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RETHINKING ISLAMIC ECONOMIC AND FINANCE PRACTICES IN INDONESIA: SOME CRITICAL REVIEWS

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Abstract

This research aims to analysis some issues related to the Islamic economic and financial practices in Indonesia. This research used a descriptive-qualitative approach with content analytical, library research and critical study method. This research found some critical points on Islamic economic and financial practices in Indonesia: (i) the Islamic banking in Indonesia showed inconsistencies and partial implementations; (ii) the Islamic economic practices were not too far from the surrounding financial sectors (iii) the Islamic financial practices in Indonesia mostly focused on the Islamic Commercial Finance (ICF) sector and less concerned on the Islamic Social Finance (ISF); (iv) Sharia financial institutions were more precisely than those called "Bank Syariah" (v) the epistemological problems in the Islamic economic curriculum needed to be answered and resolved to avoid the contra-productive outputs from the fundamental purposes. It was necessary to conduct the re-orientation of Sharia banking to strengthen its vision. All involving parties should be able to collaborate with academicians, practitioners, governments, scholars, and organizations. Those parties' reorientation and synergy shall solve the problems related to the partial implementation of banking and answer all criticisms directed to the sharia banking.

Keywords:

Islamic economics; Islamic finance; Indonesia; practices; critical points

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1. Introduction

Shariah has been a familiar term in our society, to Muslims and non-Muslims over the last decades. It can often be heard as the principle in all aspect of life including economic or financial aspect. As the result, We can see Islamic economics and finance has been revivaled, fostering trade and business interaction model phenomenon. Shariah-based economic institutions then born and encourage “interest-free” or “Islamic” banking in the national economics system. Islamic banking refers to a system of banking that is consistent, both in objectives and in operations with Islamic laws (Baele, Farooq and Ongena, 2014).

Worldwide, Islamic banking is as an emerging and growing system (Ebrahim and Joo, 2001). Swift growth in this field has also enhanced the need for designing consistent policies for Islamic banks (Archer, Karim and Sundarajan, 2010). Theoretically, Islamic bank operations are premised on equity based financing which is an alternative to debt based financing (Mallin, Farag, and Ow-Yong, 2014). These operations include *mudharabah* (trust financing), *mushārakah* (equity financing), *ijārah* (lease financing), *qarḍ al-ḥasan* (welfare loan), and *istiṣnā‘* (progressive payments) (Samad, Gardner and Cook, 2005). In reality, the Islamic bank practices and products resemble that of conventional banks (Tafri, Rahman and Omar, 2011). For this reason, existing Islamic banking can be referred to as hybrid banking (mix of Islamic and conventional banks) instead of Islamic (Siddiqui, 2008).

From 1988, Islamic finance has been facing numerous issues such as unavailability of common accounting standard, lack of central control body, density of regulation, absence of money and capital market, tough market competition and clash in sharīah scholars’ views. Islamic banks have no separate regulatory framework and they seek regulatory support from regulations of conventional banks in their operations (Abdullah, Shahimi and Ismail, 2011). Currently, the only distinguishing criteria of Islamic banking from conventional banking is just “prohibition of interest,” which is insufficient. If Islamic banking restricts itself to just prohibition of ribā then what will be the difference between Islam and other religions such as Judaism and Christianity as ribā is also prohibited in these religions (Zaman and Movassaghi, 2002). In reality the Islamic financial system provides basic axioms which put forward an ethical system founded on the philosophical founts of Islam (Asutay, 2007). Islamic banking emerged as an alternative to conventional banking with profit maximization at its heart (Imam and Kpodar, 2010). Decades have passed, unfortunately Islamic banking failed to fulfill its promise to deliver social and economic advantage to the Muslim world through profit and loss sharing (PLS) modes of financing (Warde, 2010). Islamic banks that claim to be sharīah based not only fail to offer pure sharī‘ah based financial products; they also attempt to make conventional products sharī‘ah compliant using Islamic rulings (fatwā) (Khan, 2010). Islamic banks also failed to design an appropriate regulatory framework to serve their businesses through legitimate enforcement of profit and loss sharing instruments (Kayed, 2012).

As a country with the largest Muslim population in the world, Indonesia has not been able to play an optimal role in fulfilling this demand. In the Global Islamic Economy Index 2018/2019, Indonesia is ranked 10th in the world as a producer of halal products. Although Indonesia’s export performance in Muslim fashion products, halal food, and halal tourism continues to increase from year to year, but in aggregate, Indonesia has a large net import for halal products and services which results in a deficit in the current account. Furthermore, the National Shariah Finance Committee (KNKS) Indonesia assessed Shariah financial industry in Indonesia is still on the road. This proven by the latest Financial Services Authority (OJK) data that mentions the market share of new Sharia finance reached only 8.69 % of the total national financial market. Shariah banking market share recorded only 5.94 percent and the rest is 2.75 % by non-banking sharia market share (See https://www.cnnindonesia.com/ekonomi/20190911034328-78-429312/knks-sebut-pertumbuhan-pangsa-pasar-keuangan-syariah-stagnan). Compared to its Muslim neighbor country, Malaysia. Shariah finance industry in the country grab almost 20 % of the national market share.

Moreover, the implementation of Shariah banking in Indonesia still omits some fairly fundamental problems that reap criticism by a lot of Muslim scholars such as Syu'aibun, (2014); Rusydi, (2016); Ananta, (2019); and Candrakusuma, (2018). Among the criticism are that banking products not shariah compliants, riba, Maysir and Gharar elements still found, and disoriented purpose of Shariah economics implementation in the banking system.

Surely, every effort and contribution to this industrial development should be appreciated and grateful. Islamic banking for example is no longer confined to Muslim countries, as even the biggest Western banks now offer products compliant with the Islamic Law. However as a human-created product, weakness of the system always brings gaps and deficiencies that should be considered and repaired. The critical concern to this issues is necessary and aimed to repair continuesly an existing Laws and errors. Since It is proper if every component of Muslims always contribute constructively in the struggle of applying the shariah in all aspects of life, no exception to the economic and financial aspects of the people.

Islamic economy in Indonesia is in its critical stage as it is in the midst of global economy uncertainty and it is competing against its rival regional economies. Roles and contribution of the Islamic economy towards the national economy is not yet significant for it to be labelled as an important pillar in helping Indonesia with the world's economy that has become more vulnerable, uncertain, complex and ambiguous. However, even the minimum contribution of Islamic economy does not illustrate the potentials of Islamic economy, which is strategically beneficial for Indonesia's current and future economy. The minimal role of Islamic economy is due to the development of various sectors in the Islamic economy ecosystem, which are not optimal. The coverage and development of the Islamic economy, which is still leaning towards the financial sector is also an obstacle.

The presence of various government regulations regarding the implementation of Shariah economics in Indonesia, such as Law No. 10-1998, Act No. 38-1999 on Zakat management and Supreme Court Decree No. 581 of the management of zakat, implies a message of importance and assertive that study of islamic economic and finance system became an urgent thing to be lifted always, because it has been widely protected and implemented by Law it self. The need for such studies in order to provide reinforcement to the industry and to clarify that the economic system not deviated from its normative rules and shariah principles (Iskandar and Aqbar, 2019).

Departing from the inquiries above, this study intends to contribute through a critical and constructive review of the phenomenon to enhance the implementation of Islamic economic and financial practices. There are some of the Islamic economic and finance industry development facts that has been running in the community according to this study might be as reasons that makes the industry stagnant. Paradigms, concepts and normative approaches of Islamic economics in the midst of the people, has brought too rational and profit oriented system. Therefore, this research is conducted to highlight the criticism to industrial system, not in term of its value concept of economic, but more on the reality of implemantion in our society as far as the study observations.

Research related critical studies on the paradigm of implementing Islamic economics, has not been much enthusiastics. Eventhough some scholars such as Kuran (esp. 1995, 1996) criticised the economic foundations of Islamic economics, Aggarwal & Yousef (2000) gathered some empirical evidence to show that Islamic banking falls behind expectations. Proponents of Islamic banking acknowledged some of the critiques, but the academic debate based on empirical research has gone silent in the last ten years. Previous studies in Indonesia such as done by Rahmawaty (2007), Sulaiman (2014), and Syu'aibun (2014) only saw and criticize one of the akad in the implementation of Islamic economics with narrower scope, since did not see it from a more fundamental point of view.

Islamic economics deals with a paradigm that links the responsibility concept of resource allocation and income distribution, in addition to the maximisation of utility by consumers and profit by businesses and taking into account the property rights of every members of the society in a way that maximises social welfare, based on rules set out in the Quran and the teaching of Prophet Mohammad (Cole, Soufani, & Tse, 2013).

The Islamic Law covers a comprehensive range regulation related to religious, social, economic and financial affairs and the governance of the financial dealings with groups and individuals in an Islamic society. The application of such system is the solution by those who believe that unjust distribution of income, unemployment, poverty and environmental problems has been gone far today. Such system also supposed to promote the concept of corporate social responsibility as argued by Iqbal and Mirakhor (2007) that Islamic paradigm "incorporate a spiritual and moral framework on human relations above material possessions", and that it is important to recognize that the betterment of the society is achieved through a sense of social and material responsibility to the whole without the denial of individual self-interest.

The financial services industry was largely affected by the global financial crisis of 2008, in which the sluggish growth in this sector was mainly due to the loss of confidence by depositors and borrowers to the financial liquidity for corporate investment projects. The overall economic slowdown that impacted the growth have affected also supply and demand chains in the global financial market. However, behind the financial crisis there have been a fascinating increased to Islamic finance and banking industry globally.

In terms of scope the conventional finance covers corporate finance, investments, financial institutions, derivatives and international finance, which related the financial management decisions, how to make an investment, debt or equity based capital gain, cash flow and rates of returns, economically and financially. On other side, Islamic finance decisions related to an asset investment and prohibited object of transactions in businesses such as alcohol, pork products, firearms, tobacco, adult entertainment and the gambling industry (Jobst, 2007).

With regard to the raising of finance, the parties involved in financial transaction are forbidden any form of dealings that involved money exchange for debt without an underlying asset transfer. Any cash flows have to be produced by sharia-compliant sources. In addition, the working of financial institutions such as Islamic banks, Takaful (islamic insurance) companies, Islamic investment banks and Islamic private equity firms are prohibited from being involved in speculative activities. These activities involve preventable uncertainty (Gharar) such as: financial derivatives instruments, forwarding contracts and future agreements (Jobst, 2007).

The main essence of Islamic contract is the absence of interest in the overall agreement. Promising interest and any fixed rate of return to an investor (predetermined ex ante), regardless of the financial performance of the asset is not permissible (see Iqbal and Llewellyn, 2000; Iqbal and Tsubota, 2006; Iqbal and Mirakhor, 2007). Islamic finance encourages a financial structure without interest, where the transaction between the borrower and lender has to be based on shared business risk and returns. Any capital based investment that does not involve entrepreneurial risk would not considered as Islamic principles compliant. .

In this sense, the basic proposition of Islamic finance is that return on capital would be determined ex post and not ex ante, and size of return is a function of the economic activity in which the funds were employed. In an Islamic financial system, the provision of capital should be linked to the productive flow in the economy, in which the size of debt claims should not be greater than the value of production, hence the capital structure should be based more on equity rather than debt for firms and financial institutions otherwise 'debt bubbles' would develop (Cole, Soufani, & Tse, 2013).

2. Literature Reviews

Several previous studies have been discussed critical reviews of various Islamic economic and finance practices at the level of concepts, paradigms and practices. Among the studies are Shaikh (2013) analyzed the Islamic banking philosophy, principles and practices and identifies the shortcomings which need attention of Islamic scholars as well as the regulators in Pakistan. Islamic banking in Pakistan has completed one decade of operations in Pakistan and now there are 5 full-fledged Islamic banks and more than 15 conventional banks with Islamic banking windows. Due to the consistent double digit growth in total assets, the market share had steadily risen to 7% by the end of 2011. However, meaningful assessment of Islamic banking requires looking at how far they have contributed to uphold Islamic principles, values and bringing about or at least working towards equitable distribution of income. But, Islamic banking industry continues to use debt based financing modes which are priced using KIBOR as the benchmark. Equivalence of means test confirms that Islamic banking spreads are higher than conventional interest rate spreads.

Sulaiman (2014) critics that shariah banking in Indonesia has ran a lot of *Murabahah* financing system or products compared to *Mudharabah* (profit sharing) that became the initial spirit of its founding as an alternative to conventional banking based on interest. But unfortunately, on his journey, the use of the *Murabahah* is a lot of legal irregularities or not really shariah compliant in the context money investment, that is deviation in the contract as well as on the placement of funds.

Laldin & Furqani (2016) also saw the need for Shariah banking re-attention to the Islamic banking philosophy and fundamental principles. Ascarya (2017, 2018) mentioned that the Islamic economy in Indonesia is currently focused on the Islamic Commercial Finance (ICF) sector, especially banking, and less concerned with the development of the real sector, even though the real economic practices of Islam include the financial sector and real sector, combine commercial and social side.

Ahmed, I., Akhtar, M., & Aziz, S. (2017) critically evaluate the practices of Islamic banks in the light of Islamic ethical values and philosophy of accountability to Allah and society. The study found that Islamic banks defend their practices by taking Islamic rulings from Shariah advisors in order to make their product to be more Shariah compliant. Profit maximization, availability of a vast range of Islamic rulings, market competition, lack of adequate risk management tools and trust on Islamic banking and meeting the general public expectations caused Islamic banks to comply with debt base modes of financing. The study basically is an additional value in our literature of Islamic finance which suggests what it ought to be. From there, we can see also the role of the Organization of Islamic Countries (OIC) and the governments of Islamic countries.

Ananta (2019) in her research suggests that from what had been implemented by shariah banks in products and process,in this time and compared to the compilation of the fatwa of National Shariah board and Salaf scholars Jurisprudence, we can conclude that the number of irregularities concepts in Shariah banking commonly rooted to the *Mudharabah* contract. In these irregularities, shariah banks are committing to shariah violations that can be dragged on *ribawi* transactions. This should not be left insoluble, because what is done in this thing may called as Shariah engineering product.

Based on our literature reviews above, this study proposes a conceptual framework to redevelop our Islamic economic framework practicess as follow:

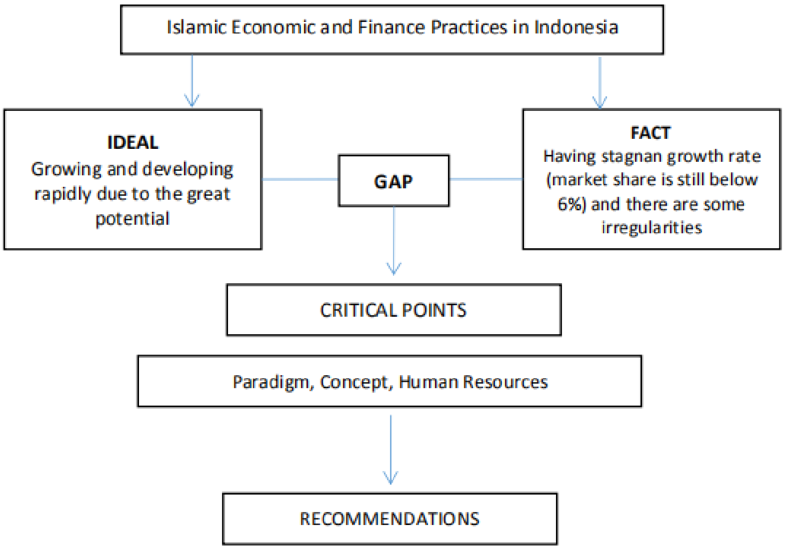

Figure 1. Conceptual Framework
Source: Iskandar and Aqbar (2019); Candrakusuma (2019); Ascarya (2018); Ahmed, Akhtar, Ahmed, I., & Aziz, S. (2017); Ascarya (2017); Badri (2016); Laldin & Furqani (2016); and Shaikh (2013) (Modified by Author)

3. Research Method

This research uses descriptive-qualitative approach with content analysis techniques and library research to understand various concepts found in the research process. Qualitative content analysis is one of the several qualitative methods for analyzing data and interpreting its meaning (Schreier, 2012). As a research method, it represents a systematic and objective means of describing and quantifying phenomena (Downe-Wamboldt, 1992; Schreier, 2012). For the prerequisite and successful content analysis, the data of this study reduced to describe the research phenomenon (Cavanagh, 1997; Elo & Kyngäs, 2008; Hsieh & Shannon, 2005) by creating categories, concepts, a model, conceptual system, or conceptual map (Elo & Kyngäs, 2008; Morgan, 1993; Weber, 1990).

The research also uses a critical method to reveals and analyses social reality by ensuing an inequality of existing social relations. Critical research is sustained by critical theory perspective with its constructed assumptions (Halik, 2018). Further critical research approaches are oriented towards problem-solving and social change (Hanurawan, 2010). Finally, the research library in this research uses the types and sources of secondary data obtained from research results, articles and reference books that discusses topics related to the theme of the research (Iskandar & Aqbar, 2019).

4. Result

4.1. Shariah Bank Industry: A Heartless Shariah Implementation

As time goes by, shariah banking practices are currently began more doubted, questioned, and conceived by some communities (Candrakusuma, 2018). This is because the products, transactions and banking mechanisms are, considered to deviate from the Sharia corridor itself. Some people think that shariah banks have less sensitivity to social issues. Some have assumed that shariah banking is merely a camouflage, from its capitalist origin to capitalize Shariah banking (Candrakusuma, 2018). Such criticisms are of course indispensable to the advancement of Shariah banking, as long as criticism is constructive and scientific, not because fear factor (Islamophobia) and illogical assumptions.

For example, the practice of *Mudharabah* on shariah banks today tends to be collaborated with *Mutanaqisa*h contract because the capital is derived from two parties, shariah banks and customers. In terms of return sharing, financing is not based on profit and loss sharing but uses a system for revenue sharing. This contract mechanism is chosen by current Islamic Bank since the banks are not fully ready to bear loss sharing risk of the capital. Thus, the proportion of profitable financing is more widely implemented, for example with *Murabahah* contract where the profit definitely based on natural certainty contracts not based on natural uncertainty contracts like *Mudharabah*. In this scheme, it is undeniable is Islamic banks in profitable oriented business position. .

Another example, in the savings through the *Wadi'ah*, banking tends to impose deposit funds to be used on the productive activities that the bank wants. In principle, in the *Wadi'ah* contract, the utilization of deposit in any form of Law is forbidden, the contract also changed to Qard (Hutang-piutang). The *Wadi'ah* contract in Islamic banking is not the *Wadi'ah* as described in the fictional books. *Wadi'ah* conctract which applied in islamic banking today is likely more similar to Qard contract.and precisely refers to the *Wadi'ah Yad al-Dhamanah*. From the this issues we can notice an inconsistency and principle shift of Islamic banks as an outcome bank to be a profit oriented bank

Based on field survey, this study views that, the main problem of Shariah implementation in the current banking is lies on commitment. Shariah banking seems to have stopped at one stage and lost the vision of becoming the whole shariah banking. The implementation of Shariah in Islamic banking is heartless visible. Reorientation need to be done to strengthen the vision of Shariah banking. All parties and stakeholders such as academician, practitioners and government, should be able to cooperate, as well as the role of scholars and organizations. The reorientation and synergy of all parties will be able to solve the problem of Shariah implementation in Islamic banking and answer the embedded criticism in Islamic banking.

4.2. Islamic Economics: Does Financial Sector Matters?

Uundoubtedlyy what theoretically has been understood, Islamic economy is not only the financial sector, but also includes the real industry sector,therefore often referred as the Islamic financial economy (Ascarya, 2104), vis a vis to what we seen in the practice of Islamic economics in Indonesia which is still dominated by the financial sectors. If we take a look further, we will find that financial sector will always depend on the real sectors. The various efforts poured will only come to a deadlock. When the financial sector not allowed to go directly to the real sector to produce halal profit according to Law No. 10 of 1998, it means money is economic object not a major factor to run economic wheels. In Islamic perspective, this is contraditc to the shariah which has layed down goods or services as object of the economy. Subsequently assessed with money, and not money assessed with money. When the money used as a commercial object in transaction and trading tools , then *riba*, would be happen in various speculation and turmoil (Badri, 2016).

Real sector is the main implementation focus in Islamic economy, particularly those with the potential to increase economic growth nationally. More specifically, products and services. Principally for those that are using halal labels to distinguish it from other products. In doing so, in contributing to the economy and strengthening Indonesia's balance of payments, the principle of Islamic economic system upholds the values of justice and sustainability, which can bring the national economy to an inclusive, sustainable and robust growth against crisis. Therefore, the halal Value Chain is one of the main strategy that includes several real key sectors of halal industry such as halal food and agriculture, modest fashion (Muslim fashion industry), halal pharmaceutical and cosmetics, halal tourism and travel and halal recreation and media. This industrial development has an important role in supporting the implementation of national development.

4.3. Islamic Bank: Between Social and Commercial Oriented

The next our critical point is focused on the issue between social and commercial oriented in the development of the Islamic economy in Indonesia especially in banking Industry. The lack of attention to the development of real sector and Islamic Social Finance (ISF), makes the industry farther away from the community. Our social community is backbone from where our financial should begin and end. We can not tolerate if the industry asset going fast then our community left behind. This is the distinction between conventional finance and Islamic finance. One example for that is microfinance system.

Microfinance, as a tool of alleviation and empowerment of the poor (*faqr* or *faqir*, plural of *fuqara'*), is not really a new concept in Islam, but it is part of Islamic teachings. For example, Islam lays out certain compulsory obligations (such as zakat) and voluntary obligations (such as *infaq* and *waqf*) on the individuals having substantial means for the poor members of the community (Ascarya, Rahmawati, Tanjung, 2018). Wealth in Islam should not circulate among wealthy people only, but it has to be distributed to others, including the orphans, *Al-Masakin* (the needy) and the wayfarer (Al Qur'an Surah Al Hashr [59]:7). In the wealth of people, there was the needy right[1] .

By using redistributive instruments from social funds, such as zakah, *infaq* and *waqf*, as well as risk sharing instruments from commercial funds, such as microfinance and micro takaful, Islamic microfinance (IMFI) not only includes financial inclusion to provide various Islamic financial product and services needed by low income and poor groups of the society, but also provides more holistic framework to enhance financial inclusion, eradicate poverty, and a healthy economy by promoting microfinance, MSE financing, and micro insurance (Naceur, 2015), (Mohieldin, 2012; Iqbal and Mirakhor, 2012 and 2013; Iqbal, 2014). Therefore, IMFI includes social inclusion and financial inclusion as an integral concept of Holistic Financial Inclusion (HFI).

In Indonesia, when Islamic commercial finance is commonly offered by Islamic banks

[1] (Al Quran Surah Adz Dzaariyat [51]:19 and Al Ma'aarij [70]:24-25)

and Islamic rural banks, Islamic social finance is served separately by zakah institutions and *Baitul Maal wat Tamwil* (BMT) (see Seibel (2005), Obaidullah (2008) and Ascarya (2014, 2016 and 2017). Islamic microfinance institution (IMFI) then developed and registered as an Islamic cooperative, combining Islamic social finance in its *Baitul Maal* division and Islamic commercial finance in its *Baitut Tamw*il division (Ascarya, 2018). In this case, when we talk about the actual economic practice of Islam which is includes the financial sector and the real sector, or integrating commercial and social side, IMFI more on the track than Islamic banking industry (Ascarya, 2017, 2018).

4.4. The Meaningless of What Called as 'Islamic or Shariah Bank

It should be understood that the term Shariah bank (not Islamic bank) was used at the beginning, initially to consider Islamic phobia. Essentially, the bank's duties are based on legislation, including raising funds from the community, giving credit, delivering financing, providing storage and transferring money. But if we look at the prohibition imposed on banking, the bank should not run the real business outside the financial sector, then the naming of Shariah or Islamic banks becomes problematic. If the bank not allowed to do business or real businesses, through financing contract such as *Murabahah, Mudarabah, Salam, Istisna', Ijara*h, and others, it means the bank does not comply with shariah Laws.

This is where the fallacy needs to be straightened. Policies have to be taken and Sharia banks should be upgraded to do real businesses. The point is that sharia finance institutions need more regulation to wider space to be able to stay in the financial sector and real sector simultaneously, according to the concept and spirit of the shariah economy itself.

4.5. Islamic Economics Education: An Epistemological Problems

In order to respond and addressing the encouraging Islamic economic and financial development in Indonesia, various financial or higher education institutions, then try to make a breakthrough by establishing new courses or department in Islamic economics field, to prepare the intellectuals need of human resources, who are able to work professionally in various Islamic financial institutions.

However, the problems then arise when there are several universities or institutions in Indonesia placing that course or Islamic economics study program in different faculties. Some higher education institutions partially placing the majors in Sharia/Law faculty, some others place them in the Faculty of Islamic Economics and Business. The grouping of Islamic economics majors into shariah sciences subfields, such as the faculty of Shariah (Law) rising epistemological problems in the philosophy of science, since the economics and shariah (as the main reference of Islamic economics) have different scope of scientific philosophy (Iskandar and Aqbar, 2019).

This epistemological problem needs to be answered and resolved so that the output resulting from the education program is not counterproductive to its fundamental purposes. It should be understood that the scope of jurisprudence taught in the Faculty of Shariah(Law) is more oriented towards the normative values than the implemented aspect. This means that the courses graduated are more in the theories of ttransactions based on Islamic jurisprudence. While practices in industrial and market environments, more to financial engineering. Not suprisingly if some researchers such as Ardiansyah, et al., (2013); Hadi, (2013); Rozalinda, (2015); Iskandar and Aqbar, (2019) said that bbusinesses and industries are more likely need to human resources with practitioner qualifications.

In fact, Islamic economics discusses two disciplines simultaneously, purely science of Economics and Fiqh Muamalah. The problem that arises is how to combine the liberal and capitalist knowledge-based economics thought with the divine based jurisprudence thought Meaning that the science of Islamic economics is the unification of human thought and divine source; the Qur'an and the hadith of the prophet.

The difference in this source of knowledge is then the reason for the difference of assessment of human economic problems. For example, the liberal, capitalist, and communist economic system allow to satisfy the needs of human beings as the economic objectives. But conversely, jurisprudence is not really agree to to accept that objective, and need to validated by the *Qur'an* and *hadith*.

The Economic Sciences that developed in the Western world are based on the freedom of the individual in conducting economic transactions. Several western economic concepts need to be redefined in order to be adopted into the needs of Shariah objective (*maqashid shariah*), such as the concept of wealth, concept of money, concept of capital, and others.

Based on the differences in the knowledge source and the theory of truth used, it is essentially problematic to combine the economics science with Fiqh Muamalah. The issue then acknowledged that the implementation of the Islamic economic system in banking and insurance is almost identical with what is found in western economic systems. The Islamic banking in practice remain to refers to many general economic models or systems.

The fundamental epistemologyy differences between economic science and jurisprudence requires a collaborative principles that may combined as a new discipline. Several actions should be taken in to account such as: *First*, redefinition of economics study. The subject matter in economics increased into the science of jurisprudence or reduced certain material that is considered irrelevant to shariah. The example for this case is a discussion on consumer behavior theory in microeconomics., The theory pointing the human activities relates to the search, selection, purchase, use, and evaluation of products and services to meet their needs and wishes. In this theory, the discussion in Islamic Economics perspective should be limited with shariah assumptions about the prohibition of non-halal commodities and services. *Secondly*, redefinition of Fiqh Muamalah study in higher education institutions. The subject matter is increased by shariah legal analysis of various modern economic concepts such as time value of money, capital market instruments or transactions in the foreign exchange market. Shariah judgements on such concepts is necessary to understand the fundamental origins and and its impact to the economy as a whole.

These two customizations on our Islamic Economic study curriculum above, then bring us to the implications (Iskandar and Aqbar, 2019). First, if the economic sciences are redefined, then the products will be experiencing the definition anyway. For example, micro-economics products such as a regression in demand for general commodities will undergo redefinition by issuing an index of non Shariah compliant goods. Likewise, in macroeconomics, consumer price Index used as a divider in the calculation of inflation is also changed by issuing the shariah non consumption commodity. Due to this, there will be bias in some economic indicators. For example, inflation calculated according to the usual consumer price index will differ from the rate of inflation calculated by using Shariah assumptions that have undergone redefinition. Similarly, the prediction of unemployment, growth, national income or others. Secomf, if the Fiqh Muamalah redefined, then it must be rewritten by adding a new economic concept which is not received yet a legal judgment on the classical jurisprudence. The redefinition of jurisprudence is the same meaning with the process of Islamization of the sciences pioneered by Ismail Raji Al-Faruqi. Islamization of knowledge means restoring the function of revelation to be seated as if it is aligned with human sense and experience as a source of knowledge. One of the earliest experiments in this field is approach for unifying Islamic sciences with social Sciences).

5. Conclusion

As part of Indonesian Muslims awareness, back on the track of shariah is getting strong and rounded. However, the lack and weaknesses of existing systems, conducing gap and deficiency to be rectified and repaired, even leave our community development behind. In this study we have highlight some critical points that challenge Indonesia's Sharia economic industry to resolved together. All parties and stakeholders must take responsibilities on their own role. According to these responsibilities, we can reconstruc Islamic economics and finance, and relevance of the embedded shariah can be carried out. The emergence of Islamic economics and finance discipline would then be a distinctive one with endogenously embedded shariah rules and social basis. In the absence of realizing and actualizing its Shariah based epistemic foundation, Islamic economics and finance will continue to be a branch of mainstream economics spanned by the axiom of profit oriented, economic rationality and its decadent reasoning perspective.

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