THE POLICY OF ISLAMIC ECONOMIC POLITICS IN INDONESIA IN THE REFORMATION ERA

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Abstract
The Reformation Era began on May 21, 1998, with Suharto’s resignation as president of Indonesia being replaced by B.J. Habibie. This study discusses how the political economy of Islam in Indonesia is, especially in the Reformation era. This research is a type of library research (library research) that focuses on qualitative data management with data analysis methods using descriptive-analytical methods. The results of this study are six Islamic political-economic policies 1) Law Number 10 of 1998 concerning banking. 2) Law Number 23 of 1999 concerning Bank Indonesia. 3) Law number 3 of 2004 concerning Bank Indonesia. 4) Law number 24 of 2004 concerning the Deposit Insurance Corporation. 5) Law number 19 of 2008 concerning Indonesian Sharia Securities. 6). Law No. 21 of 2008 concerning Islamic banking

Keywords: Policy, Islamic Economic Politics, Reform Era, Indonesia

Abstrak

Kata Kunci: Kebijakan, Politik Ekonomi Islam, Era Reformasi, Indonesia
Introduction

The political Economy of Islam is relatively foreign to most Muslims, even among Muslim economists today. This is because the entire Islamic economy has been eroded. It seems as if it is only discussing a very partial micro-economics, limited to zakat-infaq-alms and Islamic financial institutions. The Political Economy of Islam, related to macroeconomics, has not been touched on. Historically, the development of Islamic Economics in Indonesia before the reform era was very shaky, apart from being far behind in comparison to other Muslim countries, such as Malaysia, a neighboring and allied country. This is inseparable from the political economy played by the ruling government in responding to the development of the Islamic economy. This can be seen from the early establishment of Islamic banking in Malaysia, which was supported by Malaysian government regulations, namely the Islamic Banking Act of 1983. Meanwhile, Islamic banking in Indonesia only started in 1992, namely with the establishment of Bank Muamalat Indonesia, which was present without the support of adequate laws and regulations. In that context, this paper attempts to portray the political economy of Islam in Indonesia to face the globalization of the Asean economic community in this reform era to empirically prove the significance of the state's role in the development of the Islamic economy to realize the goals of national economic development (Ifdhololul Maghfur, 2016).

To state that Islam is only concerned with spiritual life, with no relation to society and the state, may be as far from reality as claiming that Islam has provided a comprehensive and detailed social, economic and political system. The issue of political relations between Islam and the state has long been a heated debate among Islamic and orientalist thinkers (Hamzani et al., 2020). This happens because the explanation of Islam through its legal sources as well as historical facts of Islam allows the emergence of multiple interpretations of the relationship between Islam and the state, especially when looking at the actual conditions, the various patterns and forms of the state in regions (countries) where the majority of the population is religious. Islam (Muslim nation). Muslim thinkers always try to answer the challenges of the times with Islam,
because Islam is declared a *salihun likulli religion zaman wa likulli makan* (relevant for all times and places).

In the study of classical and modern Islamic political economy, the relationship between Islam and the state has three paradigms: the integralists paradigm, the secularistic paradigm, and the symbiotic paradigm. The integralistic paradigm proposes the concept of the unification of religion and state. What is the realm of religion is also automatically the realm of politics or the state. In this view, Islam is a perfect religion that regulates all aspects of human life, including state life. The adherents of this understanding think that Islam is a complete religion, including a state administration system or political economy and an Islamic state administration system that must be followed by the Prophet Muhammad and al-Khulafa 'al-Rasyidun. The figures of this understanding include Sheikh Hasan al-Banna, Sayyid Qutb, M. Rasyid Rida, and Maulana al-Maududi (Aravik et al., 2021).

The secularistic paradigm states that Islam is a religion in the Western sense, which has nothing to do with state affairs. According to this school, Muhammad SAW was just an ordinary Apostle like the previous apostles, with the sole task of inviting people back to a noble life by upholding noble character. Prophet Muhammad was never intended to establish and head a state. The figures of this understanding include Ali Abdur Raziq and Taha Husein. The symbiotic paradigm proposes the view that religion and the state are symbiotically related, namely reciprocal relationships and need each other. In this case, religion needs the state because religion can develop rapidly with the state. On the other hand, the state needs religion because the state can step in ethical and moral guidance with religion. Al-Mawardi and al-Ghazali put forward this paradigm. (Ifdlolul Maghfur, 2016)

**Literature Review**

The Role of Islamic Economic Politics in Implementing the Globalization of the Asean Economic Community (AEC) Ifdlolul Maghfur. The Asean Economic Community (AEC) 2016 is the realization of a free market in Southeast Asia which has
been carried out in stages starting from the ASEAN Summit in Singapore in 1992. The purpose of establishing the ASEAN Economic Community (AEC) is to increase economic stability in the ASEAN region and is expected to overcome problems in the ASEAN region. Economic sector among ASEAN countries. The consequences of the MEA agreement are the free flow of goods for ASEAN countries, the impact of the free flow of services, the impact of the free flow of investment, the impact of the flow of skilled labor, and the impact of the free flow of capital.

These things can certainly positively or negatively impact the Indonesian economy. Therefore, from the government's side, strategies and steps are also carried out so that Indonesia can take advantage of the AEC momentum. In the view of Islam, faith is a fundamental human nature and need. Faith gives birth to a value system based on the One Godhead, which is a value system that is imbued with the awareness that this life comes from Allah SWT and returns to Allah SWT. Thus, faith constructs a human understanding of the existence of accountability to Allah SWT. Faith frees man from the fears of God's fellow creatures. This is because there is an awareness that full responsibility is given to Him. In its teachings, Islam does not recognize the class system (Wihdatul Insaniyah), considering that its presence in the world is a giver of grace and protection and blessing for humans (rahmatan lil alamin). Here Islam provides a vast space for humans to participate in every field of life, whether it concerns law, politics, economics, or without being limited by social strata or cultural background. With his teachings, Islam highly upholds openness and tolerance. Regardless of their background, such as culture, religion, nation and so on, they can cooperate with Muslims without having to reduce the identity they already have (Ifdrolul Maghfur, 2016).

Research conducted by Aan Nasrullah with the title Islamic Political Economy: thoughts, movements, and developments in Indonesia. The results of this study are: One of the dominant factors that affect the economic performance of a country is the political economy system used. The thought and movement of the Islamic political economy system will also affect the practice of Islamic (Islamic) economics and finance. In the political economy context, Indonesia is more likely to use a political
system pattern that involves the government and interferes in the economic and business fields. The movement of Islamic political economy in Indonesia by period is as follows: (1) at the beginning of independence and the Old Order era, the practice of Islamic political economy was reflected in the thoughts of the founding father of the nation, M. Hatta, with the concept of Indonesian Socialism or Religious Socialism. (2) during the New Order era, the Islamic political economy tended to disappear due to the current economic policies and political system. (3) the politics of the Reformation period had a positive effect on the movement and development of Islamic economic politics. Stakeholders such as the government, academics and practitioners contribute actively to the Islamic political economy movement. (Nasrullah, 2018)

Nurul Fatma Hasan and Moh. Amen. Islamic Political Economy Policy Analysis of Economic Development and Determination of the State Budget. This study aims to analyze the political economy of Islam, namely government policies in economic development and the determination of the state budget. Islam, as rahmah li al-'alamin, regulates everything, including determining monetary policy. The purpose of Islamic economics is the main purpose of the existence of Islam itself, which is to bring prosperity to all humanity in this world and in the hereafter. To achieve this goal, reconstruction must be carried out on strategic elements, particularly the existence of a filter mechanism that emphasizes the moral filter, human motivation to prioritize social interests, socio-economic restructuring, and the government's active role in the economy. To realize this, the government's policies are increasing the human factor, reducing the concentration of wealth, restructuring the economy, restructuring finances, and learning strategic policy plans oriented towards the welfare of all humanity. In setting the state budget, the government must consider the principle of maqasid al-syar'ah, which fulfills five hierarchies of basic needs that must be met and protected, namely religion (din), soul (nafs), reason ('aql), descent (nasl), and protection of property (mal) (Hasan, 2019).
Research Methods

This research is a type of library research (library research) that focuses on qualitative data management with data analysis methods using descriptive-analytical methods (Sugiyono, 2018). This study aims to describe or reveal what is happening now and explore phenomena that cannot be quantified. In addition, description is essential because it is a data analysis method that serves to explain a thought (fact) so that it can be accepted rationally. (Choirunnisak & Handayani, 2020)

Results and Discussion

Making policies or laws is regulated in Law of the Republic of Indonesia Number 10 of 2004 concerning forming rules and regulations. Legislation is a written regulation developed by state institutions or authorized officials and is generally binding. Making laws and regulations starts from planning, preparation, preparation techniques, formulation, discussion, ratification, legislation, and dissemination. Legislation is a written regulation formed by state institutions or authorized officials and generally binding. Formulation and determination of policies proportionally to all parties involved and affected by the procedures that will be set. Involvement of the wider community (public) in the policy-making process is an effective way to collect and accommodate various diverse interests. (Sinambela, 2008)

The process of making Law no. 10 of 1998 concerning Islamic Banking is based on the participation of many people to be proposed and enacted into law. The DPR holds full power to make laws; the Draft Law is discussed by the DPR and the President for mutual approval. The bill that the DPR and the President have jointly approved shall be submitted no later than 7 (seven) working days by the leadership of the DPR to the president to be ratified into law. If, after 15 (fifteen) working days, the Bill submitted to the President has not been approved into a Law, the DPR leadership will send a letter to the president asking for an explanation. Suppose the President does not ratify the bill that has been mutually agreed upon within 30 (thirty) days after the bill is mutually approved. In that case, the bill is legally valid and must be promulgated. The process of discussing the bill from the government in the DPR RI. The bill,
explanations/information, and/or academic texts originating from the President are submitted in writing to the leadership of the DPR with a Presidential Cover Letter, which also mentions the Minister who represents the President in discussing the Bill. In the next plenary session, after the bill is accepted by the leadership of the DPR, then the leadership of the DPR will notify the members of the entry of the bill, then distribute it to all members. Against the related bill. The dissemination of the bill is carried out by the initiating agency. Then the bill is discussed in two levels of discussion in the DPR together with the Minister who represents the President. Bamus then appoints the Commission or Baleg to discuss the bill, and schedule the discussion. Within 30 (thirty) working days, the Commission or Legislation Body invites 1/3 (one-third) of the members of the DPR to discuss the draft. The results of the discussion are reported in the plenary session.

The leadership of the DPR then submits the bill that has been discussed to the president with a request that the president appoints a minister who will represent the president in discussing the bill with the DPR. Within 60 (sixty) days after receiving the letter regarding the submission of the Bill from the DPR, the President shall appoint a Minister assigned to represent the President in the discussion of the Bill with the DPR. Then the bill is discussed in two levels of discussion in the DPR. Until then, the bill was promulgated. (Dr. Itang, n.d.)

Here the author describes the process of making Law no. 21 of 2008 concerning Islamic Banking, can be seen in the table, namely:
In table 1, the arrows represent the process of Law Number 21 of 2008 concerning Islamic Banking. First, the draft of the academic paper made by the DPR was completed on September 13, 2005, second, the explanation and the academic text were used as a draft law, third, submitted for a meeting on October 27, 2005 at the BAMUS meeting, fourth, brought to a plenary meeting, fifth, submitted to the opinion of the factions on 27 September 2005, sixth, the draft law was then submitted to commission XI, seventh, then the draft bill was submitted to the government on 5 January 2007, eighth, the draft was submitted to RAKER together with the DPR, the Minister of finance, religion, and the minister of law and human rights on 21 April 2008, ninth, the explanation of the DPR and the government's response, tenth, then entered the government's DIM (Problem Inventory List), eleventh, sweeping government DIM (Problem Inventory List), twelfth, FPDS rejected the Draft Sharia Banking Law, thirteenth, entered the committee on December 11, 2008, the fourteenth,
entered the drafting team and the synchronization team, fifteenth, government opinion, sixteenth, mini opinion The FPDS faction still rejected the bill, dated June 6, 2008, the seventeenth BAMUS dated June 5 2008, eighteenth, the plenary session of 17 June 2008, nineteenth, the government PA, twentieth, the PA factions, and the twentieth was the ratification into law (Dr. Itang, n.d.).

Until it was ratified on June 17, 2008 in the DPR plenary meeting chaired by Agung Laksono, Awal Kusumah as Chair of the Special Committee, Chair of the Panja AJ Soefihara and as members were members of the DPR, factions and related elements. In the trial, only one faction (the Peace and Prosperity Party Faction/FPDS) refused, the remaining 9 factions agreed that this bill was passed into law. They are the Golkar faction, the Partai Demokrasi Indonesia faction, the Partai Demokrat faction, the Partai Persatuan Pembangunan faction, the Partai Amanat Nasional faction, the Partai Kebangkitan Bangsa faction, the Partai keadilan Sejahtera faction, the Bintang Pelopor Demokrasi faction,, and the Partai Bintang Reformasi faction. The minority voices cannot represent the aspirations of the people. The majority of votes (the majority), which are pro against the Bill Number 21 of 2008 concerning Islamic Banking, can represent the aspirations of the banking community to be made into law. The elements involved in the making of Law no. 21 of 2008 concerning Sharia Banking are the President, Members of the DPR, Minister of Finance, Minister of Religion, Minister of Law and Human Rights, factions sitting in the DPR, and the banking community. (Dr. Itang, n.d.)

In the era of reform policies, the development of Islamic financial institutions grew very rapidly. The emergence of this policy is to balance the development of Islamic Banking which is in great demand by the public. Decisions in making a policy must be based on the demands of the community. Policies that were made not based on the will of the people certainly have no legitimacy and do not fulfill the sense of justice which is the social ideals of the community. (Fermana, 2009)
The Islamic economic policies that were formed in the reform era, are:

1. Law Number 10 of 1998 concerning Banking.

Law Number 10 of 1998 is an amendment to Law Number 7 of 1992 concerning Banking. (Antonio, 2001) This statement is based on several considerations, including:

a). Whereas national development is a sustainable development effort in the context of realizing a just and prosperous Indonesian society based on Pancasila and the 1945 Constitution; b). Whereas in the face of the development of the national economy which is constantly moving fast, competitively, and integrated with increasingly complex challenges and an increasingly advanced financial system, it is necessary to adjust policies in the economic sector, including banking; c). Whereas in entering the era of globalization and with the ratification of several international agreements in the field of trade in goods and services, it is necessary to adjust the laws and regulations in the economic sector, especially the banking sector; d). Whereas based on the considerations referred to in letters a, b, and c above, it is deemed necessary to amend Law Number 7 of 1992 concerning Banking with a law.

Remember: 1). Article 5 paragraph (1), Article 20 paragraph (1), Article 23, and Article 33 of the 1945 Constitution; 2). Act Number 13 of 1968 concerning the Central Bank (State Gazette of the Republic of Indonesia Number 63 of 1968, Supplement to the State Gazette Number 2865); 3). Law Number 7 of 1992 concerning Banking (State Gazette of 1992 Number 31, Supplement to the State Gazette Number 3472). With the approval of the People's Representative Council of the Republic of Indonesia. Decide, determine:

Law concerning amendments to Law Number 7 of 1992 concerning Banking. (Dr. Itang, n.d.)

Statements regarding banking business based on sharia principles are only stated in Article 6 letter (m) of Law Number 7 of 1992 concerning Banking, with the simplification of the word "profit sharing principle". (Dr. Itang, n.d.) However, after the amendment to Law Number 10 of 1998 concerning Banking, banking operations based on sharia principles have expanded both in terms of institutions and products.

Several articles are the basis for banking based on sharia principles in Law Number 10 of 1998 concerning Banking, namely; 1). In article 1, paragraphs 3, 4, 12, 13, 18 and 23;
2). Article 6 letter (m); 3). Article 7 letter (c); 4). Article 8 paragraphs 1 and 2; 5). Article 11 paragraphs 1, 3, and 4A; 6). Article 13 letter (c); 7). Article 29 paragraph 3; and 8). Article 37 paragraph 1 letter (c).

2. Law number 23 of 1999 concerning Bank Indonesia

After the formation of Law Number 10 of 1998, then in 1999 on May 17, 1999 the DPR RI enacted Law Number 23 of 1999 concerning Bank Indonesia. It is an amendment to Law no. 13 of 1968 concerning the Central Bank. For consideration, namely; a). That in order to maintain the continuity of the implementation of national development in order to realize a just and prosperous Indonesian society based on Pancasila and the 1945 Constitution, the implementation of economic development is directed at the realization of a national economy that is in favor of the people's economy, is equitable, independent, reliable, just, and able to compete in the world; the international economic scene; b). Whereas in order to support the realization of the national economy as mentioned above and in line with the challenges of increasingly complex economic development and development, an increasingly advanced financial system and an increasingly competitive and integrated international economy, monetary policy must focus on efforts to maintain stability in the value of the rupiah; c). That in order to establish and implement an effective and efficient monetary policy, a sound, transparent, reliable, and accountable financial system is required which is supported by a smooth, fast, precise and secure payment system, as well as bank regulation and supervision that meets the prudential principle; d). Whereas to ensure the success of the objective of maintaining the stability of the rupiah value, it is necessary to have a central bank that has an independent position; e). whereas based on the considerations above, Law Number 13 of 1968 concerning the Central Bank is no longer appropriate and needs to be replaced by a new law (Law Number 23 of 1999 concerning Bank Indonesia). (Dr. Itang, n.d.)

Remember: 1). Article 5 paragraph (1), Article 20 paragraph (1), Article 23, and Article 33 of the 1945 Constitution; 2). Chapter IV letter A point 1 a Decree of the
People's Consultative Assembly of the Republic of Indonesia No. X/MPR/1998 (BN No. 6239 p. 3B-7B); 3). Article 3 Decree of the People's Consultative Assembly of the Republic of Indonesia No. XI/MPR/1998 (BN No. 6239 p. 8B); 4). Decree of the People's Consultative Assembly of the Republic of Indonesia No. XVI/ MPR/1998 (BN No. 6239 p. 13B-14B). With the approval of the House of Representatives of the Republic of Indonesia, decides to enact: Law concerning Bank Indonesia. Since the enactment of Law No. 23 of 1999 dated May 17, 1999, Indonesia has entered a new era, namely an era in which BI, which was previously under the government (President) became independent. The independence of BI is considered by various parties as a step forward, because with this independence, economic management can be carried out in a better way. With the enactment of the law, BI, which has been carrying out too many tasks and functions, which has become a source of disaster for the economy, can concentrate itself on its goal, namely maintaining the stability of the rupiah (Article 7 of Law Number 23, 1999) (Dr. Itang, n.d.)

3. Law No. 3 of 2004 concerning Bank Indonesia

Law Number 3 of 2004 is an amendment to Act Number 23 of 1999 concerning Bank Indonesia. For consideration, namely; a). Whereas the national development that has been implemented so far is a sustainable development effort that covers all aspects of life in order to achieve national goals based on Pancasila and the 1945 Constitution of the Republic of Indonesia. b). Whereas in order to support the realization of sustainable national development and in line with the challenges of development as well as increasingly complex economic development, an increasingly advanced financial system and an increasingly competitive and integrated international economy, monetary policy must be focused on efforts to maintain stability in the value of the rupiah. c). Whereas in this regard, it is necessary to implement the principle of balance between the independence of Bank Indonesia in carrying out its duties and authorities with supervision and responsibility for its performance as well as transparent public accountability. d). Whereas based on the considerations in numbers 1, 2 and 3 above, it is deemed necessary to amend and improve the Law of the Republic of Indonesia Number 23 of 1999 concerning Bank Indonesia (Dr. Itang, n.d.)
4. Law no. 24 of 2004 concerning the Deposit Insurance Corporation.

The enactment of Law no. 24 of 2004 concerning the Deposit Insurance Corporation (LPS) since 22 September 2006 marked the start of a new chapter of the deposit guarantee scheme and bank resolution by the IDIC as an independent institution. This regime does not separate bank resolutions from depositors' guarantees with the understanding that the two have a very close relationship in an effort to increase depositors' trust in banks which is really needed to realize banking system stability. (Dr. Itang, n.d.)

5. Law no. 19 of 2008 concerning State Sharia Securities.

Law No. 19 of 2008 concerning State Sharia Securities was established with several considerations, namely: a). Whereas national development strategies and policies to create a just, prosperous and prosperous society as well as to restore the economic sector, need to be accompanied by efforts to manage state finances optimally through increasing efficiency in the management of state property and sources of state budget financing; b). Whereas in the context of managing state finances to increase the carrying capacity of the State Revenue and Expenditure Budget in driving the national economy in a sustainable manner, it is necessary to develop various financial instruments capable of mobilizing public funds widely by taking into account the economic, social and cultural values that develop in society; c). Whereas the potential sources of national development financing using sharia-based financial instruments that have great opportunities have not been utilized optimally; d). Whereas the sharia economic and financial sector needs to be developed through the development of sharia financial instruments as part of the national economic system in the context of increasing social welfare for all Indonesian people; e). Whereas financial instruments based on sharia principles have different characteristics from conventional financial instruments, so that special management and regulation are needed, both concerning the required legal instruments and instruments; f). that based on the considerations as referred to in letter a, letter b, letter c, letter d, and letter e, it is necessary to enact a Law concerning State Sharia Securities. (Dr. Itang, n.d.)
6. Law no. 21 of 2008 concerning Islamic Banking.

Law No. 21 of 2008 concerning Islamic Banking, was established based on several considerations, namely: a). Whereas in line with Indonesia's national development goals to achieve the creation of a just and prosperous society based on economic democracy, an economic system is developed based on the values of justice, togetherness, equity, and benefits in accordance with Sharia principles; b). Whereas the needs of the Indonesian people for Islamic Banking services are increasing; c). Whereas Islamic Banking has a specificity compared to conventional banking; d). Whereas the regulation regarding Sharia Banking in Law Number 7 of 1992 concerning Banking as amended by Law Number 10 of 1998 is not yet specific so that it needs to be specifically regulated in a separate Law; e). Whereas based on the considerations as referred to in letter a, letter b, letter c, and letter d, it is necessary to establish a Law on Sharia Banking, namely Law no. 21 of 2008 concerning Islamic Banking (Dr. Itang, n.d.).

Conclusion

Islamic political economy policies in Indonesia began to develop rapidly in the reform era, namely the change of the Indonesian president from Suharto to B.J. Habibie. The results of the Islamic economic policies of the Reformation Era are 1) Law Number 10 of 1998 concerning Banking. 2) Law Number 23 of 1999 concerning Bank Indonesia. 3) Law number 3 of 2004 concerning Bank Indonesia. 4) Law number 24 of 2004 concerning the Deposit Insurance Corporation. 5) Law number 19 of 2008 concerning Indonesian Sharia Securities. 6) Law No. 21 of 2008 concerning Islamic banking.
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