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SHARIA-BASED ECONOMY: CHALLENGES AND OPPORTUNITIES IN THE MODERN ERA

Ataina Zulfa Nasution¹ Putri Hayati², Sabrina Faraditha³, Miranda Panjaitan⁴, Willia Wahyuni⁵

Faculty of Islamic Economics and Business

State Islamic University of North Sumatra

E-mail:ataina1100000168@uinsu.ac.id,

putrihayatot03@gmail.com,sabrinafaraditha@gmail.com,mirandapanjaitan07@gmail.comWilliawa
hyuni65@gmail.com

ABSTRACT: The development of the global economy and advances in digital technology have given rise to alternative economic systems grounded in Sharia principles. The Sharia economy is seen as capable of delivering justice, transparency, and solutions to the instability of conventional systems. This article aims to analyze the challenges and opportunities of Sharia-based economies in the modern era using a qualitative method through literature studies from various national journals. The study findings indicate that the primary challenges of the Sharia economy include low public literacy, limitations in regulations and legal harmonization, minimal innovation in Sharia financial products, competition with conventional systems, and uneven quality of human resources. On the other hand, significant opportunities exist, such as the growth of the halal industry, support from government regulations and DSN-MUI, advances in digitalization and Sharia fintech, the potential of the global Muslim market, and the role of the Sharia economy in expanding financial inclusion for lower-middle-class communities. This analysis underscores that optimizing the potential of the Sharia economy in the modern era requires synergy among regulations, digital innovation, literacy enhancement, and human resource strengthening. With such strategies, the Sharia economy has the potential to become a driving force for sustainable development while serving as a competitive alternative on the global stage.

Keywords: Sharia Economy, Challenges, Opportunities, Modern Era, Digitalization

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INTRODUCTION

Global economic developments, marked by globalization and digital transformation, have brought significant changes to the global financial system. Conventional interest-based systems often face a crisis of confidence, unequal wealth distribution, and perceived unfair economic practices. This situation has led to increased attention for a sharia-based economy, which is based on the principles of justice, transparency, and the prohibition of usury, gharar, and gambling (maisir).

Indonesia, as the country with the largest Muslim population, has significant potential to become a global center for the sharia economy. The government even targets Indonesia as a global center for halal products and an international hub for sharia finance.(Evi Fitria Novitasari, 2024)Regulatory support through the Sharia Banking Law, DSN-MUI fatwas, and OJK policies further strengthen the position of the sharia economy at the national level.(Karlina Wati, 2023). In addition, advances in digital technology such as Islamic fintech, blockchain, big data, and artificial intelligence (AI) have opened up significant opportunities for the Islamic economy to expand financial inclusion and deliver competitive product innovations.(Muhammad Irfan Syah, 2024)However, several issues remain that hinder the optimization of the sharia economy in Indonesia. These challenges include low public literacy regarding sharia principles, limited regulations that are not yet fully integrated at the national and international levels, and minimal innovation in sharia products and services compared to conventional systems.(Abdullah Aryasatya Putra M, 2024), as well as the uneven distribution of human resources in the Islamic economic sector. Competition with established conventional financial systems also poses a challenge.

This article aims to analyze the challenges and opportunities of the Sharia-based economy in the modern era, particularly in the context of Indonesia's efforts to strengthen its position on the global stage. Using a literature review approach, this research is expected to provide a comprehensive overview of the obstacles faced and strategies for exploiting opportunities, particularly through digitalization and regulatory integration.

THEORETICAL BASIS

1. Basic Concepts of Islamic Economics

Sharia economics is an economic system based on Islamic principles, where the primary goal is not merely to seek material profit but also to achieve social welfare and blessings. This concept refers to the *maqasid al-sharia*, which functions to safeguard religion, life, intellect, posterity, and property. Therefore, economic activity from a sharia perspective is viewed as worship if carried out in accordance with Islamic law.(Karlina Wati, 2023).

In contrast to capitalism, which focuses on capital accumulation, and socialism, which emphasizes collective ownership, the Sharia system offers a middle ground: individual ownership is recognized, but its use is limited to prevent harm to society.

With these characteristics, Sharia economics is often referred to as a "just economy" because it emphasizes a balance between individual rights and the public good.(Veby Septya Margareta, 2025)

2. Principles of Islamic Economics

A fundamental principle of Islamic economics is the prohibition of harmful and unproductive practices. First, usury is prohibited because it is considered to create unfairness in transactions and oppress the economically weaker. Second, gharar, or excessive uncertainty in contracts, is prohibited to ensure transactions are transparent and do not harm either party. Third, maisir, or gambling, is prohibited because it is speculative and does not generate added economic value.

Instead, Islam encourages partnership practices such as mudharabah (a partnership between capital owners and managers) and musyarakah (a joint venture with shared capital). Other principles upheld include fairness in the distribution of profits, balance in resource utilization, and transparency in all transactions. With these principles, the sharia system is believed to build public trust and provide a solution to the various crises that frequently arise in conventional systems.(Veby Septya Margareta, 2025).

3. Development of Global and Indonesian Sharia Economy

The Islamic economy is growing not only in Muslim-majority countries but also in Western countries. For example, the UK, Germany, and the US have opened Islamic financial institutions to serve Muslim communities and ethical investors. This phenomenon demonstrates the universality of Islamic values and their ability to attract people across faiths, as they are perceived as fairer and more sustainable.(Evi Fitria Novitasari, 2024).

In Indonesia, the development of the Islamic economy is very significant. Islamic banks, Islamic insurance, Islamic capital markets, and even zakat and waqf institutions have become important parts of the national economic system. The government, through the National Committee for Islamic Economics and Finance (KNEKS), continues to push Indonesia's roadmap to become a global center of the Islamic economy. However, in practice, challenges remain, including low public literacy, a lack of regulatory harmonization, and limited competent human resources to manage this sector.(Era, 2025)

4. Digitalization and Innovation of the Sharia Economy

The Industrial Revolution 4.0 and the development of digital technology are crucial opportunities for the Islamic economy. Islamic fintech, halal e-commerce, and blockchain present significant opportunities to expand financial services and reach communities previously underserved by conventional banking. Digitalization enables the Islamic financial system to be more inclusive, efficient, and adaptive to the needs of modern society.

However, this innovation also presents new challenges. First, the public's low digital literacy makes it difficult for many to access Sharia-compliant fintech

services. Second, regulatory issues and Sharia standards for digital products often create legal uncertainty. Third, data security is a major concern because digital transactions are vulnerable to misuse.(Andi Zakaria, 2025)Therefore, while digitalization presents an opportunity, its success depends heavily on regulatory readiness, technological infrastructure, and public literacy.

METHOD

This research uses a qualitative method with a literature review approach. This method was chosen based on the research objective of providing a comprehensive understanding of the challenges and opportunities of a sharia-based economy in the modern era. The literature review is deemed relevant because the issues raised are more conceptual and require further research.in-depth analysis from multiple perspectives, not just quantitative measurements.

RESULTS AND DISCUSSION

A. Economic ChallengesSharia

One of the main obstacles to the development of the Islamic economy is the low level of public literacy regarding the basic principles of Islamic finance. Most people still view the Islamic system as merely a difference in terminology from conventional banking, without understanding fundamental values such as the prohibition of usury, gharar, and maisir. This low level of understanding has resulted in low adoption of Islamic products, despite their increasing availability.(Karlina Wati, 2023).

Furthermore, there are obstacles in the form of limited regulations. While Islamic economic regulations in Indonesia have developed, legal harmonization at both the national and international levels has not been optimal. This creates legal uncertainty, particularly for Islamic digital financial products, which still lack standardized standards. These regulatory limitations limit the freedom for Islamic financial institutions to develop innovations and expand their market share.

The next challenge is the lack of product innovation. Currently developing Sharia-compliant fintech products are still unable to compete with conventional fintech products, which offer greater flexibility and a wider variety of services. This lack of innovation has led people to gravitate towards conventional financial services, which are perceived as more practical and quickly accessible, especially among the younger generation.(Abdullah Aryasatya Putra M, 2024).

The Islamic economy also faces competition from the still-dominant conventional system. Interest-based banks still dominate the banking market in Indonesia, making it difficult for Islamic financial institutions to compete on scale and trustworthiness. People tend to feel safer using established conventional services than relatively new Islamic financial institutions.

On the other hand, the quality of human resources (HR) in the sharia sector remains uneven. The number of professionals competent in sharia economics remains limited, both in terms of knowledge of Islamic jurisprudence (fiqh muamalah) and modern managerial skills. This situation has resulted in low innovation and low quality of sharia financial services across various institutions.(Era, 2025)

B. Sharia Economic Opportunities

Despite facing a number of challenges, the Islamic economy has significant opportunities for growth. One of these is **growth of the halal industry**. The food, fashion, pharmaceutical, and halal tourism sectors continue to show positive growth both nationally and globally. The rapidly growing halal industry is creating high demand for Islamic financial services as supporting instruments for financing, investment, and protection. (Andi Zakaria, 2025).

Government support is also a significant opportunity. **sharia regulations** such as the Sharia Banking Law, fatwas from the National Sharia Council (DSN-MUI), and supervision from the Financial Services Authority (OJK) strengthen the legal framework for the development of the sharia economy in Indonesia. This regulatory support demonstrates the government's commitment to developing a sharia-based financial system to better integrate it with the national economy.

Apart from regulations, digital transformation also presents a strategic opportunity. **Digitalization and Islamic fintech** Expanding the reach of financial services to communities previously underserved by conventional banking. Digital platforms can increase efficiency, strengthen transparency, and facilitate easier access to Islamic financial products. (Abiseka Sahal Rizky Fauzi, 2024).

Furthermore, **global Muslim market potential** This is a unique attraction. With the world's growing Muslim population, halal financial products and industries have a large market. Indonesia alone has a Muslim population of over 200 million, providing a strong foundation for domestic and global sharia economic growth. This potential is reinforced by global trends showing increasing demand for halal products in non-Muslim countries.

In addition, Islamic economics also plays an important role in **expanding financial inclusion**. Through a Sharia-based financing model, lower-middle-class communities who previously had difficulty accessing conventional banks can obtain financial services. Sharia-compliant financial inclusion serves not only as an economic instrument but also as a means of equitable social welfare and strengthening economic justice.

C. Analysis

Based on the above findings, it can be concluded that the Islamic economy faces quite complex structural, regulatory, and social challenges. Low literacy, inconsistent regulations, lack of innovation, the dominance of conventional systems, and limited human resources are the main inhibiting factors. However, the opportunities presented are even greater, particularly through the growth of the halal industry, regulatory support, digitalization, the potential of the global Muslim market, and the role of financial inclusion.

These two aspects demonstrate that the development of the Islamic economy is largely determined by the ability of stakeholders to overcome internal obstacles while capitalizing on external momentum. Synergy between regulations, technological innovation, increased literacy, and human resource development is key to ensuring the Islamic economy plays a significant role not only domestically but also globally.

CONCLUSION

The Sharia-based economy in Indonesia faces significant challenges and opportunities in the modern era. Key challenges include low public literacy regarding Sharia principles, limited and incompletely harmonized regulations, a lack of innovation in financial products, and intense competition from established conventional systems. The quality of human resources in the Sharia sector is also a limiting factor that must be addressed.

However, despite these challenges, there are significant opportunities for the development of the Islamic economy. The rapid growth of the halal industry, government regulatory support, and advances in digitalization and Islamic fintech are paving the way for broader financial inclusion. The potential of the global Muslim market also creates a unique appeal for Islamic financial products.

Optimizing the potential of the Islamic economy requires synergy between strong regulations, technological innovation, increased public literacy, and strengthening human resources. With the right strategy, the Islamic economy can serve as a driving force for sustainable development and become a competitive alternative globally.

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