

STUDY OF FINANCIAL DIGITALIZATION FOR THE SHARIA ECONOMY

Indra Saputra¹⁾, Dian Sugiarti²⁾

^{1), 2)}Sharia Economics Study Program, Open University, Indonesia

Corresponding author : mahardikaindrasaputra123@gmail.com

Abstract

This research discusses the urgency or importance and potential that can be explored from the study of financial digitalization for the sharia economy. Digitalization of sharia economic finance is very important in the digital economic era as an effort to increase public awareness and participation in the sharia financial system, as well as increasing sharia economic growth in Indonesia, where information and communication technology has become the main means of developing the sharia economy. The urgency of studying financial digitalization for the sharia economy lies in the ability of digital technology to increase access to sharia finance and increase public awareness about the importance of the sharia financial system. This research also shows that digitizing Islamic economic finance can help increase financial inclusion, as well as increase people's ability to manage their finances effectively. The method used in this research is a qualitative method, where this research method is supported by secondary data sourced from scientific writings both from journals, digital literature, books and articles published by mass media related to the research topic discussed so that it can then explain what the answer is to the problem formulation in this research. This research shows that the study of financial digitalization for the sharia economy is very important to increase public awareness and participation in the sharia financial system, as well as increasing sharia economic growth in Indonesia

Keywords: Digitalization, Technology, Modern Era, Finance, Sharia Economics.

Background

Digital technology is a transformation from operations that use human power to computerized technology operating systems which do not rely too much on human power, no longer use much human power, namely in the form and format of the numbers zero and one or what are usually called binary numbers which are then processed by a computer system. Digital technology works in the realm of very complex calculation systems and very fast processes which will then produce a form of information that is numerical in nature. If analog technology processes sound and images into waves called radio waves, then in digital technology sound and images are processed into digital data which includes data in the form of a collection of numbers 0 and 1. With the presence of digital technology, we can display images with high quality. high quality both in terms of color sharpness, high resolution to show it to the audience in various situations. (Siti Hadijah, 2023).

This digital technology phenomenon is a phenomenon regarding changes in the communication process, from conventional methods and media to digitalized methods and media of communication through contemporary social media channels, with the use of technology, especially social media, it will play a role in maximizing economic added value and building joint synergy within the nation and country, then improve the welfare of the people, even though currently there is increasingly fierce competition between nations. In the end, social media will also have a positive impact, namely by being marked by the development of marketplaces as a means of meeting between sellers and buyers, business start-ups, and e-commerce. (Andrean WF, 2019).

Therefore, economic actors must be able to understand the concepts and characteristics of today's economic competition in order to survive and compete. Often many companies carry out business transformations so that they can survive and be sustainable in today's economy, namely the digital economy. This is because in its implementation, it is required to apply a new and fresh business model. For pioneer companies (start up companies), getting involved in this business usually tends not to be difficult when compared to companies that have been built for a longer time. Based on several data and statistics, companies that have been around for a long time if they want to benefit from the digital economy must carry out a radical fundamental transformation of their business methods and processes.

An example is the success of the banking sector in carrying out transformation, namely through the development of mobile banking super apps, including banks that are members of the state-owned bank

association or Himbara for short. In fact, this transformation can spur business growth for each company. (Khoirul Anam, 2023).

According to the Senior Faculty of the Indonesian Banking Development Institute (LPPI), Moch Amin Nurdin, the conditions during the pandemic and post-pandemic have become a stepping stone for the banking sector to carry out digital transformation. Because digitalization is carried out to fill the needs of people who are increasingly aware of technology while simultaneously working on these opportunities. He also added that this digital transformation is quite easy for large banks to carry out. The reason is that this large bank has adequate resources in order to develop various technological innovations. Apart from that, the banking sector is developing mobile banking which is also able to provide varied features to suit customer needs. Even the banking sector is collaborating with e-commerce services to make it easy for customers to make payments. (Khoirul Anam, 2023).

According to Piter Abdullah, who is a Core Indonesian Economist, various features developed by banks via mobile banking services have been adapted to customer needs. So that the banking sector will be able to compete with financial technology services or fintech for short. He also said that the BRImo super app from BRI is more widely used because BRI has a wider distribution of customers compared to other banks. As is known, currently BRI is in the top position in the ranks of mobile banking developed by Himbara banks. Namely including the number of users, number of transactions, growth in the number of users and transaction value. (Khoirul Anam, 2023).

As of September 2023, BRI's mobile banking, namely BRImo, recorded the highest number of users compared to other Himbara banks, namely 29.8 million users with a total of 2.18 billion transactions and a transaction value reaching IDR 2,984 trillion. Then followed by Bank Mandiri's mobile banking, namely Livin, which recorded a growth in the number of users of 46% with a total number of users of 21 million, the number of transactions was 2.02 billion and the transaction value valuation reached IDR 2,400 trillion. In third place, BNI's mobile banking, namely BNI Mobile, recorded user growth of 75.3% to a total of 15.6 million users with a total of 738 million transactions and a total transaction value of IDR 874 trillion. Meanwhile for BTN, its mobile banking, namely BTN Mobile, recorded user growth of 78% with total users reaching 593 thousand and transaction value reaching IDR 2 trillion. Next, there is BSI Mobile, mobile banking from BSI recorded user growth of 32.8% and reached a total of 5.9 million users. The transactions have reached 266.29 million, namely IDR 338.22 trillion. (Khoirul Anam, 2023).

Table 1 Himbara Bank Mobile Banking User Table

Bank name	Total Users	Number of Transactions	Growth Rate	Transaction Value
BRImo	29.8 million users	2.18 billion	79.1 percent	IDR 2,984 trillion
Livin	21.0 million users	2.02 billion	46 percent	IDR 2,400 trillion
BNI Mobile	15.6 million users	738 million	75.3 percent	IDR 874 trillion
BTN Mobile	593 thousand users	-	78 percent	IDR 2 trillion
BSI Mobile	5.9 million users	266.29 million	32.8 percent	IDR 338.22 trillion

Source: (CNBC Indonesia).

Sharia economics is considered an alternative economic idea that is developing rapidly throughout the world. At first, sharia economics was thought to be just an economic idea that was just a dream, but the reality is the opposite because not only countries with a majority Muslim population have adopted this economic system, but countries with a majority non-Muslim population have also implemented this economic system. For example, in England the development of sharia finance has increased drastically and plans are to become the center of world sharia finance. In the current digital era, it is important for the rapidly developing sharia economy to spread its influence throughout the world. The hope is that the sharia economy can take advantage of this great opportunity with its various infrastructure and instruments. This great opportunity must be utilized as fully as possible by sharia economic actors. Various things can be done in the current digital era, especially in efforts to develop the sharia economy in Indonesia.

Indonesia has great opportunities, opportunities and potential in efforts to develop sharia economics considering that the majority of Indonesia's population is Muslim. Based on data reported from the World Population Review, the Muslim population in Indonesia is around 236 million people or around 84.35% of the total population of Indonesia (Chandra Dwi, 2024). With a population that large, this is a good opportunity and must be utilized as best as possible, especially with technological developments, it is easier to take advantage of this good opportunity with smartphone technology.

The reasons behind the researchers in determining the research topic with the title Financial Digitalization Studies for Sharia Economics are as follows. The first reason is that researchers are interested in digital sectors because since childhood, researchers have been familiar with computers, which are part of digital. The second reason, the place where the researcher had an internship was at PT. For approximately one and a half months, Ethos Creative Indonesia has been a company based on digital marketing that can support my passion for

researching digitalization. And the final reason is that researchers want to explore or at least find out how important the digitalization sector is in today's modern era, especially for the sharia economy.

Research methods

The method used in this research is qualitative method. This research method was chosen with the aim of answering the following problem formulation, namely:

- 1) Why is digitalization of sharia economic finance important in the current economic era?
- 2) What is the level of financial literacy in society to realize digitalization of sharia economic finance?
- 3) What potential can be realized from the economy and digitalization of sharia economic finance, how big is this potential?

In the end, this research method is supported by secondary data originating from scientific literature, whether from scientific journals, digital literature, books, or published articles from the mass media which are related to the research topic being discussed and can later explain what the answer to the problem formulation is. raised in this research.

Results and Discussion

The Importance of Digitalizing Sharia Economic Finance in the Current Economic Era

Digitalization of sharia economic finance is very important in the current economic era because it allows easier and more transparent access for sharia economic actors. This can increase efficiency, expand market reach, and accelerate the growth of the sharia economic sector as a whole. Based on the words of the Deputy Governor of Bank Indonesia, Doni P. Joewono, he stated that sharia economics and finance need to be developed consistently so that they can become a source of new economic growth for the Indonesian economy. He added that it is necessary to utilize developments in digital technology to expand the sharia economic and financial market by Bank Indonesia and the government. (Sanya Dinda Susanti, 2023). Forms of use include the digitalization sector of the halal ecosystem, then the digitalization sector of sharia social finance, as well as literacy and education by utilizing digital media and platforms. (Prabawati, 2023).

The halal industrial sector requires inclusive development, namely by optimizing the potential of MSMEs, which are estimated at 64.2 million business units. Efforts to empower halal MSMEs by utilizing digital technology which has potential can then have drastic implications for the welfare and prosperity of the national economy. According to Rahmadi, Assistant Deputy for Protection and Facilitation of Micro Businesses at the Ministry of Cooperatives and SMEs, he stated that implementation in strengthening MSMEs can be realized, including halal label certification and ease of business licensing, acceleration in digitalization, provision of public infrastructure, collaboration between Small and Medium Enterprises with large companies, the formation of contemporary cooperatives, an agenda to increase the capacity of small and medium businesses (MSMEs) and cooperatives, as well as business incubators from the central and regional governments. (Haryo Limanseto, 2021)

Then in relation to digitalization regarding sharia social finance, KNEKS, which stands for the National Committee for Sharia Economics and Finance, is trying to encourage this to happen. expansion of the digital economy that includes everyone. Therefore, KNEKS is mobilizing fintech, or electronic money for sharia services, to provide it to help people's daily transactions. In this way, KNEKS strengthens the relationship between sharia finance and the real sector. Afdhal Aliasar, Director of Sharia Economic Development for the Halal Industry, National Committee for Sharia Economics and Finance (KNEKS), said that there needs to be increased cooperation between the sharia financial sector, both digital and real. Digital sharia finance should be related to transactions in real industries in communities and ecosystems. For example, the digitization of education transactions includes changes to the school tuition payment system, school shop management, personal payments or what is commonly called pocket money, and other things. Therefore, electronic money and the real sector must be connected and integrated with the idea of open technology and being open to technology. Next, we must create electronic money that is sharia-compliant. In the future, we must also create digital wallets that comply with sharia regulations. (Achmad Iqbal, 2020).

The final point is about education and literacy of platforms and digital media in relation to the economysharia. The government still faces big challenges in understanding sharia finance today. Sharia financial education should start from an early age to increase people's knowledge and skills about sharia finance so that they can manage their finances wisely and efficiently. Currently, many countries such as China, India and New Zealand have included financial literacy lessons in their education curriculum. These various countries have fast economic growth and high financial literacy. High literacy has a positive impact on the nation's economy (Pranoto et al., 2020). With the rapid growth of Islamic finance, academic institutions are asked to actively contribute to this growth. (Setiaji et al., 2020).

Every Muslim must understand sharia finance so that they can manage their money well and in line with Islamic laws, namely Islamic sharia. By properly understanding Islamic finance, they can also avoid financial problems and criminal acts by uncommitted individuals or institutions. Financial literacy or financial literacy

is the door to inclusive finance. According to the results of the 2022 National Survey of Financial Literacy and Inclusion (SNLIK) organized by the Financial Services Authority (OJK), the financial literacy index of Indonesian society was 49.68%, an increase from 38.03% in 2019. This increase shows that the level of inclusion finances are increasing. Economic efficiency and stability of the country's financial system can result from a high level of financial inclusion. (Muhammad Naufal Fadhlurahman, 2023).

Apart from utilizing developments in digital technology to support the expansion of sharia economics and finance, digitalization can also help overcome several traditional challenges faced by the sharia economy, such as the need for faster and more accessible financing, as well as increasing security and trust in sharia economic transactions. To answer the need for financing that is faster, easier and safer to access, its implementation can be in the form of a Cashless Society or a society without cash. A cashless society means that transactions are carried out digitally without using cash as a means of payment. In this system, transactions can be carried out using debit cards, credit cards, e-wallets, or other media connected to the internet network. With a cashless society, it is aimed to encourage the national financial system to work effectively, efficiently and of course safely. (Bank Muamalat, 2023).

Distribution of Community Financial Literacy Levels

In mapping the distribution of economic literacy in a society, it is closely related to the study of financial inclusion. The definition of financial inclusion is a condition of ability to make decisions, availability of access to financial service institutions in accordance with what is needed. Based on studies obtained by the Financial Services Authority after conducting the National Survey of Financial Literacy and Inclusion (SNLIK), it was explained that the financial literacy index of Indonesian society in 2022 was at 49.68 percent, an increase compared to 2019 which was at 38.03 percent. Meanwhile, the financial inclusion index in 2022 is at 85.10 percent, an increase compared to 2019, which was 76.19 percent. This shows that the gap between the level of inclusion and the level of literacy is decreasing, from a figure of 38.16 percent in 2019 down to 35.42 percent in 2022. Therefore, the literacy aspect of financial inclusion is important to support increased and the country's economic growth.

Table 2 Comparative Table of Financial Literacy and Inclusion Index for 2019 and 2022

Index	2019	Year 2022
Literacy	38.03 percent	49.68 percent
Inclusion	76.19 percent	85.10 percent
The Gap	38.16 percent	35.42 percent

Source: (Financial Services Authority).

Turning to the gender side or sector, the women's financial literacy index reached 50.33 percent, higher than the men's index of 49.05 percent. In a strategic effort to increase financial literacy, OJK will prioritize women in 2020-2022. In contrast, the men's financial inclusion index reached 86.28%, while the women's financial inclusion index reached 83.88%.

Table 3 Comparative Table of Financial Literacy and Inclusion Index Based on Gender

Index	Gender	2019	Year 2022
Literacy	Man	39.94 percent	49.05 percent
	Woman	36.13 percent	50.33 percent
Inclusion	Man	77.24 percent	86.28 percent
	Woman	75.15 percent	83.88 percent

Source: (Financial Services Authority).

In urban areas, the financial literacy and inclusion index is 50.52 percent and 86.73 percent, greater than in rural areas, respectively 48.43 percent and 82.69 percent. Even so, the gap between the financial literacy index and the financial inclusion index continues to narrow, dropping from 6.88 percent in 2019 to 2.10 percent in 2022. The gap between the two also continues to narrow, dropping from 15.11 percent in 2019 to 4.04 percent in 2022. Thus, this is in accordance with the financial education implementation plan which aims to increase the number of people educated about finance in rural areas.

Table 4 Comparative Table of Financial Literacy and Inclusion Based on Area or Regional Level

Index	Tiers	2019	Year 2022
Literacy	Urban	41.41 percent	50.52 percent
	Rural	34.53 percent	48.43 percent
	The Gap	6.88 percent	2.10 percent
Inclusion	Urban	83.60 percent	86.73 percent
	Rural	68.49 percent	82.69 percent
	The Gap	15.11 percent	4.04 percent

Source: (Financial Services Authority).

Turning to the sharia economic side, in 2022 SNLIK will also track the sharia financial literacy and inclusion of the Indonesian people. The results show that the Islamic financial literacy index of Indonesian society has crept up from 8.93 percent in 2019 to 9.14 percent in 2022. On the other hand, the level of sharia financial inclusion has increased to 12.12 percent in 2022 from 9.10 percent in 2019.

Table 5 Comparative Table of Sharia Financial Literacy and Inclusion Index for 2019 and 2022

Sharia Index	2019	Year 2022
Literacy	8.93 percent	9.14 percent
Inclusion	9.10 percent	12.12 percent

Source: (Financial Services Authority).

With good cooperation between the OJK, related Ministries, the Financial Services Industry, and various other parties, including the National Council for Inclusive Finance program and the Regional Financial Access Acceleration Team (TPAKD), the financial literacy and inclusion index has increased to 171 in the beginning. 2019 grew to 462 TPAKD in 2022.

The transformation towards digital financial education that can be implemented widely and without limits was triggered and encouraged by the COVID-19 virus in 2020. In order to accelerate increased knowledge and financial inclusion, various strategies, including strengthening strategic alliances and face-to-face, offline or offline financial instruction, will be essential. The 2022 SNLIK results are very important for the OJK and other stakeholders in developing policies, plans and financial services that meet the needs of the community and increase the level of welfare. (Financial Services Authority, 2022).

The Enormous Potential of Sharia Economics

1) Judging from the Economic Sector

Talking about the potential of something cannot be separated from the goals and plans that will be prepared. In this discussion, Indonesia has great potential to develop the economic sector, especially the sharia economy. This is proven by the Vice President (Wapres) KH Ma'ruf Amin's statement that Indonesia has great assets and potential to become a country with high income. In order to optimize the intended potential, Indonesia must increase the use of digitalization and technology in all sectors. The Vice President specifically stated that the application of transversal technology in the sharia economic and financial sector could accelerate inclusion and sustainability of the sector. Transversal technologies are defined as cross-sector technologies that impact more than one industry. The Vice President also stated that digitalization and digital breakthroughs could trigger increases in productivity and efficiency in the halal sector. Therefore, achieving the ultimate goal of implementing technology and digitalization is a condition that must be met by all potential industries so that they can be successful towards a Golden Indonesia 2045. (DMA/AS-BPMI Setwapres, 2023).

At least in the last 5 years the global halal industry has shown signs of good development, although it has been disrupted by the impact of the COVID-19 pandemic. The fashion and food sectors have developed into an important part of the global halal industry. At this time, halal businesses play an important role around the world as mobility restrictions have changed the behavior of Muslim consumers around the world, encouraging ethical consumerism and the adoption of digital technology, including sustainable trends. E-commerce and m-commerce networks, both domestically and abroad becomes wider with internet connectivity. (Andy Lesmana, 2023).

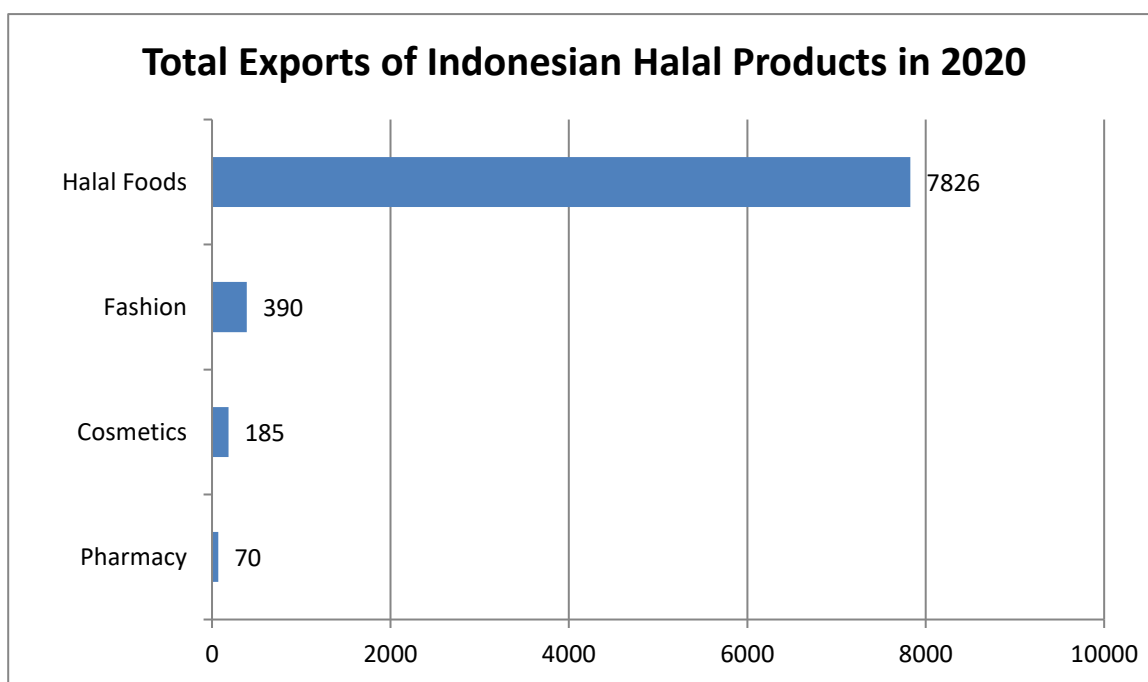
Talking about Indonesia's economic growth According to Faisal Basri, senior economist (BiZnet, November 2021), Indonesia's economic improvement due to the Covid-19 virus pandemic has been slower than other countries. Economic growth was still recorded at -2.07% in the fourth quarter of 2020. (BPS, 5 February 2021). Based on projections from The World Bank estimates that Indonesia's economic speed in 2021 will be a maximum of 3 percent to 4.4 percent, below Malaysia's 6.3 percent and the Philippines' figure 5.3 percent. (World Bank, November 2020). There is definitely a need for improvement and growth in the field of sharia economics, there are four main focuses for developing and improving sharia economics:

- 1) Improving the real sharia economic sector through the halal industry.
- 2) Increasing the efficiency of sharia finance.
- 3) Improving the quality of sharia economic research through increasing the resources of Muslims.
- 4) Creating a Halal Product Guarantee Organizing Agency (BPJPH).

Since 87% of Indonesians are Muslim (BPS, 2020), making Indonesia a market and user of halal products as well as an exporter of halal products from various member countries of the Organization of Islamic Cooperation, abbreviation of OIC, with the title of fourth rank. There is a lot of potential in the Indonesian sharia industry that can be fully utilized. (Andy Lesmana, 2023).

In 2021, Indonesia's halal food industry will occupy second place worldwide because it continues to grow. As one of the countries with the largest Muslim population in the world, with a market value of 135 billion US dollars, or around 11.4% of the total global market, Indonesia continues to be the largest connoisseur of halal food in the world. With economic improvements and people's purchasing power increasing, it is estimated that Indonesia's halal food consumption will increase by around 14.64% in the next five years. On the other hand, Indonesia's role as a global halal food producer has increased in recent years. In 2020, Indonesia's exports of halal food products reached 7.83 billion dollars, making Indonesia the largest exporting country of all OIC members and among the largest exporting countries in the world, ranking 7th. The healthy food market is huge, and trends and developments in halal food can be seen according to a number of consumer preference studies around the world. (Andy Lesmana, 2023).

Table 6 Indonesian Halal Product Exports in 2020



Estimated value in millions of US dollars

Source: Statista

Based on the table above regarding the total export value of halal products to the Organization of Islamic Cooperation (OIC) countries from Indonesia in 2020, based on type, it can be explained that Indonesia's halal food exports reached 7.83 billion dollars, followed by the fashion sector in second place, namely 390 million dollars. The US then in third place is the cosmetics sector which received a value of 185 million US dollars and at the bottom of the list is the pharmaceutical sector which received a value of 70 million US dollars. (Hanadian NW, 2023).

This is different, based on what the Director General of National Export Development, Didi Sumedi, said Indonesia's halal product trade from January to October 2023 generated USD 53.43 billion dollars, with halal product exports amounting to USD 42.33 billion and imports of USD 11.10 billion. Therefore, there is a trade surplus for halal products of USD 31.23 billion. However, Didi added that exports of halal products decreased by 18.77 percent from January to October 2023 compared to the same period in 2022. Furthermore, Didi stated that for export performance per sector, processed food reached an export value of USD 34.74 billion, pharmaceuticals amounting to USD 546.03 million, cosmetics amounting to USD 362.49 million, and fashion or Muslim clothing amounting to USD 362.49 million. China, the United States, India, Pakistan and

Malaysia are several countries that intend to import Indonesian halal goods from mid-January to October 2023. (Inza Putra, 2023).

Table 7 Trade Value of Indonesian Halal Products for the Period January - October 2023

Category	Value (USD)
Total Trade in Halal Products	53.43 billion
Export of Halal Products	42.33 billion
Import of Halal Products	11.10 billion
Product Trade Surplus	31.23 billion

Source: KNEKS (processed by the author).

Table 8 Export Performance for Each Sector for the Period January - October 2023

Sector	Export Value (USD)
Processed Foods	34.74 billion
Muslim Fashion/Clothing	6.68 billion
Pharmacy	546.03 million
Cosmetics	362.49 million

Source: KNEKS (processed by the author).

The success of Indonesian halal product exports can be attributed to the cooperation carried out by 14 ministries and institutions, namely the Ministry of Trade, Ministry of Finance, Bank Indonesia, Small and Medium Enterprise Cooperatives, BUMN, Ministry of Industry, Ministry of Tourism, Ministry of Foreign Affairs, Product Guarantee Organizing Agency Halal (BPJPH), Indonesia Eximbank, Revolving Fund Management Institute/LPDB work unit of the Ministry of SMEs, Indonesian Chamber of Commerce and Industry, and the National Research and Innovation Agency (BRIN). (Inza Putra, 2023).

2) Viewed from the Sharia Economic Digitalization Sector

PT Bank Syariah Indonesia Tbk. (BSI) always strives to spur the development and growth of the Hajj and Umrah business which is measured to have enormous potential as one part of strengthening the Islamic Ecosystem. The implementation of the BSI Umrah Travel Fair is one example.

According to the words of the President Director of Bank Syariah Indonesia, Hery Gunardi, said that the implementation of the BSI Umrah Travel Fair was proof of the company's seriousness in providing the best service for its customers and continuing to strengthen the Hajj and Umrah business. As the largest sharia bank, BSI concentrates on developing the Islamic ecosystem, including the Hajj, Umrah and halal tourism ecosystem. Therefore, we need a place for the public and BSI customers to get the most complete and largest Hajj and Umrah services. One such place is the BSI Umrah Travel Fair. BSI has strong reasons for taking this action, because this sector has enormous potential.

In the 2023 period alone, BSI provides services to more than 171,000 regular Hajj departures, which is more than 81% of Indonesian Hajj pilgrims. On the other hand, namely the Umrah services sector, in 2022, more than 892,000 pilgrims from various travel companies will choose to use BSI financial services. This number is around 89 percent of all national Umrah pilgrims in the same period, namely 2022. BSI currently records more than 3.4 million regular Hajj pilgrim customers and more than 56,000 Hajj pilgrims in special categories or classes who are still waiting for Hajj departure through BSI financial services.

On the other hand, of the 486 Special Hajj Organizers (PIHK) throughout Indonesia, 473 have become BSI customers, which reaches a total of 97.33% of customers, according to data from the Ministry of Religion. Then the number of Umrah Travel Organizers (PPIU) was 2,026, with 1,794 PPIU being BSI customers. which, if calculated, reaches 88.55% of the total. Thus, this data shows that there is a strong synergy between BSI and Hajj and Umrah organizers. This synergy can be seen at the BSI Umrah Travel Fair, where BSI collaborates with fourteen Hajj and Umrah travel partners. Aerohajj, Alisan, Arminareka, Dream Tour, ESQ Travel, Traces of Imani, and Kanomas are some of the Hajj and Umrah travel companies. Next there are Maghfirah, Maktour, Nur Ramadhan Tour, NRA Group, Patuna, Sahid Tour, and Tazkia, who also represent five travel associations: AMPHURI, HIMPUH, SAPUHI, GAPHURA, and KESTURI. (Bank Indonesian Syariah, 2023).

Realization of Digitalization of Sharia Economic Finance

After the 1998 economic crisis, Islamic banks in Indonesia developed rapidly in the 1990s. Even without Bank Indonesia's liquidity assistance, Bank Muamalat Indonesia, one of the sharia banks which is considered a role model for sharia banks, was able to withstand the crisis, able to survive the economic turmoil.

In the 2000s, Islamic banks tried to attract investors and the public in an effort to contribute to the country's economic progress. Over the years of its existence, sharia banks have had many connections, as shown by

Sharia Commercial Banks or BUS, Sharia Business Units or UUS, and Sharia Rural Banks or BPRS, but this has not been accompanied by an increase in their market share or market share. To support the development of sharia banking in Indonesia, Bank Indonesia initiated the Sharia Banking Development Acceleration Program in 2006. In a press release issued by the Public Relations Bureau of Bank Indonesia in 2006, Bank Indonesia has established five pillars in the sharia banking development acceleration program. The first pillar is strengthening sharia banking institutions, the second is developing sharia banking products, the third is increasing public education and strategic partner alliances, the fourth is increasing the role of the government and strengthening the legal framework of sharia banks, and the fifth is strengthening human resources of sharia banks. Bank Indonesia ultimately decided that the market share target at the end of 2008 was 5.25%. However, this target was only achieved eight years later, namely in 2016. The data presented by Islamic banking statistics is in the picture below.

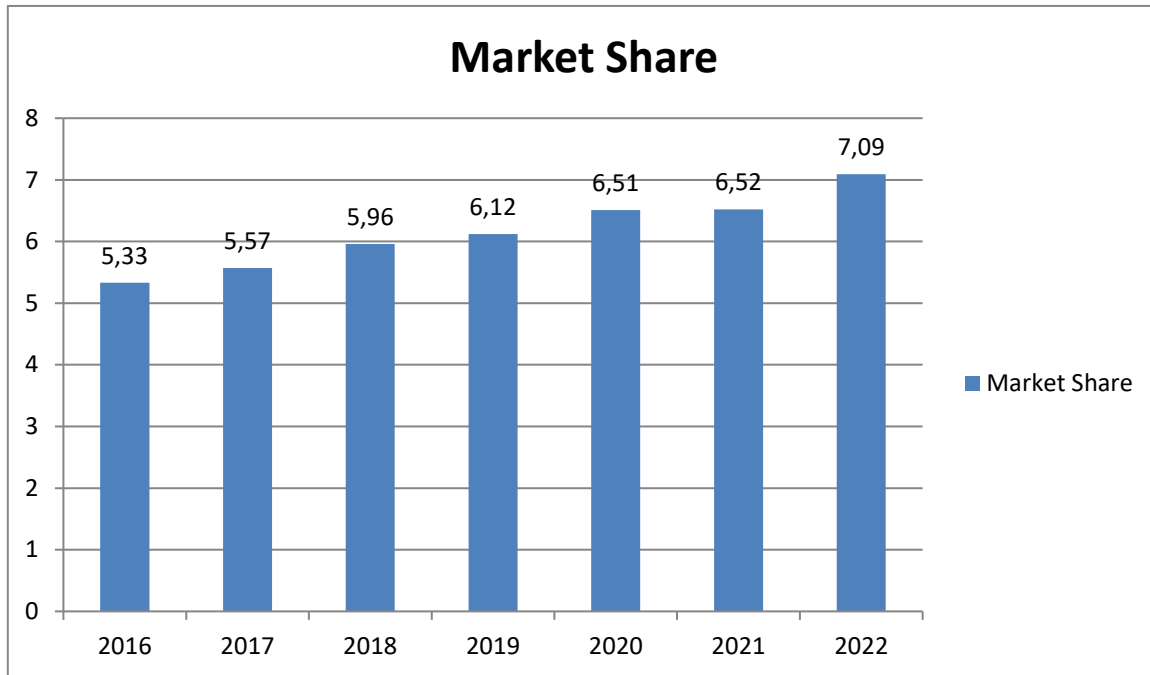


Figure 1
OJK Sharia Banking Statistics (processed by the author)

In 2016, the sharia banking market share increased slightly, namely only 5.33 percent. However, in 2022, the market share will be 7.09 percent, with 66.30 percent of it being the BUS market share. Then there is 31.19 percent UUS market share, and the BPRS market share figure is only 2.51 percent. The final point is that in 2022 the total market share of sharia finance will reach 10.69 percent of overall national finances. (Hidayat, AR & Trisanty, A, 2020). By achieving this figure, it is hoped that it will continue to increase and can boost sharia economic growth in Indonesia

Based on the many explanations about sharia financial literacy above, it can be concluded that sharia financial literacy is information, insight or knowledge that a person obtains regarding economics specifically in the form of Islamic banking and finance can also differentiate between Islamic and conventional financial systems who can finally carry out financial management based on the literacy they have acquired. Therefore, as a Muslim, sharia financial literacy is something important to know. Every Muslim must be thirsty for knowledge, especially regarding this topic, namely examines economics, finance and sharia banking so that later prosperity can be achieved in this world and the hereafter. Thus, if every Muslim has a good understanding of sharia economics and finance, they can help increase sharia economic growth in Indonesia and ultimately this will have an impact on economic growth in Indonesia. (Dian Sugiarti, 2023).

Conclusion

In this research we summarize three broad outlines, the first is the importance of digitizing the sharia economy in the current economic era, which includes the importance of utilizing digital technology developments in supporting the expansion of the sharia economy and finance, and also digitalization which can help overcome some of the traditional challenges faced by sharia economics, such as the need for faster and more easily accessible financing, as well as increasing security and trust in sharia economic transactions.

Then the second point contains the distribution of the level of financial literacy in society in order to realize digitalization of sharia economic finance, namely in the form of the Financial Services Authority conducting research on financial literacy and financial inclusion after the National Survey of Financial Literacy and Inclusion (SNLIK). The results include an Indonesian public financial literacy index in 2022 of 49.68 percent, up from 38.03 percent in 2019, and a financial inclusion index in 2022 of 85.10 percent, up from 76.19 percent in the previous SNLIK period in 2019. This shows a continuous decline in literacy and inclusion levels, which fell from 38.16% in 2019 to 35.42% in 2022.

The final point from the results of this research is regarding the enormous economic potential and financial digitalization for the sharia economy. It contains opportunities for Indonesia to have many assets and potential to become a high-income country, namely by increasing the application of technology and digitalization in all sectors. That is more specifically, by applying transversal technology in the Islamic economic and financial sector, which will make this sector more inclusive and sustainable. In addition, digitalization and digital innovation will increase the efficiency and fertility of the halal sectors specifically mentioned is the Hajj and Umrah ecosystem business. These are the 3 outlines of the discussion and results of our research.

Suggestion

The development of the sharia economy and financial sector in the digital era requires effective and innovative strategies for inclusive and sustainable growth in the sharia economic system. The following are several recommendations or suggestions that can be taken to support the development of the sharia economy and financial sector in the digital era, including:

- 1) Digitalization of sharia financial services. Increasing access to sharia finance through digital platforms, such as mobile banking applications, can accommodate advances in public awareness and its contribution to the financial system sharia. Sharia financial services available online can help people carry out financial transactions more easily and effectively.
- 2) Digital infrastructure development. The development of solid and secure digital infrastructure can help increase the security and reliability of sharia financial transactions. Good digital infrastructure can help prevent cybercrime and ensure the security of customer data.
- 3) Digital education and literacy. Increasing digital education and literacy about the sharia financial system can help increase public awareness about the importance of the sharia financial system. Education and digital literacy can help people understand how to use digital platforms to carry out sharia financial transactions.
- 4) Cooperation and collaboration. Cooperation and collaboration between companies, organizations and government can accommodate the advancement of public awareness and its contribution in the Islamic financial system. Cooperatives and collaborations can help increase access to sharia finance and increase public awareness about the importance of the sharia financial system.
- 5) Development of sharia products and services. Developing sharia products and services that suit community needs can help increase public awareness and participation in the sharia financial system. Sharia products and services that suit people's needs can help increase public awareness about the importance of the sharia financial system.
- 6) Development of an innovative sharia financial system. Financial system development innovative sharia can accommodate advances in public awareness and contribution in the Islamic financial system. An innovative sharia financial system can help increase access to sharia finance and increase public awareness about the importance of the sharia financial system.
- 7) Digital skills development. Skills development digital for society can accommodate advances in public awareness and contribution in the Islamic financial system. The digital skills acquired can help people understand how to use digital platforms to carry out sharia financial transactions.
- 8) Solid digital platform development. The development of a solid digital platform can help increase the security and reliability of Islamic financial transactions. A solid digital platform can help prevent cybercrime and ensure the security of customer data.
- 9) Development of effective marketing strategies. Developing effective marketing strategies can help increase public awareness and participation in the Islamic financial system. Marketing strategy which can effectively accommodate the advancement of public awareness and its contribution about the importance of the sharia financial system.
- 10) Development of strong partnerships. Development of strong partnerships between companies, organizations and governments can accommodate the advancement of public awareness and its contribution in the Islamic financial system. Strong partnerships can help increase access to sharia finance and increase public awareness about the importance of the sharia financial system.

By implementing these suggestions, it is hoped that the sharia economy can exploit the full potential of digitalization to achieve growth that is inclusive, sustainable, and in accordance with Islamic economic principles.

Thank-you note

We would like to thank the various parties who have helped so that this scientific work can be completed. We would like to express our special thanks to the Supervisor of the Sharia Economics Study Program who continues to guide us so that this scientific work can be completed and later published.

References

- Amelia., Syasmita, Tasya., & Apriyanti, Rini. (2023). Digitalization of Sharia Economics. Proceedings of the National Management Seminar, 3.
- Anam, Khoirul. (2023). *Mobile Banking is increasingly in demand, here's the reason*. Retrieved May 22, 2024, from <https://www.cnbcindonesia.com/market/20231124085331-17-491650/mobile-banking-makin-besar-diminati-ini-alasannya>
- Dinda Susanti, Sanya. (2023). *Encouraging sharia economic and financial growth with digitalization*. Retrieved May 18, 2024, from <https://www.antaranews.com/berita/3568527/mencepat-perbangun-Ekonomi-dan-keuangan-syariah-dengan-digitalisasi>
- DMA/AS-BPMI Vice Presidential Secretariat. (2023). *Digitalization of Sharia Economics and Finance Becomes Part of Transversal Technology to Move Towards a Golden Indonesia 2045*. Accessed on May 18, 2024, from https://www.setneg.go.id/baca/index/digitalisasi_Ekonomi_dan_keuangan_syariah_jadi_bagi_technology_transversal_untuk_meangkat_menuju_indonesi_a_emas_2045
- Dwi, Chandra. (2024). *10 Countries with the Most Muslims in the World, What Number is RI?*. Retrieved May 18, 2024, from <https://www.cnbcindonesia.com/research/20240310150636-128-521083/10-negara-dengan-umat-muslim-terbesar-di-dunia-ri-nomor-berapa>
- Financial Services Authority. (2022). *Press Release: 2022 National Survey of Financial Literacy and Inclusion*. Accessed May 18, 2024, from <https://ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/Survei-Nasional-Literasi-dan-Inklusi-Kuangan-Tahun-2022.aspx>
- Hadijah, Siti. (2023). *Digital Technology: Definition, Development, Advantages and Disadvantages*. Retrieved May 18, 2024, from <https://www.cermati.com/article/technology-digital>
- Hidayat, AR, & Trisanty, A. (2020). Analysis of Sharia Banking Market Share in Indonesia. *At-Taquaddum*, 12(2), 183-200.
- Indonesian Sharia Bank. (2023). *BSI Strengthens Growth & Development of the Hajj and Umrah Ecosystem Business*. Retrieved May 22, 2024, from <https://www.bankbsi.co.id/news-update/berita/bsi-perkuat-perkerjaan-pengembangan-bisnis-ekosistem-haji-dan-umrah>
- Iqbal, Ahmad. (2020). *KNEKS Promotes Digitalization of Sharia Finance*. Retrieved May 18, 2024, from <https://kneks.go.id/berita/260/kneks-galakkan-digitalisasi-keuangan-syariah?category=1>
- Isabella, I., Iriyani, A., & Lestari, DP (2023). Digital Literacy as an Effort to Build Digital Community Character. *Journal of Government and Politics*, 8(3), 167-172.
- Izzah, Nurul. (2021). Education to Increase Sharia Financial Literacy in Huta Raja Village, Mandailing Natal Regency. *Community Empowerment*, 6(3), 456-463.
- Lesmana, Andy. (2023). *Halal Industry Development, Potential and Development Strategy*. Retrieved May 18, 2024, from <https://unida.ac.id/article/perkembangan-industri-halal-potensi-dan-strategi-pengembangan>
- Limanseto, Haryo. (2021). *Halal MSMEs Go-Digital to Improve the National Economy and Community Welfare*. Retrieved May 18, 2024, from <https://www.ekon.go.id/publikasi/detail/3430/umkm-halal-go-digital-%09untuk-angkat-per-Ekonomi-nasional-dan-kesejahteraan-community>
- Muamalat Bank. (2023). *Ease of Transactions Typical of Cashless Society*. Retrieved May 18, 2024, from <https://www.bankmuamalat.co.id/index.php/article/keeasy-bertransaksi-khas-cashless-society>
- Naufal Fadhlurahman, Muhammad. (2023). *Family Financial Literacy: Gender-Based Financial Inclusivity, Strategic Steps Towards a Golden Indonesia 2045*. Accessed on May 18, 2024, from <https://djp.kemenkeu.go.id/portal/id/berita/lainnya/opini/4157-literasi-keuangan-famili-inkluisitas-keuangan-berbasis-gender,-angkat-strategis-menuju-indonesia-emas-2045>
- Nurhayati Wolff, Hanadian. (2023). *Total Export value of halal products to the Organization of Islamic Cooperation (OIC) countries from Indonesia in 2020, by type*. Retrieved May 18, 2024, from <https://www.statista.com/statistics/1409146/indonesia-halal-products-export-value-to-oic-countries-by-type/#statisticContainer>
- Nusaibah, Umu. (2023). Digitalization of Sharia Economics Among Generation Z to Increase Sharia Financial Literacy (BSI Mbanking Case Study). *Journal of Sharia Economics*, 3(1), 12-22.
- Parpadma Nagri, Edo. (2021). The Role of Economic Digitalization in an Islamic Perspective. *Journal of Learning Practice and Educational Development*, 1(4), 171-175.
- Prabawati. (2023). *FESyar Officially Opens, Sharia Economy Becomes New Source of Growth*. Retrieved May 18, 2024, from <https://diskominfo.kaltimprov.go.id/economic/fesyar-resmi-dibuka-Ekonomi-syariah-jadi-source-perbangun-baru>

-
- Putra, Inza. (2023). *Indonesian Halal Products 2023 Contribute to 87% of the National Trade Balance Surplus*. Retrieved May 18, 2024, from <https://kneks.go.id/berita/611/produk-halal-indonesia-2023-sumbang-87-surplus-neraca-perdagangan-nasional?category=3>
- Sugiarti, D. (2023). Generation Z Sharia Financial Literacy and Their Interest in Sharia Banking (Case Study of Vocational School Students in Jakarta). *Scientific Journal of Islamic Economics*, 9(1), 766-772.
- Usnan, Usnan. (2022). *Islamic Economics in the Digital Era: Relevance and Implications*. Retrieved May 18, 2024, from <https://febi.uinsaid.ac.id/2022/02/economic-islam-di-era-digital-relevansi-dan-imklik/>
- W. Finaka, Andrean. (2019). *[Graphic Motion] Technology in the Digital Era is Growing Rapidly*. Retrieved May 18, 2024, from https://indonesiabaik.id/motion_grafis/motion-grafis-technology-di-era-digital-berkembang-pesat