



Economic Growth in Indonesia: A Comparative Study of Conventional and Islamic Economic Theories

Abdul Rahman Assafii^{1*}, Nita Triana², Ahmad Zayyadi³,
I'اناتul Adliya⁴, Ahmad Romdhoni⁵

¹²³⁵*Universitas Islam Negeri Profesor Kiai Haji Saifuddin Zuhri Purwokerto*

⁴*Sekolah Tinggi Agama Islam Al-Hikmah 2 Brebes*

Corresponding Author: assafiirahman@gmail.com

Article History:

Abstract

Submitted:

2024-08-25

Accepted:

2024-11-29

Published:

2024-12-23

This article discusses the theory and dynamics of economic growth in Indonesia with a focus on comparative analysis between conventional and Islamic economic approaches. The period studied covers the years 2018 to 2023, during which both economic systems show significant developments in their contribution to national economic growth. Conventional economics, with key indicators such as Gross Domestic Product (GDP) and per capita income, focuses on the accumulation of capital, labor, and technology. In contrast, Islamic economics prioritizes the principles of justice, social welfare and the prohibition of usury, which are realized through instruments such as ZISWAF (Zakat, Infaq, Sadaqah and Waqf) and sharia-based finance. Through a descriptive-analytical approach, this article identifies the advantages and challenges of both approaches. Conventional economics offers rapid growth but often faces problems of inequality and social exclusion. On the other hand, Islamic economics contributes to financial inclusion, economic equity and poverty alleviation, although it faces constraints in legal

and regulatory infrastructure. The analysis shows that integration between the two approaches can provide a holistic solution for inclusive and sustainable economic growth in Indonesia, and support the achievement of the Sustainable Development Goals (SDGs).

Keywords: economic growth, social welfare, sustainable development (SDGs)

Introduction

Economic growth is a fundamental aspect that reflects a country's progress in meeting the needs of society and improving welfare.¹ Economic growth theory has become a cornerstone for economists to understand, analyze, and project the direction of a country's economy. Broadly speaking, there are two main approaches to understanding economic growth: the conventional approach that focuses on material factors such as investment, capital, and technology, and the Islamic economic approach that emphasizes economic principles based on Islamic values, such as justice, shared prosperity, and the avoidance of usury. Both approaches have different theoretical foundations and principles, but both aim to achieve sustainable economic growth.²

The conventional approach to economic growth is dominated by classical and modern theories that emphasizes the role of capital accumulation, technology, and productivity.³ This theory developed rapidly with the economic growth of Western countries in the 18th and 19th centuries, characterized by the industrial revolution and the expansion of global markets. The Solow model, for example, emphasizes the role of capital accumulation and population growth in determining the rate of economic growth, while the endogenous growth model emphasizes innovation and technological development as the main drivers. These theories then underpinned the economic policies of many countries,

¹ Anastasios Xepapadeas, "Chapter 23 Economic Growth and the Environment," 2005, 1219–71, [https://doi.org/10.1016/S1574-0099\(05\)03023-8](https://doi.org/10.1016/S1574-0099(05)03023-8).

² Daron Acemoglu, "Introduction to Economic Growth," *Journal of Economic Theory* 147, no. 2 (March 2012): 545–50, <https://doi.org/10.1016/j.jet.2012.01.023>.

³ Irsan Hardi et al., "Innovation and Economic Growth in the Top Five Southeast Asian Economies: A Decomposition Analysis," *Ekonomikalia Journal of Economics* 2, no. 1 (February 22, 2024): 1–14, <https://doi.org/10.60084/eje.v2i1.145>.

including Indonesia, which sought to increase growth through infrastructure investment, industrialization, and increased economic competitiveness.⁴

On the other hand, the Islamic economic approach offers a unique perspective on economic growth. Islamic economics not only focuses on achieving high economic growth, but also pays attention to the moral and social aspects of economic activity. Principles such as distributive justice, sustainability, and the prohibition against harmful (gharar) or speculative practices form the basis for economic policy in this perspective. Islamic economics emphasizes the importance of an inclusive economy, which not only pursues material gains, but also equitable welfare for the whole society. In Indonesia, which has a majority Muslim population, this concept of Islamic economics has gained an important place in national economic policy.⁵

A comparison between the conventional and sharia approaches to economic growth theory provides a deeper understanding of the differences in objectives, methods and implications for society. The conventional approach often emphasizes the increase in gross domestic product (GDP) as a measure of economic success, while the sharia approach puts more emphasis on equitable welfare and not just centered on GDP growth. This creates differences in the policies that result from the two approaches. For example, in fiscal policy, conventional economics may focus on tax reduction for investment, while Islamic economics may encourage the distribution of zakat and waqf to support social welfare.⁶

In the Indonesian context, this distinction is reflected in various economic policies that accommodate both approaches.⁷ Islamic banks are growing rapidly in Indonesia as an alternative for people who want to avoid interest-

⁴ Uwaga Monica Adanma and Emmanuel Olurotimi Ogunbiyi, "A Comparative Review of Global Environmental Policies for Promoting Sustainable Development and Economic Growth," *International Journal of Applied Research in Social Sciences* 6, no. 5 (May 21, 2024): 954–77, <https://doi.org/10.51594/ijarss.v6i5.1147>.

⁵ Salman Wahab et al., "Navigating Environmental Concerns: Unveiling the Role of Economic Growth, Trade, Resources and Institutional Quality on Greenhouse Gas Emissions in OECD Countries," *Journal of Cleaner Production* 434 (January 2024): 139851, <https://doi.org/10.1016/j.jclepro.2023.139851>.

⁶ Syazarah Soraya, Sri Windani, and Rizky Ayu, "Navigating Tradition and Modernity: Controversies and Implications of Sharia Economics in the Global Economy," *Seriati Ekonomisi* 1, no. 2 (June 7, 2024): 01–09, <https://doi.org/10.35335/t30m6s92>.

⁷ Sri Mulyani Indrawati, Elan Satriawan, and Abdurrohman, "Indonesia's Fiscal Policy in the Aftermath of the Pandemic," *Bulletin of Indonesian Economic Studies* 60, no. 1 (January 2, 2024): 1–33, <https://doi.org/10.1080/00074918.2024.2335967>.

based transactions. In addition, the Indonesian government also supports Islamic economy-based programs, such as the issuance of sukuk (Islamic bonds) and support for the halal industry. On the other hand, Indonesia also adopts conventional economic policies that focus on growth through increased foreign investment, infrastructure development, and industrial development.⁸

However, the application of these two approaches also faces challenges. Conventional economics is faced with problems of inequality and environmental damage due to massive exploitation of resources. Islamic economics, meanwhile, still faces challenges in its full implementation due to limited regulations and supporting infrastructure. Both approaches require holistic strategies to be effectively implemented in Indonesia. Therefore, it is important to understand how the theories and dynamics of these two approaches can complement each other.⁹

Comparative analysis between these two approaches in Indonesia is not only relevant from an academic perspective but also from a policy perspective. By looking at the differences and similarities between these two approaches, policymakers can formulate more effective strategies in accommodating the needs of a diverse society.¹⁰ In Indonesia, where the principles of social justice and economic equity are at the center, the integration of conventional and sharia approaches can help achieve inclusive and sustainable economic growth.¹¹

In addition, this study is also expected to contribute to a broader understanding of how Islamic and conventional economies can support each other.¹² Many aspects of Islamic economics, such as zakat and waqf management,

⁸ Réka Juhász and Nathan Lane, "The Political Economy of Industrial Policy," *Journal of Economic Perspectives* 38, no. 4 (November 1, 2024): 27–54, <https://doi.org/10.1257/jep.38.4.27>.

⁹ Yusril Ihza Mahendra and Siti Muti'ah Setiawati, "Navigating the Continuity of Indonesia-China Relations in the Mining and Energy Sectors After the 2024 Election," *Intermestic: Journal of International Studies* 9, no. 1 (November 30, 2024): 19, <https://doi.org/10.24198/intermestic.v9n1.1>.

¹⁰ Sri Mulyani Indrawati and Ari Kuncoro, "Improving Competitiveness Through Vocational and Higher Education: Indonesia's Vision For Human Capital Development In 2019–2024," *Bulletin of Indonesian Economic Studies* 57, no. 1 (January 2, 2021): 29–59, <https://doi.org/10.1080/00074918.2021.1909692>.

¹¹ Deborah E. de Lange, "Circular Economy International Trade: An Investigation of the Relationship between European Union Circularity and International Trade," *Journal of Cleaner Production* 484 (December 2024): 144350, <https://doi.org/10.1016/j.jclepro.2024.144350>.

¹² Haijie Wang, Le Yang, and Yanchao Feng, "How Does Digital Economy Affect the Industry Chain Resilience in China?," *Humanities and Social Sciences Communications* 11, no. 1 (November 12, 2024): 1529, <https://doi.org/10.1057/s41599-024-04077-z>.

have great potential in reducing poverty and inequality. On the other hand, conventional economics offers proven mechanisms to promote efficiency and productivity. By combining the two, Indonesia can develop an economic growth model that suits the needs and values of society.

This approach is in line with Indonesia's national development vision that aims not only to achieve economic growth, but also social welfare and justice for all people. Thus, this study will explore the basic theories of economic growth, the dynamics of each approach, and how the implementation of both theories can synergize to create sustainable economic growth in Indonesia.¹³

Continuing from the previous introduction, the analysis of conventional economic growth theory and Islamic economics is important because it can help understand the contributions and shortcomings of each approach in supporting a dynamic Indonesian economy.¹⁴ In conventional economic growth theory, aspects such as capital, labor and technological improvements are the main pillars. However, the weakness of this approach is that it often neglects social aspects, such as community welfare and fair income distribution. On the other hand, the Islamic economic approach emphasizes aspects of justice, sustainability and shared prosperity, which is a potential solution to the problem of economic inequality in Indonesia.

In recent years, the integration between conventional and sharia economies has been gradually carried out by the Indonesian government. One example is Islamic financial inclusion programs through institutions such as the Micro Waqf Bank that aim to empower small communities. These programs are designed to complement the conventional economic approach that prioritizes large-scale investment and infrastructure. Through the synergy of these two approaches, it is hoped that people can benefit from economic growth, both in terms of increased purchasing power and improved social welfare.¹⁵

¹³ Mattia Maeder and Magnus Fröhling, "Conceptualizing Circular Economy Policy Instruments: The Case of Recycled Content Standards," *Sustainable Production and Consumption* 52 (December 2024): 333–46, <https://doi.org/10.1016/j.spc.2024.11.009>.

¹⁴ Michał Bączyk et al., "Consumer Behavior in Circular Business Models: Unveiling Conservation and Rebound Effects," *Sustainable Production and Consumption* 52 (December 2024): 283–98, <https://doi.org/10.1016/j.spc.2024.10.022>.

¹⁵ Heng Xu and Chong Tian, "Attitudes and Preferences of the Chinese Public towards Products Made from Recycled Materials: A Text Mining Approach," *Resources, Conservation & Recycling Advances* 24 (December 2024): 200234, <https://doi.org/10.1016/j.rcradv.2024.200234>.

In addition to the policy aspect, the role of the community in encouraging the application of these two theories is also very important.¹⁶ Both conventional and Islamic economies require support from the community in the form of active participation, both in productive activities and in the development of local economic potential. In the Islamic economic sector, public awareness of the importance of zakat, infaq, sadaqah and waqf (ZISWAF) is a key element that can increase economic redistribution. Meanwhile, in the conventional economy, people need to be encouraged to play an active role in business and investment activities that can boost national economic growth.

However, the implementation of these two approaches also faces obstacles, especially in terms of regulation and infrastructure. Although Islamic economics has grown rapidly in Indonesia, the legal and policy infrastructure that supports its comprehensive implementation still needs to be strengthened. On the other hand, conventional economics also faces challenges in adjusting to the existing social and ethical values in society. Therefore, it is important for policy makers and stakeholders to develop an adaptive regulatory framework, so that these two approaches can go hand in hand and complement each other.¹⁷

Finally, this study aims to provide a comprehensive view of how conventional and Islamic economic growth theories can be optimally applied in Indonesia.¹⁸ By combining the theory and practice of both approaches, Indonesia can create an economic growth model that not only focuses on increasing GDP, but also prioritizes social justice and welfare for all people. It is hoped that the results of this analysis can make a significant contribution to policy makers in formulating a more inclusive and sustainable economic development strategy in the future.

¹⁶ Yu Li et al., "Enterprise Digital Transformation, Managerial Myopia and Cost Stickiness," *Humanities and Social Sciences Communications* 11, no. 1 (October 19, 2024): 1389, <https://doi.org/10.1057/s41599-024-03926-1>.

¹⁷ Lu Liu, Yuankui Pang, and Bei Liu, "Research on the Impact and Mechanism of Digital Economy on China's Urban Green Total Factor Productivity," *Scientific Reports* 14, no. 1 (October 1, 2024): 22756, <https://doi.org/10.1038/s41598-024-73654-8>.

¹⁸ Baizhen Zhang, Jingjing Zhang, and Changrun Chen, "Digital Technology Innovation and Corporate Resilience," *Global Finance Journal* 63 (December 2024): 101042, <https://doi.org/10.1016/j.gfj.2024.101042>.

Method

This research uses a qualitative approach¹⁹ This study uses a descriptive-analytical method to understand and analyze the theory and dynamics of economic growth in Indonesia in the context of conventional and sharia economic approaches. This approach was chosen because it is able to reveal the complexity of the economic growth phenomenon through an in-depth understanding of historical data, economic policies, and the implementation of financial practices. Data sources consist of secondary data, including official documents, annual reports of financial institutions, journal articles, and reference books relevant to the research topic. A literature review was conducted to identify the theories of economic growth and the basic principles underpinning conventional and Islamic economics. Data analysis was conducted systematically by comparing conventional economic growth indicators, such as Gross Domestic Product (GDP) and per capita income, with Islamic economic indicators that emphasizes social welfare, distributional justice, and economic stability. In addition, this study evaluates the contribution of Islamic financial instruments, such as ZISWAF (Zakat, Infaq, Sadaqah, and Waqf), in supporting economic equity. The results of the analysis are contextualized with Indonesia's economic conditions for the 2018-2023 period to provide a comprehensive understanding of the advantages, challenges, and opportunities for integration between the two approaches in supporting inclusive and sustainable economic growth.

Result and Discussion

Theories of Economic Growth over time

Conventional economic growth theory explains the process of how an economy develops through increased production, distribution, and consumption over time.²⁰ Various theories proposed by economists aim to understand the main factors that drive economic growth, such as capital accumulation, labor growth, technological innovation, and education. Ranging from classical to

¹⁹ John W Creswell and J David Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (Sage publications, 2017).

²⁰ Yoshihiro Hamaguchi, "A Survey of Sustainable Development in Economic Growth Theory: Achievements and Future Directions," in *Handbook on Energy and Economic Growth* (Edward Elgar Publishing, 2024), 128–53, <https://doi.org/10.4337/9781802204803.00013>.

endogenous theories, these ideas continue to evolve to address increasingly complex economic challenges.

Adam Smith, one of the pioneers of classical theory, emphasized that division of labor and capital accumulation are the main keys to economic growth. In his book *The Wealth of Nations*, he explained how the division of labor increases labor productivity through specialization. In addition, a free-market mechanism was considered essential to encourage innovation and efficiency. Smith saw the prosperity of a nation as a result of high productivity, which is influenced by the quality of labor and resource management.²¹

David Ricardo complemented the classical theory with the concept of comparative advantage, showing how international trade can be a driver of economic growth.²² He also discussed the law of diminishing returns, which is the decline in marginal productivity when certain factors of production, such as land, are overused. His theory suggests that economic growth has a certain limit when resources are not allocated efficiently.

In contrast, Thomas Robert Malthus was more pessimistic in his view of economic growth. In his *Essay on the Principle of Population*, Malthus argued that uncontrolled population growth would cause pressure on limited natural resources, thus limiting economic growth. His theory underlined the importance of population control to maintain economic sustainability.²³

Neoclassical theory, developed by Robert Solow, shifted the focus to the role of capital accumulation, labor, and technological progress as the main factors in economic growth.²⁴ Solow's model introduced the concept of steady-state growth, a condition in which stable economic growth occurs when capital

²¹ Feng Yuan and Peng Zhang, "Are Natural Resources, Sustainable Growth and Entrepreneurship Matter Endogenous Growth Theory? The Strategic Role of Technical Progress," *Resources Policy* 96 (September 2024): 105189, <https://doi.org/10.1016/j.resourpol.2024.105189>.

²² Guilherme Spinato Morlin, Nikolas Passos, and Riccardo Pariboni, "Growth Theory and the Growth Model Perspective: Insights from the Supermultiplier," *Review of Political Economy* 36, no. 3 (July 2, 2024): 1130–55, <https://doi.org/10.1080/09538259.2022.2092998>.

²³ Lorenzo Fioramonti, "Post-Growth Theories in a Global World: A Comparative Analysis," *Review of International Studies* 50, no. 5 (September 20, 2024): 866–76, <https://doi.org/10.1017/S0260210524000214>. the global pecking order, and most international development policies are anchored on the concept of economic growth, which is at the same time increasingly questioned on social and ecological grounds. Increases in global output (GDP

²⁴ Erman Aminullah, "Forecasting of Technology Innovation and Economic Growth in Indonesia," *Technological Forecasting and Social Change* 202 (May 2024): 123333, <https://doi.org/10.1016/j.techfore.2024.123333>.

accumulation and population growth reach equilibrium. However, Solow also emphasized that long-term growth can only be achieved through technological progress.

In the neoclassical framework, although capital accumulation is very important, the theory states that the additional benefits of capital will diminish over time (diminishing returns). As a result, economic growth cannot rely entirely on physical capital accumulation. Other factors such as increased labor force and technological efficiency become crucial components to sustain growth.

Endogenous growth theory emerged as a refinement of neoclassical theory by emphasizing the role of innovation and technology originating from within the economic system itself. Unlike the neoclassical theory that considers technology as an external factor, the endogenous theory considers that investment in research and development can drive technological progress. This makes economic growth more sustainable and can be planned through appropriate policies.²⁵

In addition, education is an important element in endogenous growth theory. By improving the quality of human capital, education creates a more productive and innovative workforce, thereby promoting economic growth. In this context, investment in human capital is as important as investment in physical capital. The combination of technology, innovation and education enables an economy to achieve higher growth rates in a sustainable manner.

Sharia Economic Principles in Growth

Islamic economics offers a unique approach to supporting economic growth based on Islamic principles that focus on justice, shared prosperity and ethics. These principles aim to ensure that economic activities not only pursue material gains, but also adhere to moral values and sustainability. Among the fundamental principles in Islamic economics are justice in distribution, balance in resource management, as well as the prohibition of usury, which is considered to undermine social and economic justice.²⁶

²⁵ Hardi et al., "Innovation and Economic Growth in the Top Five Southeast Asian Economies: A Decomposition Analysis."

²⁶ Nursaid Nursaid, Zain Smith, and Amrit Dhakal, "Development of Islamic Economics and Practices in Indonesia (2013-2023): Opportunities and Challenges," *Revenue Journal: Management and Entrepreneurship* 1, no. 1 (December 18, 2023), <https://doi.org/10.61650/rjme.v1i1.323>.

Justice is a core value in Islamic economics. In this context, justice involves the equitable distribution of the fruits of production and wealth among individuals and communities.²⁷ Islam encourages co-operation and fairness in contracts, trade and economic transactions to prevent exploitation or injustice. This principle aims to create an economic structure that supports equality and empowers all levels of society.

Shared prosperity is the ultimate goal of the Islamic economic system. This concept encourages the implementation of economic activities that not only benefit individuals, but also the community as a whole. The Islamic system of zakat and sadaqah is a clear example of creating shared prosperity. With a fair distribution of wealth, the poor can be empowered to improve their standard of living, thereby reducing economic inequality.

The prohibition of usury is an important element in Islamic economic principles. Riba, or interest on loans, is considered to disadvantage the economically weak and create imbalances in the financial system. This prohibition aims to encourage economic activity based on fair and transparent profit and loss sharing. By avoiding usury, the Islamic economic system supports more sustainable economic stability.²⁸

The Zakat, Infaq, Sadaqah, and Waqf (ZISWAF) system plays an important role in economic redistribution in Islam. Zakat is an obligation for Muslims who are able to give part of their wealth to the needy. Infaq and sadaqah, which are voluntary, strengthen the spirit of social solidarity. Meanwhile, waqf enables the long-term use of assets for public benefit. All these instruments serve as tools to reduce poverty and social inequality.²⁹

The influence of maqashid sharia (the purpose of Islamic law) is also a cornerstone in creating economic prosperity. Maqashid sharia includes objectives such as protecting religion, soul, mind, offspring and property. In the economic context, maqashid sharia promotes a system that ensures the

²⁷ Alda Naila Adibah and Achmad Zakariya, "Analysis of Economic Improvement through Sharia Economic Resource Development Towards Sustainable Prosperity in Indonesia," *Journal of Finance, Economics and Business* 3, no. 1 (May 30, 2024): 98–108, <https://doi.org/10.59827/jfeb.v3i1.120>.

²⁸ Patriandi Nuswantoro, "Encouraging Economic Growth Through Islamic Financial Principles in Indonesia," *West Science Islamic Studies* 2, no. 02 (April 30, 2024): 91–97, <https://doi.org/10.58812/wsiss.v2i02.806>.

²⁹ Muhammad Ufuqul Mubin and Achmad Siddiq, "Contextualization of Mustahiq Zakat at LAZNAS Nurul Hayat Surabaya," *Al-Manahij: Jurnal Kajian Hukum Islam*, November 25, 2022, 193–208, <https://doi.org/10.24090/mnh.v16i2.6915>.

protection of individual rights and social balance. This means that economic policies must take into account sustainability, welfare and the common good.

In practice, maqashid sharia provides guidance to create policies that balance economic growth with moral values. For example, an Islamic financial system based on mudharabah or musyarakah contracts supports productive cooperation between businesses and investors. This not only increases economic productivity, but also creates a fair relationship between the parties involved.³⁰

By applying Islamic economic principles, ZISWAF instruments, and the influence of maqashid sharia, the Islamic economic system provides a comprehensive framework to promote inclusive and equitable growth. It focuses not only on the accumulation of wealth, but also on its equitable distribution to ensure the well-being of the entire society. Thus, Islamic economics can be a promising alternative to the conventional economic system.³¹

Comparative Analysis of Conventional and Islamic Economic Approaches to Economic Growth

The main objective of economic growth is to improve people's welfare through increasing the production capacity and distribution of goods and services.³² Conventional indicators such as Gross Domestic Product (GDP) and per capita income are often used to measure economic success, but these indicators emphasizes quantitative aspects without considering social justice.³³ In contrast, Islamic economics offers more holistic indicators, such as social welfare, distributional justice, and economic stability to achieve inclusive and sustainable growth. In terms of sources of growth, the conventional approach relies on capital accumulation, labor growth, and technological advancement as the main drivers. However, Islamic economics adds elements of redistribution

³⁰ Devina Gunawan, "Sharia and Economic Equity: An Empirical Study of Income Inequality in the Organization of Islamic Cooperation," *Journal International Economic Sharia* 1, no. 2 (October 10, 2024): 60–74, <https://doi.org/10.69725/jies.v1i2.129>, focusing on income inequality among member states of the Organization of Islamic Cooperation (OIC)

³¹ Fathan Budiman Fathan, M. Mustahal, and Abdul Basit, "Halal Tourism as a Means of Empowering the People's Economy," *International Journal of Social Science and Religion (IJSSR)*, February 23, 2022, 21–42, <https://doi.org/10.53639/ijssr.v3i1.57>.

³² Nanang Naisabur et al., "The Prohibition of Social E-Commerce on TikTok Shop: A Fiqh Examination Based on Sharia Compliance and Economic Justice," *Al-Manahij: Jurnal Kajian Hukum Islam*, March 25, 2024, 59–78, <https://doi.org/10.24090/mnh.v18i1.9674>.

³³ Nursaid, Smith, and Dhakal, "Development of Islamic Economics and Practices in Indonesia (2013–2023): Opportunities and Challenges."

through Zakat, Infaq, Sadaqah, and Waqf (ZISWAF), distributive justice, as well as community-based economic support, which provide inclusive solutions for the economic empowerment of marginalized communities.³⁴

The social and economic impacts of conventional approaches often create income inequality and concentration of growth in certain areas, particularly large cities.³⁵ This exacerbates the disparity between urban and rural areas. In contrast, Islamic economics emphasizes financial inclusion, equitable wealth distribution and poverty reduction. With ZISWAF-based redistribution, this approach can create a more equitable economy across regions. However, the implementation of both approaches faces challenges. In the conventional approach, economic inequality, environmental impact, and dependence on foreign capital are the main obstacles. Meanwhile, the Islamic economy faces challenges in the form of a lack of legal infrastructure, low public education on sharia principles, and limited regulations that support the Islamic economy.³⁶

Indonesia has adopted various policies to support economic growth³⁷, in both conventional and Islamic frameworks. The conventional approach involves large investments in infrastructure, industrial sector development, and increased foreign investment. On the other hand, the Islamic economy focuses on the development of Islamic banking, sukuk issuance, establishment of Micro Waqf Banks, as well as promotion of halal industries. While both approaches have their merits, conventional policies are often more successful in promoting aggregate growth, but less effective in equity. In contrast, Islamic economics has shown effectiveness in financial inclusion and reducing economic disparities, despite limited implementation.³⁸

³⁴ Mohammed Ayoub Ledhem and Mohammed Mekidiche, "Islamic Finance and Economic Growth: The Turkish Experiment," *ISRA International Journal of Islamic Finance* 14, no. 1 (May 20, 2022): 4–19, <https://doi.org/10.1108/IJIF-12-2020-0255>.

³⁵ Ledhem and Mekidiche.

³⁶ Anas Malik et al., "The Influence of Digital Economic Growth and Productive Work Force Toward Human Development Index in Indonesia Viewed from a Maqashid Sharia Perspective," *International Journal of Islamic Economics* 6, no. 02 (November 13, 2024): 188–201, <https://doi.org/10.32332/ijie.v6i2.9639>.

³⁷ Denizar Abdurrahman Mi'raj and Salih Ulev, "A Bibliometric Review of Islamic Economics and Finance Bibliometric Papers: An Overview of the Future of Islamic Economics and Finance," *Qualitative Research in Financial Markets* 16, no. 5 (November 18, 2024): 993–1035, <https://doi.org/10.1108/QRFM-03-2023-0068>.

³⁸ Alaa Thabit Jasim Al-Isawi, "Islamic Economic Mechanisms to Achieve Inclusiveness and Islamic Finance for Sustainability," *Journal of Ecohumanism* 3, no. 8 (November 27, 2024), <https://doi.org/10.62754/joe.v3i8.4933>.

The impact of the two approaches on national development also shows significant differences.³⁹ The conventional approach enhances Indonesia's economic competitiveness through industrialization and foreign investment, but often fuels social inequality. In contrast, the Islamic approach strengthens social justice, supports community building, and promotes balanced development between urban and rural areas. In addition, the Islamic economic approach has a great contribution to the Sustainable Development Goals (SDGs) in Indonesia. With a focus on poverty reduction, social justice, and sustainable resource management, this approach is very much in line with the global agenda.⁴⁰

On the other hand, conventional approaches can also contribute to the SDGs through infrastructure development and industrialization⁴¹, But it needs to be balanced with policies that pay attention to social and environmental impacts. In this endeavor, the synergy between conventional and sharia policies can be a comprehensive solution to achieve inclusive, equitable and sustainable economic growth in Indonesia.⁴²

Conclusion

In the history of economic growth in Indonesia, there are two complementary economic systems, namely the conventional economy and the Islamic economy. The period 2009 to 2018 shows a stable economic development with the dominance of the conventional approach, while the period 2018 to 2023 shows the increasingly significant role of the Islamic economy, especially through instruments such as ZISWAF (Zakat, Infaq, Sadaqah, and Waqf) and Islamic-based finance. These developments reflect different dynamics in each period, with the Islamic economy increasingly recognized as an alternative system

³⁹ Mohamed Mahees Raheem and Edib Smolo, "Conclusion: Beyond the Horizon," in *The Future of Islamic Finance* (Emerald Publishing Limited, 2024), 243–49, <https://doi.org/10.1108/978-1-83549-906-120241015>.

⁴⁰ Edib Smolo et al., "Integrating Islamic Finance Into the Sustainable Development Goals (SDGs)," in *The Future of Islamic Finance* (Emerald Publishing Limited, 2024), 65–82, <https://doi.org/10.1108/978-1-83549-906-120241005>.

⁴¹ Edib Smolo, "Islam and Free Trade: The Contributions of Muslim Scholars to Modern Economic Theories," in *The Future of Islamic Finance* (Emerald Publishing Limited, 2024), 49–64, <https://doi.org/10.1108/978-1-83549-906-120241004>.

⁴² Edib Smolo, "Navigating Modern Economic Challenges: The Islamic Economics Paradigm in Focus," in *The Future of Islamic Finance* (Emerald Publishing Limited, 2024), 15–27, <https://doi.org/10.1108/978-1-83549-906-120241002>.

capable of addressing the challenges of financial distribution and inclusion. Through a descriptive-analytical approach and comparative study, this analysis shows that conventional economic theory tends to focus on aggregate growth and capital accumulation, while Islamic economics emphasizes balance, justice and social welfare. In the past five years, both have contributed significantly to Indonesia's economic development, albeit with their respective advantages and challenges. This study confirms that integration between the two systems can be key in realizing inclusive, equitable, and sustainable economic growth, thus making a real contribution to national development.

References

- Acemoglu, Daron. "Introduction to Economic Growth." *Journal of Economic Theory* 147, no. 2 (March 2012): 545–50. <https://doi.org/10.1016/j.jet.2012.01.023>.
- Adibah, Alda Naila, and Achmad Zakariya. "Analysis of Economic Improvement through Sharia Economic Resource Development Towards Sustainable Prosperity in Indonesia." *Journal of Finance, Economics and Business* 3, no. 1 (May 30, 2024): 98–108. <https://doi.org/10.59827/jfeb.v3i1.120>.
- Al-Isawi, Alaa Thabit Jasim. "Islamic Economic Mechanisms to Achieve Inclusiveness and Islamic Finance for Sustainability." *Journal of Ecohumanism* 3, no. 8 (November 27, 2024). <https://doi.org/10.62754/joe.v3i8.4933>.
- Aminullah, Erman. "Forecasting of Technology Innovation and Economic Growth in Indonesia." *Technological Forecasting and Social Change* 202 (May 2024): 123333. <https://doi.org/10.1016/j.techfore.2024.123333>.
- Bączyk, Michał, Vivian Tunn, Ernst Worrell, and Blanca Corona. "Consumer Behavior in Circular Business Models: Unveiling Conservation and Rebound Effects." *Sustainable Production and Consumption* 52 (December 2024): 283–98. <https://doi.org/10.1016/j.spc.2024.10.022>.
- Creswell, John W, and J David Creswell. *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. Sage publications, 2017.
- Fathan, Fathan Budiman, M. Mustahal, and Abdul Basit. "Halal Tourism as a Means of Empowering the People's Economy." *International Journal of Social Science and Religion (IJSSR)*, February 23, 2022, 21–42. <https://doi.org/10.53639/ijssr.v3i1.57>.

- Fioramonti, Lorenzo. "Post-Growth Theories in a Global World: A Comparative Analysis." *Review of International Studies* 50, no. 5 (September 20, 2024): 866–76. <https://doi.org/10.1017/S0260210524000214>.
- Gunawan, Devina. "Sharia and Economic Equity: An Empirical Study of Income Inequality in the Organization of Islamic Cooperation." *Journal International Economic Sharia* 1, no. 2 (October 10, 2024): 60–74. <https://doi.org/10.69725/jies.v1i2.129>.
- Hamaguchi, Yoshihiro. "A Survey of Sustainable Development in Economic Growth Theory: Achievements and Future Directions." In *Handbook on Energy and Economic Growth*, 128–53. Edward Elgar Publishing, 2024. <https://doi.org/10.4337/9781802204803.00013>.
- Hardi, Irsan, Samrat Ray, Muhammad Umer Quddoos Attari, Najabat Ali, and Ghalieb Mutig Idroes. "Innovation and Economic Growth in the Top Five Southeast Asian Economies: A Decomposition Analysis." *Ekonomikalia Journal of Economics* 2, no. 1 (February 22, 2024): 1–14. <https://doi.org/10.60084/eje.v2i1.145>.
- Indrawati, Sri Mulyani, and Ari Kuncoro. "Improving Competitiveness Through Vocational and Higher Education: Indonesia's Vision For Human Capital Development In 2019–2024." *Bulletin of Indonesian Economic Studies* 57, no. 1 (January 2, 2021): 29–59. <https://doi.org/10.1080/00074918.2021.1909692>.
- Indrawati, Sri Mulyani, Elan Satriawan, and Abdurohman. "Indonesia's Fiscal Policy in the Aftermath of the Pandemic." *Bulletin of Indonesian Economic Studies* 60, no. 1 (January 2, 2024): 1–33. <https://doi.org/10.1080/00074918.2024.2335967>.
- Juhász, Réka, and Nathan Lane. "The Political Economy of Industrial Policy." *Journal of Economic Perspectives* 38, no. 4 (November 1, 2024): 27–54. <https://doi.org/10.1257/jep.38.4.27>.
- Lange, Deborah E. de. "Circular Economy International Trade: An Investigation of the Relationship between European Union Circularity and International Trade." *Journal of Cleaner Production* 484 (December 2024): 144350. <https://doi.org/10.1016/j.jclepro.2024.144350>.
- Ledhem, Mohammed Ayoub, and Mohammed Mekidiche. "Islamic Finance and Economic Growth: The Turkish Experiment." *ISRA International Journal of*

- Islamic Finance* 14, no. 1 (May 20, 2022): 4–19. <https://doi.org/10.1108/IJIF-12-2020-0255>.
- Li, Yu, Panpan Feng, Tiange Qi, Jiale Yan, and Yongjian Huang. “Enterprise Digital Transformation, Managerial Myopia and Cost Stickiness.” *Humanities and Social Sciences Communications* 11, no. 1 (October 19, 2024): 1389. <https://doi.org/10.1057/s41599-024-03926-1>.
- Liu, Lu, Yuankui Pang, and Bei Liu. “Research on the Impact and Mechanism of Digital Economy on China’s Urban Green Total Factor Productivity.” *Scientific Reports* 14, no. 1 (October 1, 2024): 22756. <https://doi.org/10.1038/s41598-024-73654-8>.
- Maeder, Mattia, and Magnus Fröhling. “Conceptualizing Circular Economy Policy Instruments: The Case of Recycled Content Standards.” *Sustainable Production and Consumption* 52 (December 2024): 333–46. <https://doi.org/10.1016/j.spc.2024.11.009>.
- Mahendra, Yusril Ihza, and Siti Muti’ah Setiawati. “Navigating the Continuity of Indonesia-China Relations in the Mining and Energy Sectors After the 2024 Election.” *Intermestic: Journal of International Studies* 9, no. 1 (November 30, 2024): 19. <https://doi.org/10.24198/intermestic.v9n1.1>.
- Malik, Anas, Alike Novelia, Moh Mukri, and Sitti Aminah Baharuddin. “The Influence of Digital Economic Growth and Productive Work Force Toward Human Development Index in Indonesia Viewed from a Maqashid Sharia Perspective.” *International Journal of Islamic Economics* 6, no. 02 (November 13, 2024): 188–201. <https://doi.org/10.32332/ijie.v6i2.9639>.
- Mi’raj, Denizar Abdurrahman, and Salih Ulev. “A Bibliometric Review of Islamic Economics and Finance Bibliometric Papers: An Overview of the Future of Islamic Economics and Finance.” *Qualitative Research in Financial Markets* 16, no. 5 (November 18, 2024): 993–1035. <https://doi.org/10.1108/QRFM-03-2023-0068>.
- Morlin, Guilherme Spinato, Nikolas Passos, and Riccardo Pariboni. “Growth Theory and the Growth Model Perspective: Insights from the Supermultiplier.” *Review of Political Economy* 36, no. 3 (July 2, 2024): 1130–55. <https://doi.org/10.1080/09538259.2022.2092998>.
- Mubin, Muhammad Ufuqul, and Achmad Siddiq. “Contextualization of Mustahiq Zakat at LAZNAS Nurul Hayat Surabaya.” *Al-Manahij: Jurnal Kajian Hukum*

- Islam*, November 25, 2022, 193–208. <https://doi.org/10.24090/mnh.v16i2.6915>.
- Naisabur, Nanang, Haris Maiza Putra, Hisam Ahyani, Dwi Novita, and Pat Kurniati. “The Prohibition of Social E-Commerce on TikTok Shop: A Fiqh Examination Based on Sharia Compliance and Economic Justice.” *Al-Manahij: Jurnal Kajian Hukum Islam*, March 25, 2024, 59–78. <https://doi.org/10.24090/mnh.v18i1.9674>.
- Nursaid, Nursaid, Zain Smith, and Amrit Dhakal. “Development of Islamic Economics and Practices in Indonesia (2013-2023): Opportunities and Challenges.” *Revenue Journal: Management and Entrepreneurship* 1, no. 1 (December 18, 2023). <https://doi.org/10.61650/rjme.v1i1.323>.
- Nuswantoro, Patriandi. “Encouraging Economic Growth Through Islamic Financial Principles in Indonesia.” *West Science Islamic Studies* 2, no. 02 (April 30, 2024): 91–97. <https://doi.org/10.58812/wsiss.v2i02.806>.
- Raheem, Mohamed Mahees, and Edib Smolo. “Conclusion: Beyond the Horizon.” In *The Future of Islamic Finance*, 243–49. Emerald Publishing Limited, 2024. <https://doi.org/10.1108/978-1-83549-906-120241015>.
- Smolo, Edib. “Islam and Free Trade: The Contributions of Muslim Scholars to Modern Economic Theories.” In *The Future of Islamic Finance*, 49–64. Emerald Publishing Limited, 2024. <https://doi.org/10.1108/978-1-83549-906-120241004>.
- . “Navigating Modern Economic Challenges: The Islamic Economics Paradigm in Focus.” In *The Future of Islamic Finance*, 15–27. Emerald Publishing Limited, 2024. <https://doi.org/10.1108/978-1-83549-906-120241002>.
- Smolo, Edib, Irum Saba, Norashikin Ismail, and Ziyaad Mahomed. “Integrating Islamic Finance Into the Sustainable Development Goals (SDGs).” In *The Future of Islamic Finance*, 65–82. Emerald Publishing Limited, 2024. <https://doi.org/10.1108/978-1-83549-906-120241005>.
- Soraya, Syazarah, Sri Windani, and Rizky Ayu. “Navigating Tradition and Modernity: Controversies and Implications of Sharia Economics in the Global Economy.” *Seriat Ekonomisi* 1, no. 2 (June 7, 2024): 01–09. <https://doi.org/10.35335/t30m6s92>.

- Uwaga Monica Adanma, and Emmanuel Olurotimi Ogunbiyi. "A Comparative Review of Global Environmental Policies for Promoting Sustainable Development and Economic Growth." *International Journal of Applied Research in Social Sciences* 6, no. 5 (May 21, 2024): 954–77. <https://doi.org/10.51594/ijarss.v6i5.1147>.
- Wahab, Salman, Muhammad Imran, Bilal Ahmed, Syed Rahim, and Taimoor Hassan. "Navigating Environmental Concerns: Unveiling the Role of Economic Growth, Trade, Resources and Institutional Quality on Greenhouse Gas Emissions in OECD Countries." *Journal of Cleaner Production* 434 (January 2024): 139851. <https://doi.org/10.1016/j.jclepro.2023.139851>.
- Wang, Haijie, Le Yang, and Yanchao Feng. "How Does Digital Economy Affect the Industry Chain Resilience in China?" *Humanities and Social Sciences Communications* 11, no. 1 (November 12, 2024): 1529. <https://doi.org/10.1057/s41599-024-04077-z>.
- Xepapadeas, Anastasios. "Chapter 23 Economic Growth and the Environment," 1219–71, 2005. [https://doi.org/10.1016/S1574-0099\(05\)03023-8](https://doi.org/10.1016/S1574-0099(05)03023-8).
- Xu, Heng, and Chong Tian. "Attitudes and Preferences of the Chinese Public towards Products Made from Recycled Materials: A Text Mining Approach." *Resources, Conservation & Recycling Advances* 24 (December 2024): 200234. <https://doi.org/10.1016/j.rcradv.2024.200234>.
- Yuan, Feng, and Peng Zhang. "Are Natural Resources, Sustainable Growth and Entrepreneurship Matter Endogenous Growth Theory? The Strategic Role of Technical Progress." *Resources Policy* 96 (September 2024): 105189. <https://doi.org/10.1016/j.resourpol.2024.105189>.
- Zhang, Baizhen, Jingjing Zhang, and Changrun Chen. "Digital Technology Innovation and Corporate Resilience." *Global Finance Journal* 63 (December 2024): 101042. <https://doi.org/10.1016/j.gfj.2024.101042>.