

THE DEVELOPMENT OF ISLAMIC ECONOMICS IN VARIOUS PARTS OF THE WORLD

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Abstrak

The theme of the article is "economy based on the principles of Islam". In the Famous Hotel in heart of London, England, is full of bankers, lawyers, and top world investors. Those who come from various countries in Asia, Europe, and the Middle East, make mutual offers, and many end up on signing the deal. One country absent on this event: USA. Islamic finance - which became increasingly global after Britain adopted it - has grown tremendously over the past decade. This economic system has attracted all key international players, leaving the United States in the increasingly profitable global industry. According to the report, 2016 saw new trends across the various sectors of the Islamic economy. In the halal food sector, which saw Muslim spending reach 4 trillion dirhams (\$ 1.1 trillion) in 2014, new partnerships have been forged between countries such as the UAE, South Korea, Malaysia, Indonesia and South Africa. Sukuk listings in Malaysia and the UAE have also contributed to the growth of the Islamic finance sector, which grew to 6.6 trillion dirhams (\$ 1.8 trillion) in 2014, helped by regional initiatives such as the UAE-Bahrain partnership and AvriLand First launched the first Islamic window in Cameroon.

Keywords: Development, Economics, Islamic

INTRODUCTION

Islamic Finance and Islamic Economics are economic phenomena that have recently been warmly discussed again in the dynamics of the global economy. Previously these two things are only firmly attached to the Islamic world, including the Middle East region which the majority are Islamic countries. Today, Islamic economics and finance begin to be studied and even applied by non-Muslim majority countries or non-Muslim countries.

The implementation of Islamic economics and finance is characterized by the opening of conventional markets by offering financial products and sharia/Islamic based banking.

The most concrete example was in 2004, Britain became the first non-Muslim country to implement this system by establishing the first sharia-based bank on European soil and among Western countries, the Islamic Bank of Britain (IBB). Britain is not a Muslim country. However, Queen Elizabeth's country is listed as the most developed country in terms of Islamic economics. There are several campuses that open a special field of Islamic economics, one of them is Durham University.

No wonder if Indonesian students who are studying in the country continue to study and study the economy of sharia. A number of scientific activities related to Islamic economic knowledge continue to be encouraged in several

regions, such as London and Durham. Sharia economists from several universities in the UK were brought in to be speakers in seminars and training. When the economic system of capitalism suffers from fragility, the economic opportunities of Islam are increasingly wide open for rapid growth. The symptoms are shown when 36 countries in the world have practiced the Islamic economic system, both in Asia, Europe, America and Australia.

Why is Britain a significant actor in the context of Islamic economics and finance globally? Aside from the fact that Britain was the first Western country to implement this Islamic economic system, in fact the data show that the UK has been providing Islamic finance services for 20 years and has contributed greatly to being the center of providing Islamic finance in Western countries. Government policy support and regulations issued by the Financial Services Authority (FSA) have made the situation more conducive for domestic and foreign investors to encourage Islamic banks to operate in the UK (Presley and J. G. Sessions, 1994:584-596).

UK Government Financial Policy Advisor Omar Shaikh said Britain has now become the center of Islamic banking in Europe. "The system is evolving thanks to the political support of the British government that sees the implementation of this system as a business opportunity," he said at an Islamic Finance Management seminar held by the Glasgow Student Association of Glasgow (UKI) at the University of Glasgow, Scotland, England.

According to him, sharia business opportunities in the UK growing in line with the increase in public confidence in the Islamic financial system. Therefore, the built system emphasizes openness in banking management and is more rational in taking advantage of banking finance business.

As of February, there were five sharia pure banks and 17 conventional bank sharia business units in the UK such as HSBC, Barclays, RBS and Lloyds Banking Group. Syariah banking assets in the country reached 18 billion US dollars or exceeded the assets of Islamic banks such as Pakistan, Bangladesh, Turkey, and Egypt. In this country, the development of Islamic finance business is also supported by 55 universities and educational institutions that have sharia education and finance.

France is also interested in developing Islamic financial system. Last December, the French Finance Minister, Christine Lagarde, said his country would make adjustments to the rule of law for Paris to become the main market of Islamic finance (Mackenzie, 1997).

There are a number of sharia banks that will open a branch in the capital of the country. Even in March, the French central bank put the issue of sharia financial management in the discussion forum. French interest is fueled by the resilience of the sharia economic system in the face of the global financial crisis. Departing from the important achievements that have been achieved through various aspects, there is no other reason for Britain to declare itself an international Islamic financial and financial center. Moreover, Britain benefits from its

position as an international financial center since ancient times, where London holds the title as one of the most attractive cities for international investors.

ANALYSIS

Islamic Economics in the Context of the Dynamics of International Political Economy
The presence of Islamic economics has raised new hope for many people, especially for Muslims of an alternative economic system of the economic system of capitalism and socialism as the mainstream of the debate of a world economic system, especially since the end of World War II gave rise to many former imperialist Islamic countries. In this case, the existence of Islamic economics as an alternative economic model allows for many parties, Muslims and non-Muslims to do a lot of excavation of various Islamic teachings, especially those relating to the fulfillment of needs between people through economic activities and other activities. Islamic Economics is the study of human economic behavior whose behavior is governed by the rules of Islam and is based on monotheism as summarized in the pillars of faith and pillars of Islam (Khan, 1999:6). At the beginning of the 20th century, Islamic banks were only the obsession and theoretical discussion of academics both from the field law (fiqh) and economics. In the mid-1980s, the circumstances that gave rise to Islamic banking had dimmed. More specifically, oil revenues have fallen in such a way that most Islamic countries experience fiscal problems

and balance of payments balance. In Saudi Arabia, for example, oil revenues decreased drastically from 120 billion US dollars in 1981 to 17 billion US \$ in 1985 (Warde, 2000:32).

Islamic banking with its known products, namely Mudharabah, Murabahah, Sukuk, and Musyarakah are an economic based system on a shared understanding of what is delivered and what a customer obtains in Islamic economic transactions. In it there are values that serve as a common guideline to grow and move forward together.

British Government Policy Accommodating Islamic Economy as an Alternative and Complementary Economy. Mohammed Hersi lays out his research on the important role of Islamic economics in tackling the phenomenon of financial exclusion that engulfed the Muslim minorities in Britain. One of the prominent aspects of the paper is the socio-economic condition with British Muslims who feel not accommodated activities especially in economic activities in the UK due to the lack of sharia-based banks and Islamic banking products such as mudharabah, murabaha, sukuk, and takaful. Muslims who are obedient to Islamic sharia law are demanding the existence of financial products in the UK that are able to accommodate their needs in economic activities based on Islamic values or sharia. This is driven by the Islamic law mentioned in the Qur'an as the Muslim holy book which states that bank interest is usury. Meanwhile, the time frame of the study was in 1987-2004, where in that span of the year Britain was looking for a new pattern of

economic policy that was able to embrace the needs and interests of these minority Muslims. That is, Britain is being aggressively studied the intricacies of the application of Islamic economic system, especially sharia banking.

The late 1980s were the early era of the entry of Bahrain-based on sharia bank, Al-Baraka. However, due to the lack of knowledge and practice regarding sharia economics in the UK, the bank failed to establish itself in the British economic system. Meanwhile, in 2004, the UK established the first Islamic bank in a non-Muslim country in partnership with Bahrain, Saudi Arabia and United Arab Emirates. Here we see the seriousness of Britain to accommodate the interests of the British minority Muslims and further develop the sharia banking. In Islamic teachings, the acceptance or payment of interest is prohibited in economic activity. Meanwhile, interest or interest is the fundamental instrument in the world of conventional banking. Then the impact is that many Muslims who choose not to use products and services of this conventional bank. This is a phenomenon called *Hersi* as a financial exclusion and has the potential to create another barrier for British Muslims to access banking services in the future. The former Muslim Council of British (MCB) president Anas Al-Tikriti said a study showed that British Muslims live in the poorest of the country's poorest neighborhoods and neighborhoods. This is in line with research conducted by researchers at various universities such as Birmingham, Derby, Oxford, and Warwick found that "there

are 14% of over 25 unemployed Muslims, compared with the national unemployment rate of 4%." Here it appears that the British Muslim community suffers from a very complex socio-economic poverty. It is the hope of academics and researchers that the results of this research will be valuable to all parties related to the difficulties facing this community, including the providers of Islamic financial services products, policymakers, and Muslim organizations themselves.

The good news is, it has gained recognition from British politicians and the British financial industry. In his address at the London Chamber of Commerce and Industry on June 27, 2005, Callum McCarthy, Chairman of the FSA (Financial Services Authority), stated that the FSA is deeply concerned about the financial exclusion of British Muslims who are in disadvantaged condition in terms of access to financial services based Islam. According to McCarthy, the authorization process of the Islamic Bank of Britain as the first Islamic Bank in Europe was one of the FSA's successes in 2004 as an important step towards the financial services of 1.8 million British Muslims with coherent financial products with their faith . The consensus among British society confirms that Muslims will be fully involved in the financial services sector if authentic and competitive shariah products are provided to them. One of the challenges is to determine whether Islamic finance products currently offered in the UK meet the expectations of the community. From the various literature review I have done above can be concluded that the

topic that I proposed significant to be a thesis research because the topic is unique, there has never been a study specifically discussing Islamic economics in the UK economic strategy, is a follow-up study to analyze the UK policy in particular in supporting the development of Islamic economics in Britain in particular, and became a central actor as a pioneer for the Islamic economy to Europe and even the world.

The Dynamics of Economics and Islamic Finance in Germany With a population of 4 million Muslims in Germany, with an estimated wealth of 25 billion euros, Germany is a huge market share for Islamic economies. Not only will the net income of Muslim households be expected to increase further in the future, Muslims also have an extraordinary savings rate, which is almost twice the national average (18% versus 10%). According to the survey, 94% of Muslims living in Germany are interested in Islamic economic products.

Table 1. OECD World Fact Book 2005

Country	Population (in millions)	Muslim Population (in millions)	%
Perancis	58,4	5,4	10%
Inggris	60,0	1,8	3%
Jerman	83,6	3,25	3,89%
Italia	56,0	1,39	2,5%
Spanyol	42,1	0,6	1,43%
Belgia	10,7	0,39	3,65%
Swedia	9,3	0,31	3,33%
Austria	8,5	0,22	2,6%
Denmark	5,6	0,19	3,4%
Siprus	0,95	0,24	25,26%
Turki	72,1	72	99,89%
Swiss	7,8	0,25	3,2%

Although the first successful issuance of sukuk by Sachsen-Anhalt in 2004 (the first issuance of sukuk outside of the Islamic state), the Islamic economy is still under-represented in Germany. Recently several German banks began offering Islamic banking products to seize market opportunities. Among them are DWS Noor Islamic Funds by Deutsche Bank Group, Allianz Global Investors Islamic Fund, and also Meridio Islamic Fund. In this case the German situation is different from the situation in Britain, where the British Islamic Bank and other banks have offered Islamic banking products to British Muslims first. Until mid-2009, there has been no attempt by the government to establish sharia financial institutions that implement exclusively Islamic-based banking products, the reasons are as follows (Mishkin, 2016:123):

1. BaFin has some doubts about the commercial feasibility of the Islamic Bank that is targeting service to Muslims in Germany. BaFin considers that 4 million of the German Muslim population is not a less profitable or segmented market segment.
2. The German Banking Law, technically, has not supported Islamic banking. For example: The German Banking Act provides that the aggregate value of investments in shares and claims resulting from capital contributions should not exceed the equity capital of a responsible bank.
3. There are concerns about the security of the deposit if the principle of profit-loss

sharing applied to deposits in investment accounts with Islamic banks, there is no guarantee for repayment of the deposit amount. In the meantime, there is a paragraph added to the German Banking Act which forced the credit institution to not participate in the deposit protection.

4. The German banking system associated with reporting, auditing, and monitoring techniques deviates substantially from the type of institution or Islamic banks substantially. However, Deutsche Bank has established a special product that targets Turkish ethnic (Bankamiz) and operates well. In 2009, the Federal Financial Supervisory Authority/BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) organized a conference on Sharia Banking and several investors welcomed the entry into the German sharia economic market.

President BaFin, Jochen Sanio, explicitly stated that there are no obstacles to licensing or licensing to the Islamic Bank and their products in Germany. This attitude was welcomed by Kuveyt Turk Participation Bank, majority owned by Kuwait Finance House, became the first Islamic Bank to open an office in Mannheim, Germany in 2010 and start operating in 2011 (Tahir, 2019:88).

However, is highly relevant to the potential for the role Islamic finance could play in the rejuvenation of the European economy for two related reasons. The first is that with monetary policy increasingly looking like a blunt instrument as far as promoting growth and job creation is concerned, infrastructure

investment – financed by private as well as public sector investors – is regarded as an alternative way of kick-starting sustainable economic activity in Europe. The so-called “Juncker Plan” which aims to mobilise at least €315 billion in new investment in Europe between 2015 and 2017 is not just about building infrastructure (Khan, 2016:20). The European Commission (EC) also estimates that it will add €330 – €415 billion to the EU’s GDP and create up to 1.3 million jobs (Haneef, 2009:2).

Second, much of the funding that Europe is aiming to attract to its infrastructure investment agenda will need to conform to increasingly strict ESG (environmental, social and governance) standards. Given that a rising number of investors are coming to see Islamic finance as a subsector of the broader global ESG universe, there is good reason to believe that Shariah-compliant funding is well-positioned to play a role in helping to support environmentally-responsible investment in Europe’s infrastructure (Zubair, 2005:29-46).

Another reason why Islamic finance in general and sukuk in particular is regarded as a promising source of funding for infrastructure projects in Europe is the regulatory pressure that is intensifying on conventional banks. Because capital treatment under Basel III is leading to a decrease in banks’ appetite for long-dated assets, the financing of infrastructure projects is expected to gravitate towards the capital market. As a recent World Bank blog comments, “a sukuk in which the proceeds are used to fund a specific environmentally

sustainable infrastructure project, such as the construction of a renewable energy generation facility, could appeal to both sukuk and conventional environment-focused investors” (Ali, 2008:155).

Britain is More Convinced, while the US Seems Shy in Adopting the Islamic Economy System

The ballroom of a five-star hotel in the heart of London, England, is full of bankers, lawyers, and top world investors. Those who come from various countries in Asia, Europe, and the Middle East, make mutual offers, and many end up on signing the deal. One country absent on this event: USA.

Islamic finance, which became increasingly global after Britain adopted it - has grown tremendously over the past decade. This economic system has attracted all key international players, leaving the United States in the increasingly profitable global industry.

When the economic crisis hit the world two years ago, Islamic banking became a savior. This system became the main growth area for international financing. Indeed, its assets represent only about 2 percent to 3 percent of global financial assets, or nearly 1 trillion US dollars, but grows on average 25 percent annually.

Now many countries are racing to become the global center of sharia financial business. For this one, London is far ahead of New York: being the shark-bearing lighthouse in Europe. The unstoppable development of the sharia economy has stirred up certain parties - not

to mention the United States. "There has been resistance to expand Islamic financial markets in certain countries (*Karim, 2010:31*).

Analysis of Islamic economics in the world

From the first discussion we already know that the theory / principle of Islamic economics in the world began to be seen and noticed by countries in Europe. The principles of Islamic economy have begun to touch the western world and the superpower of America has begun to adopt the Islamic economic principle (Antonio, 2001:67).

The development of Islamic economics in the world has begun to appear and maybe the Islamic economic principle will be able to shift the economic principles that exist today. In the form of teaching even the Islamic economy has entered the university both in Muslim countries and western countries, such as USA, England, Australia, and Everything else (Antonio, 2001:67).

Development of Islamic Economy in Indonesia The recent development of Islamic economics so rapidly, both as a science and as an economic system has received many positive reviews at the global level. So that in three decades has progressed, both in the form of academic studies in public and private universities, and operational practices. In practice, Islamic economics has evolved in institutional forms such as banking, BPRS, Sharia Insurance, Sharia Pawnshops, Syari'ah Capital Market, with bond instruments and Shariah Mutual Funds,

Shari'ah Micro Finance Institutions, as well as Islamic public financial institutions such as zakat management institutions and wakaf management institutions. The development of the application of Islamic Economics in Indonesia began since the establishment of Bank Muamalat Indonesia in 1992, with the legal basis of Act No. 7 of 1992 on banking, which has been revised in Law number 10 of 1998. Furthermore, several laws have come as a form of government support for progress application of Islamic economics in Indonesia (Muhammad, 2004:18).

History Establishment

Actually the action and thinking about the economy based on Islam has a very long history. In the year 1911 has established Islamic Trade Organization organization which consists of figures or Muslim intellectual at that time, and Islamic economy is in accordance with the guidelines of all Muslims in the world that is in the Qur'an that says that if you will bermuamalah, you write it right, and let the debtor mengimlakan it (what will be written), and do not reduce the person's debt from the debt. If the person who is in debt is weak or weak or unable to mengimlakannya, then let his guard who mengimlakannya honestly. In addition must also be brought two witnesses from men. If it is not there it may be with a man and two women of the witnesses you wish, and the witness is reluctant to give an explanation if they are called, and do not be weary to write the debt both small and large until the deadline of payment (Zubair, 2005:29-46).

Unless it muamalah your cash trade, then there is no sin for you if you do not write it. And bear witness when you sell and buy, and let not the writers and witnesses disturb each other (Q, S Al-Baqarah: 282). The development of an increasingly widespread Islamic economy is a reflection and longing of Muslims in Indonesia is especially a trader, investing, even doing business that is Islamic and blessed by Allah swt. The support and commitment of Bank Indonesia in its participation in the development of the Islamic economy in the country is the answer to passion and longing and has become the beginning of the movement of thought and practice of Islamic economics in the country, as well as renewal of the still destructive domestic economy, and the beginning of economic revival Islam in Indonesia and around the world, for example in Indonesia Bank Muamalat standing in 1992.

In early 1997, there was an economic crisis in Indonesia that had a major impact on the shake-up of banking institutions that ended liquidation in a number of banks, Islamic Banks or Sharia Banks grew even more rapidly. In 1998, the Islamic banking system and the Islamic economic movement in Indonesia made rapid progress (Sudarsono, 2005:146).

Example of Islamic Economic Praket in Indonesia (Riyadi, 2006:156):

Bank Muammalat Indonesia

The development of Islamic banks in some Islamic countries also mempengaruhi to Indonesia, in Indonesia at first there is only one sharia-based banking initiated by

the Indonesian Ulama Council, PT Bank Muammalat Indonesia.

Bank Muammalat Indonesia was born from the work of the MUI banking team. The deed of establishment of this bank was signed on 1 November 1991. at the time of signing of this deed of establishment was collected stock purchase commitment as much as Rp 84 billion. On the 3rd of November 1991, in the event of the presidential gathering in Bogor, can be fulfilled with the initial paid-up capital commitment of Rp 106.126.382.000.00. with the initial capital, on May 1, 1992, the muammalat bank began to operate.

Other Sharia Financial Institutions

Bank and Sharia Financial Institution is an economic based on syari`ah Islam and founded by Muslims. In principle in the Islamic financial system, the necessary non-bank financial institutions have almost the same role. The difference lies in its principle and its operational mechanism. With the abolition of the principle of interest, either in the direct or indirect investment mechanism and the interbank money market, the practice of interest-free (profit-sharing) system would be easier to apply integrally. Therefore, to accommodate the interests of the community that has not been channeled by Islamic banking services has formed several non-tire financial institutions (Sudarsono, 2005:135).

CONCLUSION

That theory/principle of Islamic economics in the world began to be seen and noticed by

countries in Europe. The principles of Islamic economy have begun to touch the western world and the superpower of America has begun to adopt the Islamic economic principle. The development of Islamic economics in the world has begun to appear and maybe the Islamic economic principle will be able to shift the economic principles that exist today. In the form of teaching even the Islamic economy has entered the university both in Muslim countries and western countries, such as USA, England, Australia, and Everything else. In Indonesia the economic development of Islam is very rapid. Islamic economics has entered into a lesson in many universities in Indonesia.

Islamic economic practices are also many we meet in Indonesia such as bank muammalat, BPRS, and so forth. Islamic economics also helped Indonesia out of the monetary crisis in 1998 that hit Indonesia at that time. And now the practice of Islamic economics is already a lot we meet. And maybe the Islamic economy can shift the economic principles that exist now in Indonesia. Examples of Islamic Economic Practices in Indonesia.

In this case follow Mahmud Shaltut (well-known jurist at Azahar) statement, it will depend on the public economic governance and from banks' attitude to sustain development. Today, over 120 Islamic investments banks born out in about fifty different countries for a total amount of \$ 800 billion, while over three hundred Islamic commercial banks are spread all over the world. Standard & Poor's data had demonstrated that the growing Islamic capital flown (increased of

28,6%, from \$ 639 billion to \$ 822 billion, between 2008 and 2009) do not depends just on those countries which have adopted the Islamic structure also into both public and social institutions, such as Iran or Pakistan. In Turkey, for example this new model is led by the private sector. This way, the other sixty five countries allowed offering Islamic services through the intermediation system. Follow this theory, Islamic model widespread could be thwarted just by monetary, fiscal or direct foreign investment restrictive control.

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