

## SUSTAINABILITY OF ISLAMIC ECONOMICS IN THE POLITICAL DOMAIN IN MOJOKERTO

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Received: May 3, 2021; Accepted: April 4, 2021; Published: June 1, 2021

### **Abstract:**

*Economy and politics influence each other. A changing political map will affect policy to economic conditions and vice versa. Likewise with Islamic economics, its development was influenced by political power during the emergence of Islamic economics until today. Islamic political economy has a positive value for Indonesia in an effort to accelerate the empowerment of small and medium enterprises as an element of economic growth. One of the areas for Islamic economic instruments to become part of national policy is regulation. Through research with qualitative methods and a literature study approach, the researcher wants to analyze the regulations on the Islamic economy in Mojokerto district which has many micro, small and medium enterprises. Researchers conducted this research with the aim of analyzing the sustainability of Islamic economic values to all components of government apparatus and business actors in Mojokerto Regency and at the same time offering regulations to the Mojokerto Regency government which focuses on efforts to increase the size of the Islamic economic industry in institutional expansion. This study provides the results, first, Islamic economic values have not been sustainable in the political economy of Mojokerto Regency. Second, the sustainability of the Islamic economy in Mojokerto Regency can be realized in the political economy of government through policies or regulations that improve the Islamic financial industry by synergizing it with the community to empower MSMEs.*

**Keywords:** Islamic economy, politics, Mojokerto Regency.

**JEL Classification Code:** A11, P16, Q56

### **1. Introduction**

Policy making, up to organizational rules and even state regulations, are strongly influenced by the interconnected political map and economic conditions. Changes in the political map will affect economic conditions, as well as changes in economic conditions can affect politics (Kholis, 2013). Every leader of a country, for example, brings his own political map that will influence the economic policy that is enacted. The economic condition of a country, especially its people, can affect the general election of its leaders. Society must understand how related economics is to politics. The economic model that the community wants begins with who and the vision and mission of the leader. Every leader can also regulate the economic life of his community. One of the economic and political links is manifested in the development of the Islamic economy in the world which is undeniably driven by the uniformity of the governments that support the implementation of Islamic economics in the formulation of economic policies.

This makes the Islamic economy viable and competitive with conventional economies. Thus, the flow of state politics greatly affects economic conditions. Political decisions that have been agreed upon and apply in society determine a country's economy (Iswanto, 2013).

Government support for the sustainability of Islamic economic practices has brought rapid progress in the development of the Islamic economy as seen in State of the Global Islamic Economy Report 2019/2020. In the Islamic Finance sector, Indonesia is in the 5th position in the development of the Islamic economy, which is shown by the development of Islamic financial institutions in order to accelerate economic growth. This means that the Islamic economic system can be competitive in the concept of political economic development (Sudiarti, 2016).

## 2. Literature Review

Sharia economic values are practiced in the lives of Indonesian people in line with the main goal of the state for the welfare of its people. This goal is realized by the Islamic economy by first empowering the community of micro, small and medium enterprises that have proven to be strong regardless of world economic conditions. Mojokerto Regency has a mission to improve welfare through the development of micro, small and medium economic communities. Mojokerto Regency has a lot of small and medium enterprises (UKM). Nearly 75% of its workforce is absorbed by micro-enterprises. Mojokerto Regency was indeed encouraged by the Head of the Cooperative and Micro Business Services to become a Cooperative Regency that embraces SMEs. Mojokerto Regency UMKM players in 2018 alone have reached 3553 UMKM (SIP Mojokerto, 2019). The number of business actors has the potential to be empowered by running a business according to Islamic economic values. The economic value of sharia can coexist with the political world in the form of government regulations. Indonesia has experienced socio-political dynamics that affect the flow of political Islamic law. During the reform period, Islamic legal politics led to the formulation of Islamic-based Regional Regulations (PERDA). It is recorded that there are 64 districts and cities from 15 provinces in Indonesia that have enacted PERDA based on Islamic law in their respective jurisdictions (Hooker, 2008: 54).

PERDA Syariah is implemented with the aim of reviving the local culture that has existed since the time of the spread of Islam in the archipelago (Azra, 2004: 16). With the existence of PERDA Syariah also provides the existence of an Islamic economy that is implemented by government officials. PERDA, which in nature must be obeyed by the people of an area that enforces it, can increase the economic industry with sharia values with the main objective of mutual welfare ranging from business actors to the less fortunate. PERDA Sharia can be used as a policy that bridges rich and poor communities, which among other things increases social sense for the welfare of society as a whole.

### **3. Research Methods**

This research uses qualitative research methods. This research method follows the model of Strauss and Corbin (2013) which states that qualitative methods are research methods that deliver findings that are not presented statistically or in other forms of calculation. The approach in this research is literature study which is a research approach with the main object of analysis based on theories in other relevant literatures (Hadi, 2015).

The research data comes from primary data and secondary data. Primary data is the main reference as a reference for research. The primary data of this research comes from interviews with government officials. Meanwhile, the secondary data of this research are sourced from Islamic economics books and literature as a source of obtaining the essence of Islamic economic values and supporting literature related to the politics of regional and country governments. Research data collection is carried out by selecting, searching, presenting, and analyzing library data. This research collects data then selects, presents, analyzes, and processes it into a concise and systemic study of books and documents on politics, Islamic economics, and government regulations. This study uses triangulation to check the validity of the data. Triangulation checking is a data validity technique by looking at research objects and data from various perspectives in order to verify findings from various sources of information and use various data collection methods. The data analysis was carried out through the stages of reduction, display, conclusion drawing / verification (Miles and Hiberman, 2012).

### **4. Finding and Discussion**

The scope of the Islamic economy is very broad which can be implemented by the community from the leadership to the people. The scope of Islamic economics includes revenue to distribution of public and government assets. Receiving assets means the acquisition of public and government assets in accordance with Islamic teachings such as production, trade, and Islamic-based financial institutions. As for the distribution of assets, of course it is intended to distribute the wealth of the community and the government which can be distributed to people who are entitled to receive zakat. Islamic economics is basically the management of assets for the welfare of the community together.

The core objective of the Islamic economy should be the concern of both central and local governments. The government must prioritize the welfare of its people fairly. However, in Mojokerto Regency, there have been no efforts in the form of programs or agencies that have become the realization of the implementation of Islamic economics. As stated by the Regional Apparatus Organization (OPD) in Mojokerto Regency, there is no regulation or agency as a form of realization of the Islamic economy. Call it like the Waqf Board and the

Zakat Agency which can be managed to collect and distribute waqf and zakat funds to improve community welfare. Especially in the campaign season for Regional Head Elections (Pilkada) at this time there is no vision and mission of the candidate for Regional Head that leads to the sustainability of the Islamic economy (OPD, 2020). Zakat management in Mojokerto Regency is only carried out by the private sector such as LAZISMU (Lembaga Zakat Infaq and Shadaqah Muhammadiyah) (Devi, 2019). As for sharia financial institutions that are business and social in nature and are managed by local governments, they do not exist in Mojokerto Regency.

One of the Village Heads of Mojokerto Regency also stated that there had not been any efforts to empower the community, especially business actors (UMKM) who came from sharia financial institutions or other sharia institutions in Mojokerto Regency. The empowerment of MSMEs obtained by the Mojokerto community includes obtained from the Mojokerto Regency Industry and Trade Service and from several universities which are simultaneously conducting research (Siandi, 2020).

Thus, the implementation of the Islamic economy in Mojokerto Regency is not yet sustainable and even has not been well realized. Even though most of the people of Mojokerto Regency are Muslims who of course understand and understand that Islam has an economic system that can be implemented in life to increase welfare evenly, such as the concept of zakat, infaq, shadaqah, waqf, and the concept of Islamic financial institutions as a forum for collecting and distributing funds in sharia.

Based on the explanation of the constitution of the 1945 Constitution, it is stated that the Indonesian regions will be divided into provincial areas and provincial areas will also be divided into regions based on the explanation of the smaller Regional Government and based on the principles of autonomy and assistance tasks with the broadest autonomy principle in the system and NKRI principles, as referred to in the 1945 Constitution. So that three laws were born, namely Law (UU) Number 22 of 1999, Law (UU) Number 32 of 2004, and Law Number 23 of 2014 concerning Regional Government as implementer of regional autonomy. This law is the basis for the formation of Sharia Regional Regulations (PERDA) in various regions in Indonesia because each region has the authority to manage its respective regions. PERDA syariah is understood as a regulation based on both textual and substantial provisions of Islamic law.

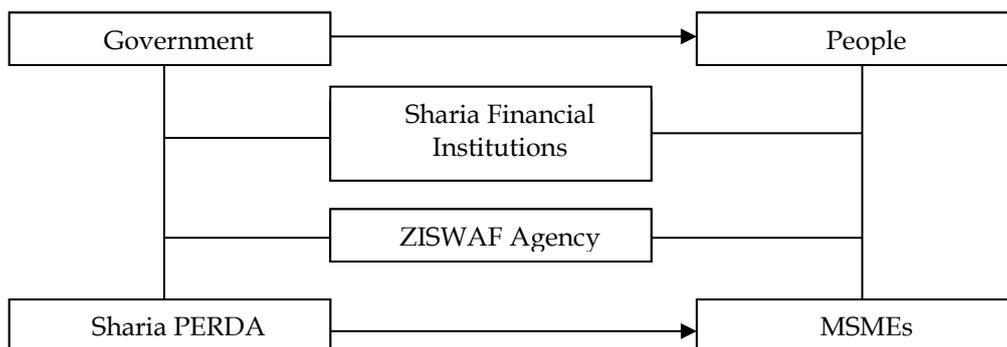
Regional Regulations (PERDA) Sharia were born from the concerns of local governments who are not satisfied with Central Government regulations in resolving social, economic and political problems in Indonesia, so that some regional leaders feel that Islamic law can be a solution to various problems of their local communities, especially in regions. areas that are predominantly inhabited by Muslims. The Regional Autonomy Law is the basis for implementing Islamic Sharia. There have been many regions that have successfully implemented this Sharia PERDA, including the City of Mojokerto.

Mojokerto City already has a local regulation that regulates the management of zakat, infaq, shadaqah, and empowerment of MSMEs through Islamic financial institutions (JDIH, 2019).

As an area adjacent to Mojokerto City, Mojokerto Regency should be able to emulate the efforts to empower MSMEs based on Islamic economic concepts through the Sharia PERDA which is based on Article 18 of the 1945 Constitution on Regional Government, including Law (UU) Number 22 of 1999. , Law (UU) No. 32/2004, and Law No. 23/2014 on Regional Government as the implementer of regional autonomy.

The Mojokerto Regency Government can create a Sharia Regional Regulation which aims to improve the welfare of its people. This is of course, as the concepts in Islamic economics that the welfare of society can evenly be carried out based on the management of zakat, infaq, shadaqah, and waqf. Of course, it also does not rule out the optimization of Islamic financial institutions which not only operate in the financial business, but can play a direct role in empowering the MSME community in the form of capital.

The large population of Muslims in Mojokerto Regency can be a consideration for the issuance of a Sharia Regional Regulation in the area, this is also the potential for the existence of Sharia Regional Regulations in Mojokerto Regency to be implemented optimally. With the birth of a sharia PERDA in Mojokerto Regency, it is hoped that it will become one of the dimensions of empowering the Islamic potential of the people of Mojokerto Regency which is manifested through the results of elaboration between the government and the community in a PERDA, this capital is sufficient to create an opportunity to create togetherness in implementing Islamic law in this area. For this reason, the government and the people of Mojokerto Regency can work together in implementing Islamic economic values in increasing the Islamic economic industry as in the following model:



**Figure 1:** Sharia Economic Industry Improvement Model for Empowering District MSMEs

The chart illustrates the concept of implementing Islamic economic values in improving the sharia economic industry through Islamic political economy imposed by the Mojokerto Regency government for its people. Starting

from the government of Mojokerto Regency, it can revive the synergy between Sharia Financial Institutions (LKS) such as BPRS, BMT, and sharia cooperatives with the ZISWAF Agency as a form of the sharia economic industry through the Sharia Regional Regulation in empowering the community, especially MSMEs.

The government can invite wealthy people such as civil servants and large entrepreneurs belonging to the middle to upper class to save their extra funds in LKS and ZISWAF bodies. LKS and the ZISWAF Agency are also under the supervision of the Regional Government to be able to channel funds to MSMEs. MSMEs can obtain business capital from LKS without high margins, because the margins can be subsidized from the funds collected at the ZISWAF Agency, so that people no longer need to worry about increasing their business by taking financing from LKS. With the increasing enthusiasm of MSMEs in Mojoerto Regency which is helped by the synergy of LKS and the ZISWAF Agency, the Islamic economic industry can sustain along with an increase in the economy of the people of Mojokerto Regency.

## 5. Conclusions

Based on the research results, Islamic economic values have not been sustainable in the political economy of Mojokerto Regency. This is reflected in the absence of government policies that can lead people to realize Islamic economic values in economic life. Mojokerto regency also does not yet have Islamic-characteristic bodies to participate in regulating the economy of its people. The sustainability of the Islamic economy in Mojokerto Regency can be realized in the political economy of government through policies or regulations that improve the Islamic financial industry by synergizing it with the community to empower MSMEs.

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