and human well-being within the framework of Sharia.

The study also finds that Islamic economic law provides a strong legal foundation for the development of ethical financial systems. Unlike conventional

economic systems that prioritize profit maximization, Islamic economic law integrates moral and spiritual values into economic activities. This integration ensures that economic transactions are not only legally valid but also ethically responsible. Institutions such as Islamic banking have demonstrated the practical application of these principles through profit-sharing contracts such as *mudharabah* and *musharakah*, which distribute risks and returns more equitably between parties. According to Islamic Financial Services Board, the implementation of Sharia principles in financial governance enhances stability, transparency, and resilience in the financial system.

Furthermore, the implementation of Islamic economic law contributes to financial inclusion by providing alternative financial services for communities that may be underserved by conventional banking systems. Sharia-based financial instruments such as *zakat*, *waqf*, and microfinance play an important role in poverty alleviation and economic empowerment. These instruments are designed not only to facilitate wealth circulation but also to ensure social justice and economic equity. As highlighted by Islamic Development Bank, Islamic finance has the potential to support sustainable development goals by promoting inclusive economic growth and reducing inequality.

However, the study also identifies several challenges in the implementation of Islamic economic law. One of the main challenges is the lack of uniformity in the interpretation and application of Sharia principles across different jurisdictions. This often results in variations in regulatory frameworks and financial practices, which may affect the consistency of Islamic economic systems. Additionally, limited public understanding of Islamic financial products and a shortage of qualified human resources in Islamic economics further hinder its optimal implementation. According to Accounting and Auditing Organization for Islamic Financial Institutions, standardization and capacity building are essential to ensure the effectiveness and credibility of Islamic financial governance.

Another important finding is the increasing integration of Islamic economic law into global financial systems. The growth of Islamic finance in international markets indicates a rising acceptance of Sharia-compliant financial instruments beyond Muslim-majority countries. However, this expansion also requires careful regulatory oversight to ensure compliance with both Sharia principles and international financial standards. The dual compliance requirement presents both opportunities and challenges for policymakers and financial institutions.

Overall, the findings suggest that the implementation of Islamic economic law significantly strengthens Sharia-based economic systems by promoting justice, ethical conduct, and financial inclusivity. However, its effectiveness depends on regulatory harmonization, institutional capacity, and public awareness. A well-integrated Islamic economic system requires continuous collaboration between scholars, regulators, and practitioners to ensure that Sharia principles are effectively translated into practical economic policies.

CONCLUSION

This study concludes that the implementation of Islamic economic law plays a vital role in strengthening Sharia-based economic systems by providing a comprehensive framework rooted in justice, ethical conduct, and socio-economic balance. Islamic economic law not only regulates financial transactions but also integrates moral values that ensure fairness and responsibility in economic activities. The findings show that Islamic economic principles, such as the prohibition of *riba*, *gharar*, and *maysir*, contribute to the development of a more stable and equitable financial system. In addition, Islamic financial instruments such as *zakat*, *waqf*, and profit-sharing contracts support financial inclusion and socio-economic welfare. However, challenges such as regulatory differences, limited human resource capacity, and lack of public understanding remain significant obstacles. In conclusion, the effectiveness of Islamic economic law in strengthening Sharia-based economic systems depends on regulatory harmonization, institutional strengthening, and continuous public education. A collaborative effort among policymakers, scholars, and financial institutions is essential to ensure the sustainable development of an ethical and inclusive Islamic economic system.

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