

The Principles of Islamic Economics and their Implementation in Indonesia

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ABSTRACT

Indonesia has experienced significant economic growth, especially in the 1990s when Indonesia was considered as one of the Asian tigers with economic growth of about 7 percent per year though in mid-1997, economic crisis hit this country and some countries of Southeast Asia and East Asia, which is influenced by various factors both external and internal ones. As a result of the crisis storm, in macro scale the economic growth in Indonesia dropped sharply to 4.9 percent in 1997 and even up to minus 17.13 percent in the third quarter of 1998. Recently, Indonesian economic growth reached 5.02 percent in 2016 and it is predicted the growth will be 5.1 percent in 2017. This article focuses on the study of the implementation of the principles of Islamic economics in Indonesia, as a country that is predominantly Muslim. In order to be free from various crisis such economics, moral, social, and cultural crisis, Indonesia's economic growth must be accompanied with the implementation of Islamic economics principles, namely the implementation of *Tawhîd* principles in economic activity, the implementation of *Khilâfa* principle as a task and role of man on earth, the applying of fairness and balance principle so that social welfare for all Indonesian people can be formed, the implementation of equitable principle in order to avoid economic inequality of Indonesian people, and the application of work and productivity principle to achieve economic welfare for Indonesian people.

Keywords: *Islamic economics, economic development, Principle, value, Indonesia*

INTRODUCTION

Living in a country with Muslim majority, the Indonesian people have been appreciated the teachings and values of Islam, including the principles and values of Islamic economics. Pancasila as the basis of Indonesia state has reflected the appreciation of the principles and values of the Islamic economics, although Indonesia does not adopt the Islamic economic system but Pancasila economic system, known also as a democratic economic system. The values in Pancasila economic system basically do not contradic with the values of Islamic economics. This can be seen in the economic practice of the Indonesian population which is very concern with halal and haram, allowed transaction or not based on Islamic law, there are even institutions such as Indonesian Ulema Council that one of it's tasks is to label halal and haram for particular products.

The Indonesian people appreciate the principles of Islamic economics which is seen in the fact that not a few Muslims in Indonesia who undertake economic activities in line with the norms and teachings of Islam because they believe that Muslims are not solely manifested in the form of pure worship such as prayer, fasting, zakat, and hajj but also in daily activities, such as trade, marriage, farming, working in a company, and so on. Because, in Islamic teachings there are rules governing activities of worship and social activities in accordance with Islamic law, as reflected in various fiqh literatures.

In many villages and districts of Indonesia which occupied by Muslims, there are unwritten ban on prohibiting the sale of illicit goods such as liquor, pork, blood, carcass, and so forth. They do it not because it is prohibited by the state, but because of their belief that it was unclean goods, should not be eaten and traded according to the rules of Islamic law. These facts indicate that the Islamic economic system has been implemented by the Indonesian community in the form of traditions inherited long before the initiation of the Islamic economic institutions such as Islamic banking, pawnshops sharia, sharia cooperations, and so on.

There are some principles in the Islamic economic system that are the basis of economic activities. These principles are taken from the sources of Islam, namely the Qur'an and the Hadith as well as the thinking of scholars and Muslim intellectuals. By knowing these principles, we can engage in economic activities strictly in accordance with the teachings of Islam, namely the economy that is fair, based on monotheism (*tauhid*), benevolence, brotherhood, mutual help, productivity, equity, and balance.

Economic Development in Indonesia

Development is a process of social change which is multi-dimensional that covers many areas. At first, the term development watchword in the world of international politics in the 1960s, which is synonymous with progress. Western countries considered to have advanced in the field of industry, economy, technology, institutions, and culture, while other countries are considered heading to development as do the Western world. Therefore, according to Paul Alpert, the purpose of development is to modernize the developing countries and to lift these countries to the same extent with the industrialized countries that has developed (Alpert 1997). Development is meant to improve the living standards and to accelerate the pace of growth, including in the economic field.

In Indonesia, the economic development is part of the National Development which aims to realize a just and prosperous society in all fields, including economics. Economic development is synonymous with the development of economic sectors, such as agriculture, trade, industry, and so on (Ilmar, 2004). Indonesia's economic development has experienced a significant increase. In the era of the 1990s, the Indonesian economy had been mentioned as one of the Asian tigers where economic growth in this country reached an average growth of about 7 percent per year. However, in mid-1997, economic crisis hit this country and some

countries of Southeast Asia and East Asia, which is influenced by various factors both external and internal ones. As a result of the crisis storm, in macro scale the economic growth in Indonesia in 1997 dropped sharply to 4.9 percent and even up to minus 17.13 percent in the third quarter of 1998. Nonetheless, Indonesia's economic fundamentals that are quite strong and are supported by the spirit of reform in all fields, enable this country to leave the economic crisis in 1997/1998, and is able to withstand the various hurricane crisis of 2008 and the current global crisis, which directly or indirectly affect the economic growth of developing countries in Asia.

According to Sarwono (2009), in the middle of domestic economic conditions that are still surrounded by uncertainty over the magnitude of the impact of the global financial crisis, the projection of the OEI (Indonesia Economic Outlook) give optimistic feeling, because the Indonesian economy in the medium to long term is expected to grow by 6.0 to 7.0% coupled with inflationary pressures likely to drop to 4.0-5.0% in 2014. These optimistic achievement will be supported by robust assumptions of economic conditions both domestic and external conditions, including great expectations to the successful implementation of government policies in the short term, especially in handling the crisis. This success certainly will become a strong foothold as the support and decisive implementation of government policies as spectrum over the long term to boost economic growth to a better direction. Consistency between fiscal and monetary policy must also be maintained in order to foster positive expectations of economic agents, which in turn can create a climate that is conducive to sustainable economic growth (Sarwono, 2009).

Organisation for Economic Cooperation and Development (OECD) sees that Indonesia will be able to lead the growth in the Southeast Asian region. Therefore, the strength of domestic demand will be the driving engine of growth in the region in the next five years. Indonesia's economic growth forecast was the highest compared with Brunei, Malaysia, Philippines, Singapore, and Thailand. Indonesia estimated growth rate higher than the average growth of 10 ASEAN countries amounted to 5.5 per year in 2013-2017. However, growth in Indonesia is lower than the average growth of 10 ASEAN countries plus China and India are estimated at 7.4 per cent in 2013-2017 (Indonesia-Akan-Pimpin-Pertumbuh-an-ASEAN, 2016).

The Agency of Central Statistics (BPS) reported that Indonesia's economic growth reached 5.02 percent in 2016. This rate is higher than in 2015 that is corrected by 4.88 percent. Similarly, the realized growth is also higher than in 2014 by 5.01 percent, though it still lower than 2013 with the position of 5.56 percent. The head of the Agency of Central Statistics (BPS) Suhariyanto optimistic that Indonesia's economy this year could go faster and reach the target of the State Budget (APBN) in 2017 amounted to 5.1 percent. Despite the economic growth in 2016 is only touched 5.02 percent, below the target of 5.2 percent of the revised budget (Cnnindonesia.com, 2017).

The Principles of Islamic Economics

As a revealed religion to spread the blessing for the universe, Islam brings the principles and basic values in various fields; legal, social, beliefs, ethics, economics, and so on. The arrival of Islam bring a set of principles and basic values to be used as reference for human activities in realizing the mission of *khilafa* on earth, in order to build and prosper it as well as a stimulant so the people always worship Allah as gratitude for all the gifts of God.

In the field of economics, Islam since early time has set out principles as foundation of thinking and philosophical basis for economic development formulated on a view of life including everything needed to realize the luck (*falah*) and a good life (*haya tayyiba*) within the framework of Shari'ah rules concerning the maintenance of faith, soul or life, intellect, posterity, and wealth (Chapra, 2002).

The Islamic economic thinkers did not agree on the amount of principles of Islamic economics, though in fact they lead to the same estuary. According Karim (2003), there are five basic principles of Islamic economics, namely *tawhîd* (faith), *'adl* (justice), *nubuwwa* (prophetic), the caliphate (government), and *ma'ad* (back/result). The fifth value is the basis of inspiration to formulate propositions and theories of Islamic economics. According to Ahmad (2007), the basic principles of Islamic economics as well as the philosophical foundation for the development of Islamic economics is *tawhîd* (oneness and greatness of God), *rubûbiyya* (God's arrangement for natural resources), the caliphate (government), and *tazkiyya* (cleanliness, purity, and development).

Babaliy (2005) set out five principles related to Islamic economics, namely *al-ukhuwwa* (brotherhood), *al-ihsân* (doing good), *al-nâsiha* (giving advice), *al-istiqâma* (firm establishment), and *al-taqwâ* (being piety). According to Sharif (1990), in his book *Islamic Social Framework*, the economic structure of Islam is based on principles; trusteeship of man, co-operation, limited private property, and state enterprise. While Choudhury (2001) stated that Islamic economics is based on three principles, namely the principle of *tawhîd* and brotherhood, the principle of work and productivity, and the principle of distributional equity. Furthermore, the principles of Islamic economics is formulated as follows; the divine principle, the principle of the *khilâfa*, the principle of fairness and balance, the principle of equity, as well as the principle of work and productivity.

The Implementation of Islamic Economic Principles in Indonesia

a. The Implementation of Tawhîd Principles in Economic Activity

The divine principle (*tawhîd*) in Islam is very fundamental and even regarded as a primary mission of all apostles of Allah to mankind in order to submit the teachings of monotheism, which urged people to recognize the sovereignty of God and surrender to Him (al-Mawdûdiy, 2006). *Tawhîd* is divided into two categories; *tawhîd rubûbiyya* and *tawhîd ulûhiyya*. *Tawhîd*

rubûbiyya relates with Allah as God, the Creator and the Ruler of universe. According to Muhammad Shahrur, *tawhîd rubûbiyya* is an objective reality outside of human consciousness, the relationship between Allah and His creatures in the form of a relation of mastery, control, and ownership, a permanent relationship that will never change (Syahrur, 2004).

Tawhîd ulûhiyya deals with man's obligation to worship only one God, namely Allah (The Qur'an, 51:56) Allah orders men to obey His commands and avoid His prohibitions. This submission is in *ulûhiyya* region, in the sense that the human recognition of God as the God worshiped. Allah is not merely as *rabb* (God the creator of nature) but He is also the One who is to be worshiped (*al-Ma'bûd*). Thus, if *rubûbiyya* relates to the objective reality of God's existence, then *ulûhiyya* deals with the recognition of and obedience to God (Syahrur, 2004). Both *tawhîd ulûhiyya* and *rubûbiyya* which is the Muslim religious foundation have an effect on their lives; in the field of religious, moral, social, political, cultural, legal, as well as economic aspect.

In Indonesia, which is predominantly Muslim, economic activity has more or less influenced by the principle of *tawhîd*. Since the beginning of the establishment of Indonesian nation, the founding fathers had set the first precept of Pancasila, namely the Almighty God. This precept of Pancasila is actually the principle of monotheism. The precepts of Pancasila have established a typical economic system of Indonesia, called Pancasila Economic System. According to Ginandjar Kartasasmita, economic system of Pancasila is not purely materialistic, because it is based on faith and piety that arise from our recognition to the Almighty God. Faith and piety become the spiritual, moral, and ethical bases for the holding of economy and development. Thus, Pancasila economic system is controlled by the rules of morality and ethics, so that our National development is a development based on morals (Kartasasmita, 1997).

In its implementation in Indonesia, the principle of *tawhîd* can be seen, for example, at the concept of ownership. Ownership in Islamic economics lies on its utilization and not on the absolute master of the economic resources. According Rahman (1995), the principles and values of holdings are: *Firstly*, individual freedom, that every individual has a freedom to make decisions that may be necessary. Without freedom, Muslim cannot fulfill the obligations of religion and state, including those relating with the economic activities for the welfare of his personal and family as long as it does not harm others. *Secondly*, economic inequality within reasonable limits. Islam recognizes the economic inequality between persons and do not let it be expanded, but tried to keep the gap within reasonable limits. *Thirdly*, social equality. Islam recognizes the existence of inequality in the economic field but supports their social equality so that the wealth of the country is not only enjoyed by a certain group of people. In addition, it should be recognize so that every individual has equal opportunity to strive or active in economic activity. *Fourthly*, the social security. According to Islam, every individual has right to live and that any citizen of a country guaranteed to get their basic needs. *Fifthly*, the widespread distribution of wealth. The economic system of Islam prohibits accumulation of

wealth in certain group but should be distributed widely to those who deserve it. Properties owned by a person and meet certain size contains the other rights. *Sixthly*, prohibition of monopolies and hoarding wealth. Islam prevents the practice of hoarding wealth or commodities to prevent shortages and avoid its gains for the benefit of private owners. *The last*, common welfare. Islam recognizes the well-being of individuals and society as mutual and complementary not contradictory between the two.

b. The Implementation of Khilâfa Principle as a Task and Role of Man on Earth

Allah created man as a vicegerent on earth. He intentionally created man to be a creature who is assigned to represent Him managing the earth. Becoming caliph, human equipped with all the necessary tools such as senses, physical strength, brain, instinct, conscience, and science. With a variety of devices, human can build and prosper the earth. Until now, it has not been found a sophisticated creature as human beings in doing development on the earth and universe.

As the caliph of God, man was given a mandate to empower the whole universe as good as possible for the welfare of all beings (The Qur'an, 22:41). According to Shihab (2000), as the caliph of Allah, man has an obligation to create a society that is on good terms with God, and foster a harmonious community life as well as maintain the religion, reason and culture. In relation to the economy, the principle of caliphate, according to Chapra (2002), deals with four factors; universal brotherhood, resource are a trust, humble life style, and human freedom.

The four factors above that are the buffer of *khilâfa* principle are worthy to be recognized dealing with the economic development of Indonesia. Universal brotherhood involves the entire human race because everyone is the vicegerent of God on earth regardless of race, language, colour, nation, or country. This brotherhood carries on social equity and the dignity of all human beings. This principle is in line with the second precept of Pancasila, which is the just and civilized humanity. The Indonesian people can do economic transactions with the rest of humanity without looking at the differences in ethnicity, nation, race, religion, or country. The whole human being must be respected and treated fairly and civilized in conducting economic activity.

Natural resources and wealth are the mandate given by God to humankind as His vicegerent and the man is not their absolute owner. Therefore, resources should be imposed as follows: (a) Natural resources are used for the benefit of all mankind and not to a part of them. (b) Each person must obtain the natural resources properly. (c) The assets acquired are not only for person who did it, but also for other people who also have rights. (d) No one has right to destroy or dispose the natural resources that God has given.

As a caliph, man is given a mandate to explore, produce, consume, and distribute all forms of property and wealth simply and is not allowed to be profligate and excessive. Islam very prohibit all forms of behavior that wasteful and redundant (The Qur'an, 7: 31). The ban of

wasteful and redundant is done because Islam realize that there are many people who lack in economics. Muslims are assigned as the caliph to have collective consciousness and social sensitivity, so everything they have is not only for their interests and just to satisfy the needs of certain individuals or groups. According to Islam, in one's wealth and properties there are rights of others which should be given (The Qur'an 51: 19).

In carrying out economic activities, human beings have freedom from all forms of pressure, intimidation, and annexation of property rights, as well as all forms of evil. Islam forbids a man taking another man's treasure vanitily. Through that freedom, they can fulfill the obligations of religion and state, including those relating to economic activities for the welfare of his personal and family provided this does not harm others.

The principle of fairness is a universal concept that specifically means to put something on its position and portion. The word fair in this case means to do not behave unjust to human beings, but not means equally common sense, (Adiwarman, 2003) as it is applied in the Socialism economy. In other words, the meaning of fairness here is to put something on its place (*wad' al-shay-i' 'ala makânih*). The Capitalism and Socialism also have a concept of fairness. When Capitalism defines fairness as you get what you deserved, and Socialism defines it as no one has privilege to get more than others, Islam defines it as not oppress nor oppressed (*lâ tazlimûn wala tuzlamûn*) (al-Jufri, 2004).

In addition, according to Islam, there are rights of others in the result of someone hard working that if he does not give it, it is called unjust (unfair). In this case, the equalization of wealth so there is no gap between the rich (the haves) and the poor (the have not) should be done in order to uphold the values of justice in economics. Islam has taught how to reduce the gap through the concept of charity, donation, endowments, and so on. According to Chapra (2002), the fairness in economics involves four things; need fulfillment, respectable source of earnings, equitable distribution of income and wealth, and the growth and stability.

In Indonesia, the concept of justice is not only in line with the second precept of Pancasila, the just and civilized humanity but also the fifth precepts, the social justice for all Indonesian people. According Kartasasmita (1997), with a value of just and civilized humanity, the people of Indonesia respects human dignity as well as rights and obligations of human in the economic life. With the basics of morality and humanity, they can meet the needs and economic motivation to make a profit, but do not recognize economic predators that prey the others.

Mubyarto (2003) stated that what we need in today's Indonesia is an economic life driven by the whole society, which reflects the character of the Indonesian people, namely Pancasila economy, a market economy refers to the ideology of Pancasila. According to him, in the economic system of Pancasila, Indonesian people are homo socius, homo ethicus, as well as homo economicus. When we view it from micro perspective, the Indonesian economy has a

moral and ethical values that can safeguard human from greedy. But what always happen is that the morals and ethics have been faded in the economic life of Indonesia where the market is more glorifying competition and the spirit of individual greedy but not cooperative family economy. The loser in the markets are more in number and they are just as loyal audience of the winners.

Justice can produce a balance in economy by eliminating the gap between the rich and the poor. Although, of course, Islam does not encourage economic similarities and acknowledge the economic inequality among individuals (Sudarsono, 2003). Justice and balance in economic field, according to Chapra (2002), is one of the goals and motivations of Islamic economic system that is based on *maqâsid al-shari'a*. He stated:

"Islam envisages an economic system fundamentally different from the prevailing systems. It has its roots in the *Shari'a* (Islamic teachings) from which it drives its worldview as well as its goals and strategy. The goals of Islam (*maqâsid al-shari'a*), unlike those of the predominantly secularist systems of the present day-world, are not primarily materialist. They rather based on its own concepts of human well-being (*falah*) and good life (*hayat tayyibah*) which give utmost importance to brotherhood and socio-economic justice and require a balanced satisfaction of both material and the spiritual needs of all human beings".

The principle of balance in Islamic economics is not only relates to the fulfillment of material and spiritual needs of humankind, but also the balance between worldly and hereafter, and the needs of individuals as well as society. According to Lubis (2000), one of the peculiarities of Islamic economics is the motive of economic activity for world profit and the hereafter as God's caliph tasks within the framework of worship in the broadest sense. This is in accordance with God's command for man to reach happiness in hereafter, without forgetting the happiness and prosperity of the world. Therefore, the economic resources should be directed to achieve happiness of the world and the hereafter. Islam firmly rejects greedy human who master the material and take it as a measure of economic success (Chapra 1997). The real success is when someone can reach the success of this world and hereafter together (*fi al-dunya hasanah wa fi al-âkhirat hasanah*).

c. The Implementation of Equitable Principle in order to avoid Economic Inequality of Indonesian People

The principle of equity requires that the property is not only owned by a few people but should be distributed among the public, as willed by God in His word: "In order that it may not merely circulate between the rich among you" (The Qur'an, 59: 7). In Islamic economics, it is taught that economic needs are intended to meet the pleasure of God and to help fellow human beings. Therefore, accumulating wealth just as much for the gratification of one's own interest is forbidden in Islam. Therefore, greedy is forbidden (al-Hajjâj, 2002) on the contrary, Islam

teaches that a person should take out some possessions for the benefit of others through charity and donation so that wealth does not accumulate on the few.

Islam requires fairness in income distribution. Distributive justice is the goal of development that requires Muslims' commitment to make it happen although it can not drift from the average rate of real growth. According to al-Fanjari (2002), distributive justice is reflected in the willingness to meet the minimum threshold of real income, known as *had al-kifâya* for everyone. Islam is not aimed at the impartial distribution alone, it may be the differences of wealth and income after fulfillment of the *had al-kifâya*. This need meets the requirement which can move people to work.

In other words, economic equalization is recommended by Islam so that economic resources are not only enjoyed by a few human being while others never enjoy them. Therefore, Islam teaches a variety of economic distribution instruments such as zakat, donation, charity, endowments, and so on in the context of economic and social solidarity. Nevertheless, Islam recognizes the differences of property ownership among human being between the rich and the poor.

In Indonesia, the application of equity principle is in line with the basic values of the fifth precept of Pancasila, social justice for all of Indonesian people, which shows that how the whole efforts of Indonesian development, to develop the economic growth associated with equitable development and the results leads to the creation of prosperity with justice for all the people of Indonesia in the economic system that is structured as a joint venture based on the principle of familiness (Kartasasmita, 1997).

The principle of equity implied in the fifth precepts of Pancasila is in line with the principle of equity in Islamic economics. With the principle of equity in the economy, it is expected that Muslims can uplift the poors from economic difficulties. Some wealth they acquired should be given to the others to form a strong social solidarity. Muslims are obliged to give their wealth to the people who need it (Dun-yâ, 1994). Through the distribution of wealth fairly and equitably, it is expected that Islamic society will become more prosperous and hence they can fulfill their religious duties diligently in order to gain the mercy of Allah (Yûsuf, 1991). According to Chapra (2002), Islamic economic system is a motivating force to achieve goals such as meeting the needs of the equality of distribution of income and wealth.

In terms of economic equality in Indonesia, the government is expected to play an active role in bringing social and economic equality justice for all people of Indonesia. To achieve this, the government must assume three roles at once. Firstly, in order to build equity and fairness, the government should be in the front. The population alleviation from poverty, distributing development among regions, and eliminating disparities, should be the responsibility of the government and they should be leading the way. In order to build a sense of justice and create a sense of security and peace in the society, Indonesian government should be in front,

showing the way and giving exemplary. The government must should be in leading to encourage the social and economic development in society. Secondly, Indonesian government should work together with the people and mobilize their development activities. In a variety of business production in which the people are not yet fully capable without sustained by government, the government should also support them. For example, building infrastructure to encourage their investment. The government builds roads, electrical power, and irrigation to promote economic activities of the society. The government still has to manage the infrastructure which can continually serve to support their economic activities. Thirdly, in terms of the people can fulfill their needs, the government has a rule as a director and supervisor. The people become main actors of development and the government has obligation to direct, guide, and create a bolster atmosphere (Kartasasmita, 1997).

The Application of Work and Productivity Principle to achieve Economic Welfare

Islam highly appreciates Muslims who always work and produce in order to meet their material and spiritual needs (al-Washhabî, 2005). Islam encourages its Umma to be diligent workers. The Prophet Muhammad appreciates someone who goes in the morning to find the gift of God in order to meet his or her needs, to give and share favors to others, to do not beg, and in order to meet the needs of those who are in his or her responsibility (Muslim, vol.II: 53).

In Islam, every employment opportunities are allowed as long as *halal*, do not harm others, and do not conflict with the state legislation, although some Islamic scholars make job categories, such as al-Shaybaniy, who states that human work can be divided into four types, namely *ijâra* (lease), *tijara* (trade), *zirâ'a* (agriculture) and *sinâ'a* (industry). According to him, the best jobs is agriculture (Karim, 2006). Surely, the employment categorized by al-Shaybaniy has been changing due to the increasing of employment fields and professions in line with the current development, including what is the best job also changes in accordance with the appreciation and assessment of the community in which the work has been done. Basically, every kinds of profession and work that are in the frame halal, do not harm others, and not contrary to the rules of the state, are allowed and even encouraged by Islam.

In terms of production, according to Islamic economics, it is not all activities that produce goods or services considered as production, because production activity is closely related to the *halâl* or illicit nature of goods or services and how to obtain them. In other words, only activities that produce goods and services that are lawful (*halâl*) can be referred as production (Karim, 2006). Therefore, according to Metwally (1992), in a company, for example, the production assumptions must be made for of the *halâl* goods in the production process and post production that does not cause harmfulness. Everyones are given freedom to do business as long as the production of *halâl* and does not cause the harmfulness. On the other hand, as stated by Mannan (1995), in Islamic production system, the concepts of economic prosperity is used widely, with the increasing in revenues resulting from increased production through the use of resources maximally either human or natural resources and the participation of the large number of people in the production process (Suprayitno, 2008).

In Indonesia, the business, labor, and production are broadly divided into three areas, namely the state business whether State-Owned Enterprises (BUMN) or Regional Owned Enterprises (BUMD), cooperation, and private enterprises. All of them can move in all areas of business in accordance to each roles and essences. State-Owned Enterprises acts as: (a) pioneers in providing goods and services in the areas of production that are not quite stimulate initiatives and interests of private entrepreneurs; (b) managers and entrepreneurs in the areas of production that are important for the country; (c) managers and entrepreneurs in the field of productions that dominate the life of many people; (d) a counterweight to market forces of private enterprises, (e) complement in providing goods and services that are not adequately provided by private enterprises and cooperation, and (f) supporting tools to the implementation of the state policies. Furthermore, cooperation as one form of business entity in accordance with the Constitution of 1945, is given the widest opportunity to participate in line with its character as a unity of economic social. While private enterprises have a role profusely in areas where competition and cooperation based on profit motivation that give the best results for society which are measured by kind, quantity, quality, and price of goods and services that can be provided (Kartasasmita, 1997).

According to Islam, the fundamental principle that must be considered in business, work, and production is economic prosperity as one of production activity goals. Economic welfare is not only the economic objectives of Islam, but in the Capitalism system there is also a concept of goods and services production that is based on the principles of economic prosperity. However, according to Islamic economic, prosperity should not neglect the considerations of public welfare concerning with moral, education, religious issues and so on, in contrast to the Capitalism economy that measures economic welfare just in terms of matter (Mannan, 1995).

CONCLUSION

Indonesia has experienced significant economic development in the era of 1990s with growth reaching an average of about 7 percent per year and has slumped since mid-1997 so that the Indonesian economy dropped sharply to 4.9 percent and even up to minus 17.13 percent in quarter III in 1998. Lately, the economic development of Indonesia stirs back. The Agency of Central Statistics (BPS) reported that Indonesia's economic growth reached 5.02 percent in 2016. This rate is higher than in 2015 that is corrected by 4.88 percent. Similarly, the realized growth is also higher than in 2014 by 5.01 percent, though it still lower than 2013 with the position of 5.56 percent. Indonesia's economy this year 2017 could go faster and reach the target of the State Budget (APBN) about 5.1 percent. As a country with a Muslim majority, the economic growth of Indonesia should be supported by the noble values adopted from the teachings of Islam, in order to have balance in the life of society and nation so that can emerge welfare physically, emotionally, materially, or spiritually as the goal of economic development. The Islamic economics principles is considered very relevant to be implemented in the development of Indonesia, because the country has experienced multidimensional crisis as the excesses of economic crisis such as moral crisis, belief crisis, mental crisis, and others. By

applying these principles, Indonesian economy would find itself because basically the principles are consistent with the principles and values of Pancasila economy.

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