

Research Article

Development of Islamic Economy and Finance in Indonesia through KNEKS Structure in 2019-2024

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Abstract

This research discusses the development of Sharia Economics and Finance in Indonesia through the KNEKS Structure in 2019-2024. This research discusses the Direction of Development and Strengthening of Sharia Economics and Finance in Indonesia, of course strengthening the halal value chain with a focus on sectors or clusters that are considered potential and highly competitive; second, strengthening the sharia financial sector whose master plan has been outlined in the Indonesian Sharia Financial Architecture Masterplan or AKSI which has been refined in this master plan; third, strengthening micro, small and medium enterprises or MSMEs as the main drivers of the halal value chain. For the research process on Sharia Economic and Financial Development in Indonesia Through the KNEKS Structure in 2019-2024, this research used the library research method, and we conducted this research where the data study object used library data sourced from several types of books and the internet. as a source for obtaining these data. Then we read, study and understand various kinds of literature related to the research we are doing. And we also use a qualitative observation method by observing data sourced from a book entitled sharia economics, especially at the undergraduate level of higher education. This research is also useful for knowing the direction of development and strengthening of sharia economics and finance in Indonesia through the KNEKS structure in 2019-2024.

Keywords: Economic Development, Sharia Finance, KNEKS



INTRODUCTION

Indonesia is the largest country in the world and has the largest culture that has ever existed in the world is Indonesia and Indonesia is dubbed as a country of thousands of islands having 34 provinces from Sabang to Merauke. In addition, Indonesia has a rich and even unlimited economy and natural resources, but at this time the economy in Indonesia is certainly experiencing quite high difficulties due to the influence of the Covid-19 pandemic until now in 2024 economic growth in Indonesia has begun to experience improving changes.

The Islamic economy and finance have experienced rapid development in the last two decades. As a country with the largest Muslim population in the world, Indonesia has not been able to play an optimal role in the development of the Islamic economy and finance. Therefore, to accelerate the process of Islamic economic and financial development, the Indonesian Sharia Financial Architecture Masterplan or AKSI Masterplan recommends the establishment of KNKS (National Committee of Sharia Finance) which later developed into KNEKS (National Committee for Islamic Economy and Finance).

In this section, researchers will explain and explain KNEKS which includes, among others, background, legal foundation, duties and functions as well as the Direction of Development and Strengthening of Islamic Economy and Finance in Indonesia through the KNEKS Structure. (Indonesian Sharia Economic Masterplan, 2019-2024).

In terms of background, the formation of Islamic Economy and Finance has experienced rapid development in the last two decades, both globally and nationally. As the country with the largest Muslim population in the world, Indonesia has not played an optimal role in meeting this demand. In a study entitled The Global Islamic Economy Index 2018/2019, Indonesia is listed in the 10th position as a producer of halal products in the world. In 2019 Indonesia's Islamic financial market increased but was still relatively small compared to conventional finance, which was only 5.3% of the national banking industry in 2016. This achievement is far below other countries such as Saudi Arabia which reached 51.1%, Malaysia 23.8% and the United Arab Emirates 19.6%. Therefore, the development of Islamic economy and finance in

Indonesia is needed to strengthen the structure of the economy and financial markets in supporting the growth of the Islamic economy and finance which still has the potential to continue to grow in this beloved country.

In addition, to accelerate the process of Islamic economic and financial development, such as to improve the infrastructure and capability of the Islamic financial system, overcome gaps, improve institutional performance, create new opportunities in domestic and international markets, and position Indonesia as a major player in Islamic finance in the world.

METHOD

For our research process entitled Development of Islamic Economy and Finance in Indonesia through the KNEKS Structure in 2019-2024 (National Committee for Islamic Financial Economics), this research uses the library research method, and we conducted this research whose object of data study uses library data sourced from several kinds of books and the internet as a source to obtain these data. Then we read, study, and understand from various kinds of readings related to the research we did. And also we use qualitative observation methods by observing data sourced from books entitled Islamic economics, especially at the undergraduate level of universities in Indonesia.

RESULT AND DISCUSSION

Legal Basis of KNEKS

As explained above, the legal basis of KNEKS is to support national economic development and encourage the acceleration of development of the Islamic economic sector, and the Government specifically established KNKS (National Committee for Sharia Finance) on November 8, 2016. The purpose of its establishment is to increase the effectiveness, efficiency of the implementation of national development plans in the field of Islamic finance and economy. In its development, on February 10, 2020, the Government changed the KNKS to the National Committee for Sharia Economy and Finance or KNEKS.

These changes are realized through Presidential Regulation Number 28 of 2020

concerning the National Committee for Sharia Economy and Finance. The purpose of the change is to increase the development of the Islamic economic and financial ecosystem to support national economic development. In the Presidential Regulation and KNEKS Structure, it is explained that what is meant by KNEKS is a non-structural institution that is independent in the implementation of duties and functions. The scope of sharia economy and finance includes the development of the halal product industry, the development of the sharia financial industry, the development of sharia social funds, and the development and expansion of sharia business activities including in Indonesia.

Tasks, Functions, and Structure of KNEKS

KNEKS has the task of accelerating, expanding and advancing the development of the Islamic economy and finance in order to strengthen national economic resilience. In carrying out these tasks, KNEKS performs the following functions and structures:

- a. Providing recommendations for the direction of policies and strategic programs for national development in the Islamic economic and financial sector
- b. Implementation of coordination, synchronization, synergy in the preparation and implementation of strategic program policy direction plans in the Islamic economic and financial sector
- c. Formulation and provision of recommendations on solving problems in the Islamic economic and financial sector
- d. Utilization and evaluation of the implementation of strategic policy and program directions in the Islamic economic and financial sector

The KNEKS Structure as mentioned in article 6 of the KNEKS Presidential Regulation consists of leaders, secretaries and concurrently members; Member, Executive Management; and KNEKS Secretariat;

- a. Leader

The leadership of KNEKS consists of the Chairman, namely the President of

the Republic of Indonesia and the Vice Chairman as the Daily chairman assisting the chairman in coordinating the implementation of the duties and functions of KNEKS and providing direction to the Secretary, Members, and Executive Management

b. Secretary concurrently member

The leader in carrying out his duties is assisted by the Minister as a secretary who also concurrently serves as a member. The minister here is the minister who organizes government affairs in the financial sector. In addition to carrying out these duties, the Secretary held by the minister carries out monitoring and evaluation of executive management performance and submits periodic reports to the president and vice president.

c. Member

The KNEKS Presidential Regulation states that KNEKS members consist of;

1. Coordinator minister for economic affairs
2. Coordinating Minister for Human Development and Culture
3. Coordinator Minister for Maritime Affairs and Investment
4. Minister of religious affairs
5. Minister of Industry
6. Minister of trade
7. Minister of national development planning/head of the national development planning agency
8. Minister of State-Owned Enterprises (BUMN)
9. Minister of cooperatives and small and medium enterprises
10. Minister of tourism and creative economy/head of tourism and creative economy agency

d. Executive Management

Executive Management is led by the Executive Director. In carrying out its duties, Executive Management carries out functions, namely;

1. Preparation of recommendations for the policy direction of the national development strategic program in the Islamic economy and finance

sector

2. Preparation, coordination, preparation and implementation of strategic program plans in the Islamic economy and finance sector;
 3. Management and processing of data and information regarding development in the national Islamic economic and financial sector
 4. Monitoring and evaluation of the formulation and implementation of strategic national development policies and programs in the Islamic economic and financial sector
 5. Implementation of other functions assigned by the deputy head as the head of the daily
- e. Secretariat

The secretariat is headed by the head of the secretariat who is appointed by the Minister of Finance as secretary of KNEKS. The head of the secretariat is under and responsible to the president through the secretary of KNEKS and administratively coordinated by the Minister of Finance

From the explanation and explanation above, it can be seen that the organizational structure of KNEKS consists of leaders, secretaries, members as above can be grouped into three major groups: First, government elements consisting of the President and Vice President and state ministers. Second, elements of state institutions in the financial sector, such as the Financial Services Authority or OJK and Bank Indonesia, and third elements of institutions such as MUI (Indonesian Ulema Council). Therefore, it can also be seen that in this KNEKS Presidential Regulation such as the roles and obligations of each KNEKS member is not explained in detail, but the KNEKS Presidential Regulation provides general guidelines that KNEKS members together with Executive Management assist the president and vice president to develop the Islamic economy and finance through the formulation of policy directions and the preparation of national strategic programs, and implement policy direction in carrying out national strategic programs in the field of Islamic economy and finance according to their respective fields of duties and functions.

Direction of Development and Strengthening of Islamic Economy and Finance through KNEKS Structure

In the KNEKS structure, sharia economy and finance includes the scope related to the development of the halal product industry, the development of the sharia financial industry, the development of sharia social funds and the development and expansion of sharia business activities. Meanwhile, in the Indonesian Sharia Economy Masterplan 2019-2024 the development areas include; 1) Strengthening the Halal Value Chain; 2) Sharia Financial Strengthening; 3) Strengthening Micro, Small and Medium Enterprises, MSMEs, and 4) Strengthening the Digital Economy. Therefore, there are four main pillar points as areas of strengthening the Islamic economy and finance in Indonesia in 2019-2024 as follows:

First, Strengthening the Halal Value Chain, which is an area of Islamic economic and financial development, of course in Indonesia in 2019-2024 recommends four main strategies to develop the Islamic economy to realize Indonesia as the center of the world Islamic economy. First, strengthening the halal value chain which focuses on sectors or clusters that are considered potential and highly competitive; second, strengthening the Islamic financial sector whose master plan has been outlined in the Indonesian Sharia Financial Architecture Master Plan or AKSI which is enhanced in this master plan; third, the strengthening of micro, small and medium enterprises or MSMEs as the main driver of the halal value chain and fourth, the utilization and strengthening of digital economy platforms in terms of e-commerce trade, market place and financial technology are expected to encourage and accelerate the achievement of other strategies.

Second, Sharia Financial Strengthening has produced various satisfactory achievements such as from the increasing number of products and services to the development of infrastructure that supports Islamic finance. Even in the global market, Indonesia is included in the top 10 countries that have the largest Islamic finance index in the world. Indonesia's Islamic financial industry has distinctive characteristics. However, its conception is unlike Islamic finance in Malaysia and the Gulf States which focuses more on investment banking and Islamic financial instruments. Indonesia has a

complexity that surrounds many industrial services and financial services and is more oriented towards the research segment. Therefore, as well as the Indonesian Sharia Economic Masterplan in 2019-2024, this area of Islamic financial development includes Islamic banking clusters, Islamic capital markets and social security, as well as zakat, infak, alms and waqf or ZISWAF.

Third, Strengthening Micro, Small and Medium Enterprises or MSMEs is an integral part of the business world and then also an economic activity of the people who have a position, role and strategic potential to realize the structure of the national economy based on economic democracy. MSMEs have a very large contribution to the Indonesian economy. And the network is spread to various corners of the country that embrace and revive the potential of the wider community, so that their lives develop better than other economies. The number of MSMEs has reached 62,922,617 units and is much larger than large businesses which only amounted to 5,460 units. This number is dominated by micro enterprises as many as 62 million with small and medium enterprises amounting to 815 thousand units or only 1.3%. Therefore, in the Indonesian Sharia Economic Masterplan in 2019-2024, things that need to be done immediately related to MSMEs are the need for sharia microfinancing facilities and MSME assistance in accordance with the business scale called *sharing platform* or sharia microfinance. Support from Islamic financial institutions and government programs targeting micro and small enterprises is very important. However, to strengthen micro, small and medium enterprises in Indonesia, it can be done through three programs, namely the micro enterprises education program, integrated financing facilities for MSMEs and the MSME Database.

And finally there is the Strengthening of the Digital Economy which arises from a combination of economy and technology. The development of the digital economy in Indonesia has a number of opportunities and challenges in terms of several aspects, including demand and market, production factors, and regulations. In terms of demand and market aspects, Indonesia's opportunities in the digital economy lie in the high growth of the number of Muslims at the national and global levels, the growth of digital transactions and the increasing Islamic fintech industry, and the expansion of the sector.

The challenges in terms of aspects and demand in the market include the lack of ability of the current digital economy to respond to demand and markets, the inequality of exposure to digital technology between regions, especially urban and rural areas, and the lack of halal product literacy and halal branding. Therefore, it can be concluded that strengthening the digital economy in Indonesia refers to the Indonesian sharia economic Master Plan in 2019-2024 which is carried out through main programs, including the development of appropriate and cutting-edge technology to increase the efficiency of halal products and encourage the digital transformation of MSMEs; The establishment of incubator facilities to facilitate the growth of stratup companies that can strengthen the national halal value chain and have global coverage and the provision of integrated information systems for halal products.

CONCLUSION

From the discussion on Islamic Economic and Financial Development in Indonesia through the KNEKS Structure in 2019-2024, of course, leaning towards this strengthening area which can be concluded with four main pillar points, namely:

First; Strengthening the Halal Value Chain which focuses on sectors or clusters that are considered potential and highly competitive; second, strengthening the Islamic financial sector whose master plan has been outlined in the Indonesian Sharia Financial Architecture Master Plan or AKSI which is enhanced in this master plan; third, the strengthening of micro, small and medium enterprises or MSMEs as the main driver of the halal value chain and fourth, the utilization and strengthening of digital economy platforms in terms of e-commerce trade, market place and financial technology are expected to encourage and accelerate the achievement of other strategies.

Second, Sharia Financial Strengthening has produced various satisfactory achievements such as from the increasing number of products and services to the development of infrastructure that supports Islamic finance. However, its conception is unlike Islamic finance in Malaysia and the Gulf States which focuses more on investment banking and Islamic financial instruments. Therefore, the Indonesian Sharia Economic Masterplan in 2019-2024, even the area of Islamic finance

development and this includes the Islamic banking cluster, Islamic capital market and social security for all prosperous communities in Indonesia.

Third, Strengthening Micro, Small and Medium Enterprises or MSMEs is an integral part of the business world and then also an economic activity of the people who have a position, role and strategic potential to realize the structure of the national economy based on economic democracy. However, the strengthening of MSMEs is to strengthen micro, small and medium enterprises in Indonesia, which can be done through three programs, namely micro business education programs, integrated financing facilities for MSMEs and MSME Databases. And finally, the development of the digital economy in Indonesia has a number of opportunities and challenges in terms of several aspects, including demand and market, production factors, and regulations. Therefore, it can be concluded that strengthening the digital economy in Indonesia refers to the Indonesian sharia economic Master Plan in 2019-2024 which is carried out through main programs, including the development of appropriate and cutting-edge technology to increase the efficiency of halal products and encourage the digital transformation of MSMEs; the establishment of incubator facilities to facilitate the growth of startup companies that can strengthen the national halal value chain and have global coverage and the provision of integrated information systems for Halal Toyyiban products.

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