

# Embracing Sharia Economics For Stronger & Sustainable Growth

case study : Awqaf

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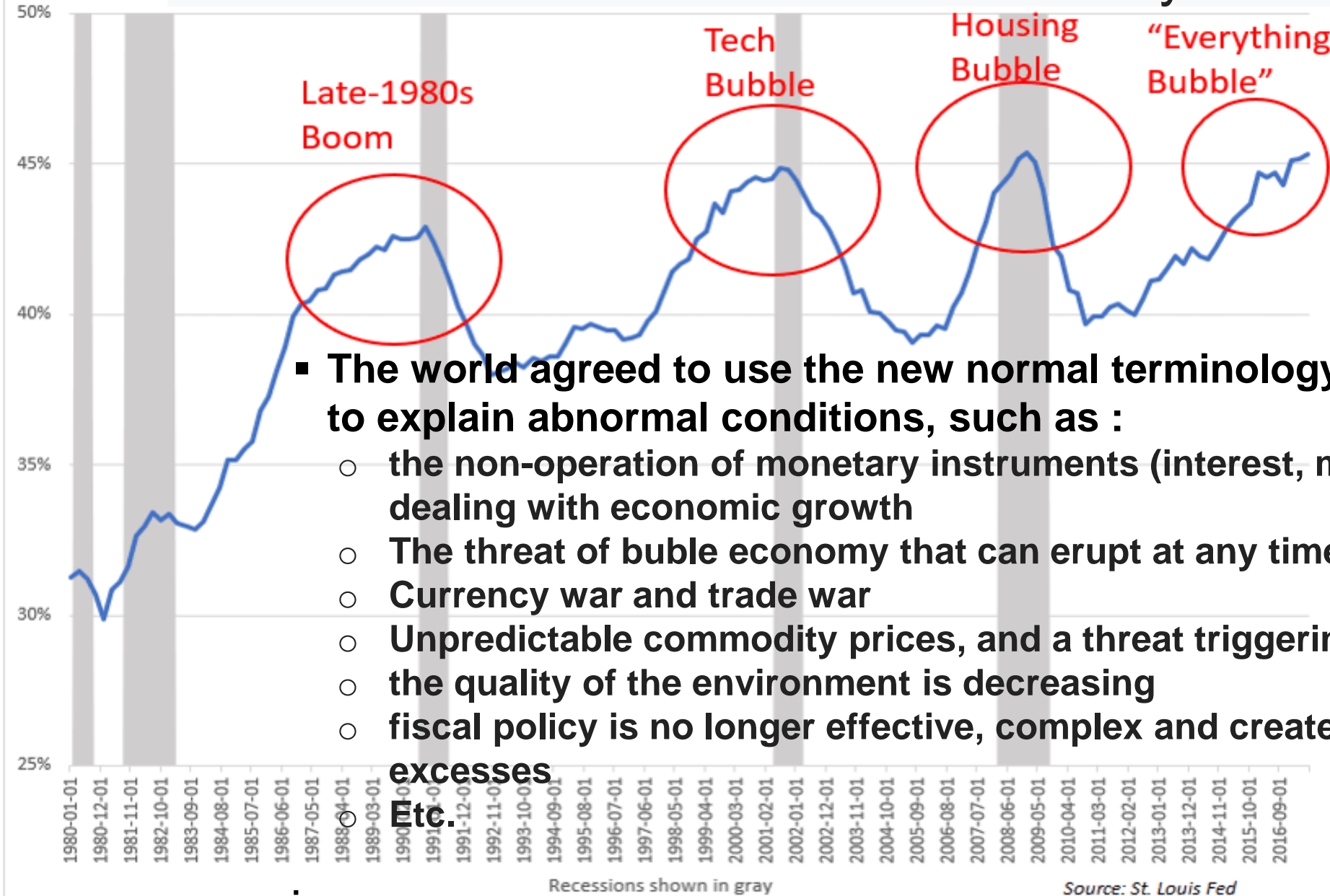
DR. IMAM T. SAPTONO

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INDONESIA AWQAF BOARD



INDONESIA WAQF BOARD

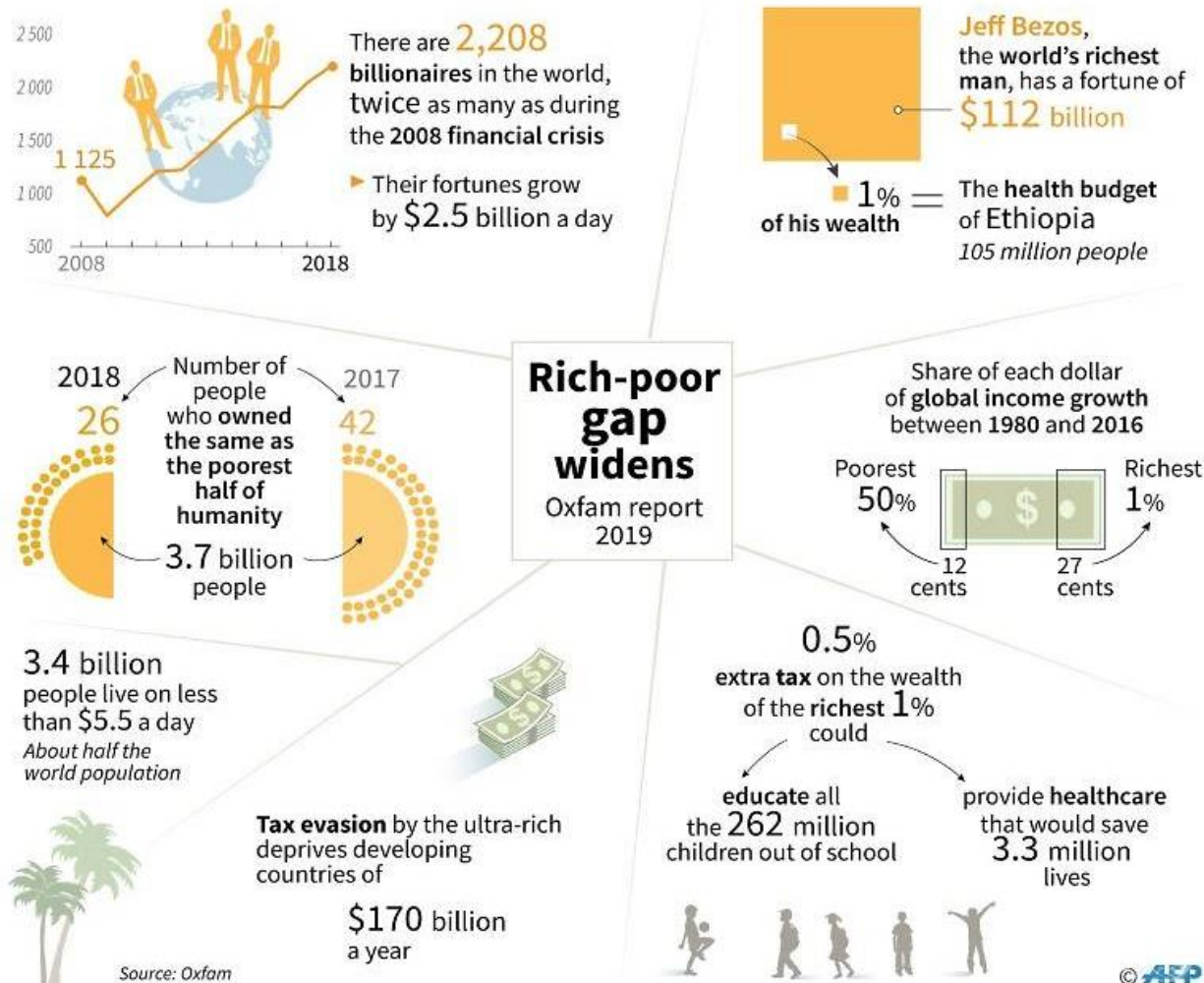
# The world is frustrated over the economic system that is running



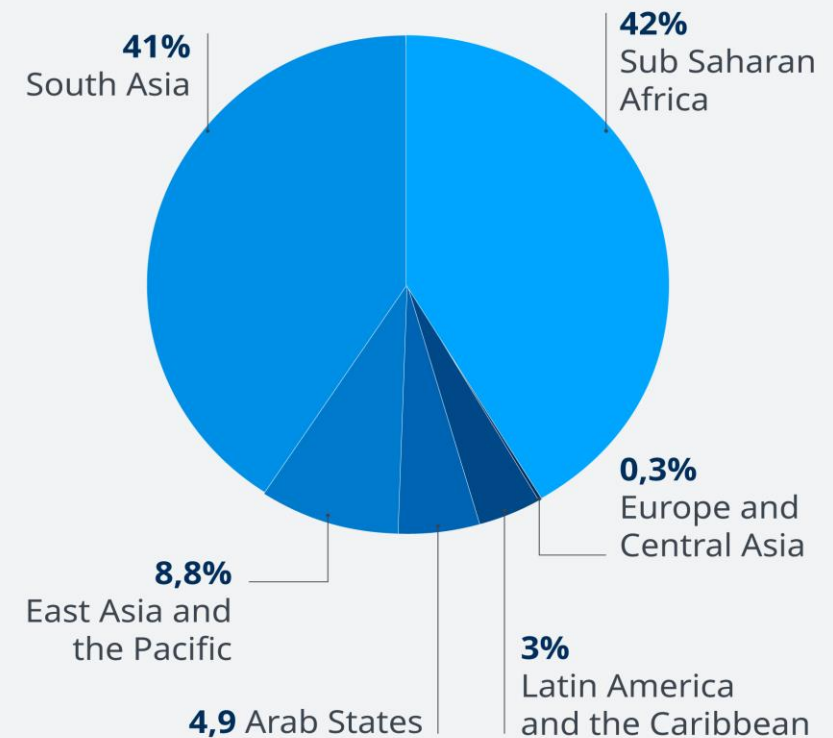
- The world agreed to use the new normal terminology for their inability to explain abnormal conditions, such as :
  - the non-operation of monetary instruments (interest, money supply, etc) in dealing with economic growth
  - The threat of bubble economy that can erupt at any time
  - Currency war and trade war
  - Unpredictable commodity prices, and a threat triggering the crisis
  - the quality of the environment is decreasing
  - fiscal policy is no longer effective, complex and creates many negative excesses Etc.



# Increasing economic inequality and poverty. Most experienced by Muslims



## Where the 1.3bn MPI poor people live



## WHAT'S NEW? : CREATING SHARED VALUE (2006)

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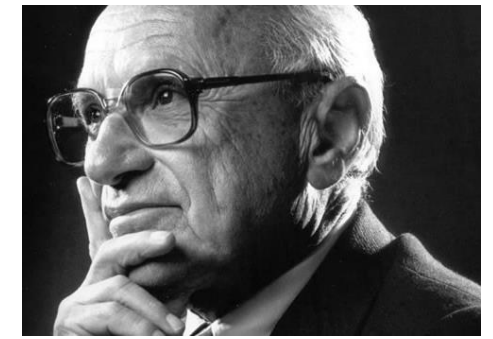
Creating Shared Value (CSV) is a concept in business strategy that emphasizes the importance of taking into account the social issues and needs in a company's strategic design. CSV is the development of the corporate social responsibility concept (CSR). This concept was first introduced by Michael Porter and Mark Kramer in 2006.

CSV concept was based on the idea of interdependence correlation between business and social welfare. **Porter has criticized there always been gaps between business and social**





The Social Responsibility of Business is to Increase its Profits" in *The New York Times Magazine* (13 September 1970) – Milton Friedman



Trickle-down economics is a myth. Enriching corporations - as the TPP would - will not necessarily help those in the middle, let alone those at the bottom - Stiglitz



**CSR = The Concept of Residual Division**

**80-95%**

**5-20%**

Sales	XXX
COGS	XXX
Gross Profit	XXX
Overhead	XX
Interest	XX
EBT	XX
Tax	X
Net Profit	XX

**Who's interest ?**

“Shareholders?”

Community

# The Movement from CSR to CSV

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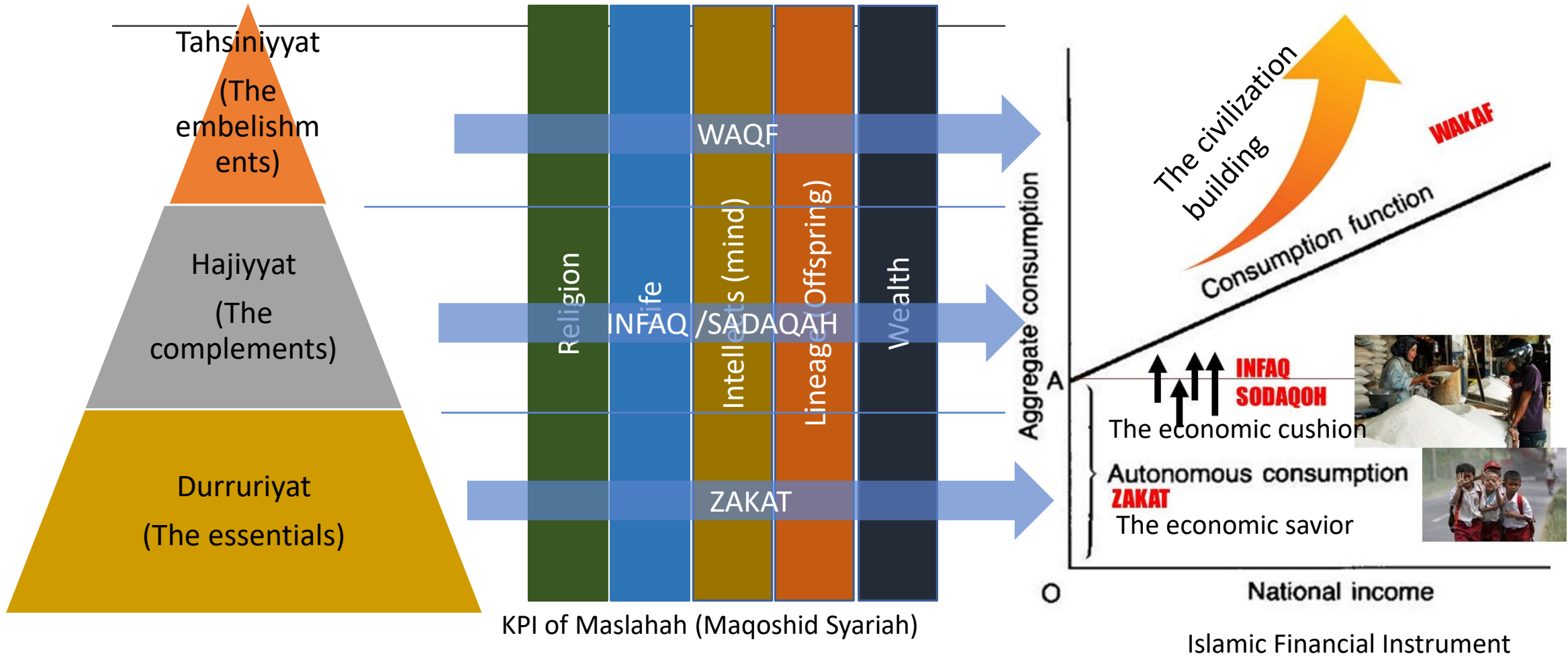


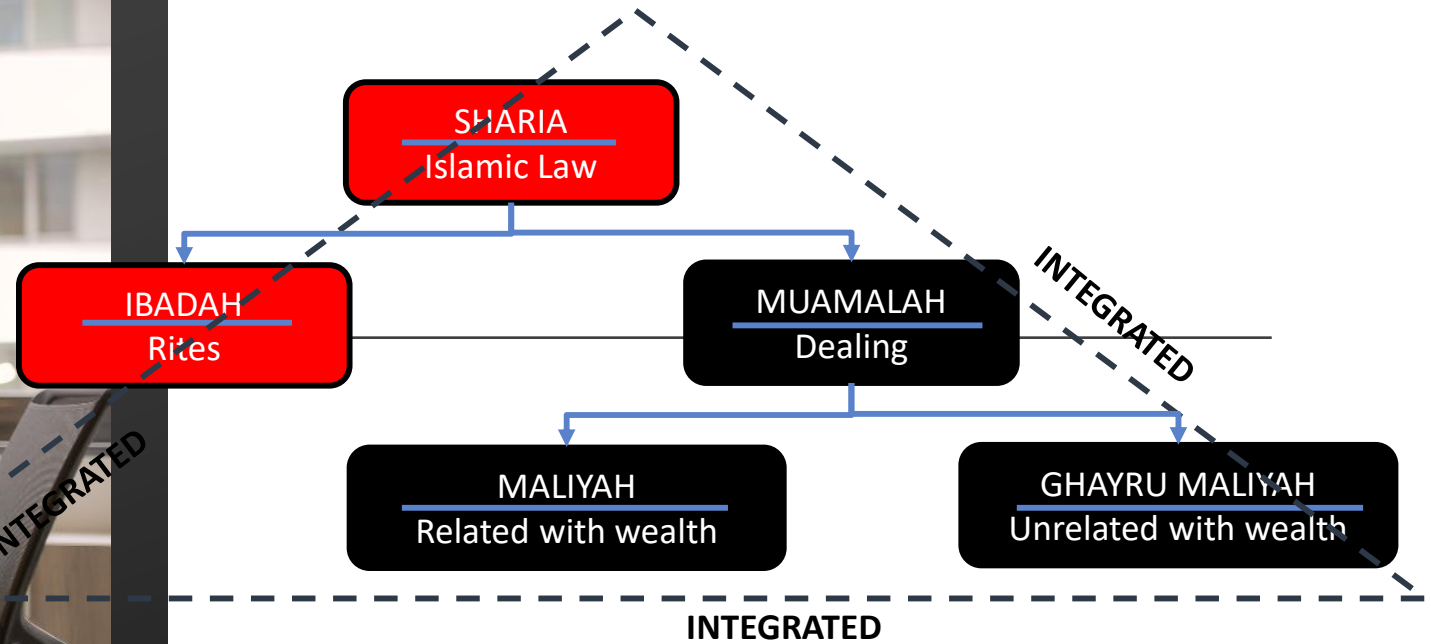
- The concept of transition from CSR to CSV is tried to be applied through socio enterprise, although it is not at all easy
- Islam 15 centuries ago has answered it through the waqf corporate model

Adopted from : <https://www.yuswohady.com/2014/02/08/csv/>



# The Linkages among maqoshid, masalahah & instruments





Although there are clear profitable (commercial) and non profit (social) purposes, each valuable cent should lead to one goal which is uphold of syariah, for the benefit of mankind on earth and afterlife (mashlahat).

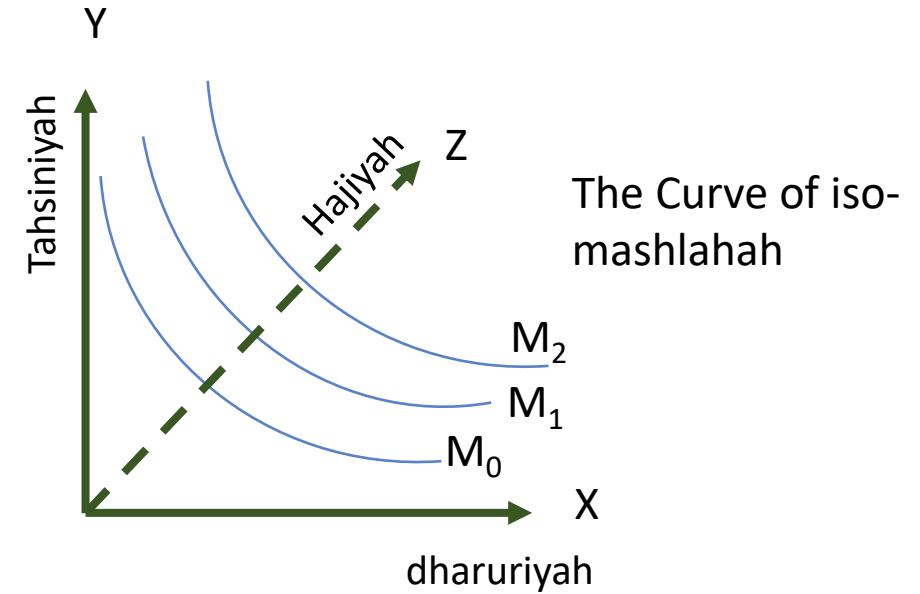
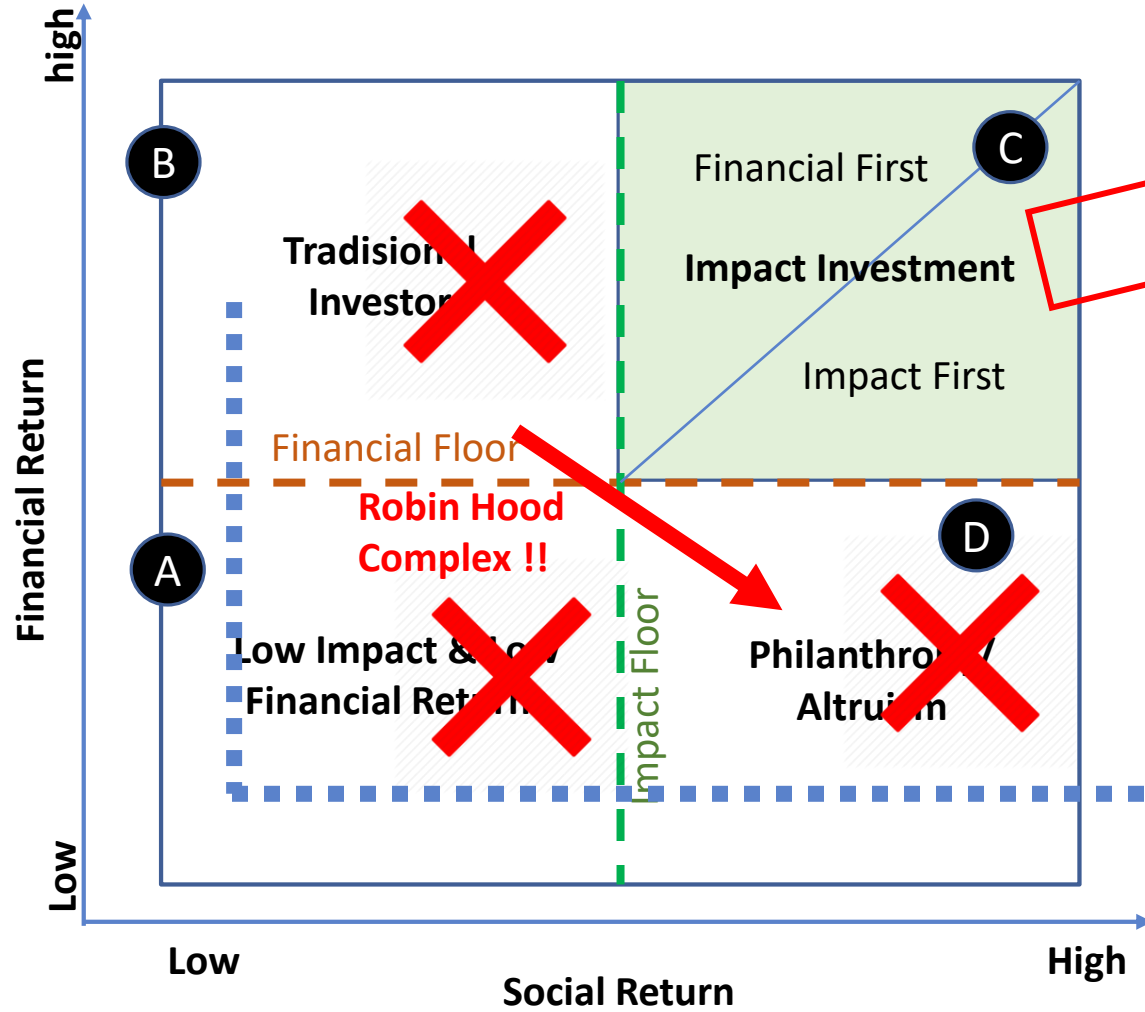
Abu Ishaq Al Shatibih has formalise this benefit in a Syariah maqoshid terminology (Syariah purposes) which encompass the care over religion (hifdz ad diin), care of spirit/soul (hifdz an-nafs), care of mind (hifdz al'aql), the care of offspring (hifdz an-nasb) and the care of wealth (hifdz al maal) .

## Transaction in Islam

In principle, Islam doesn't separate social and commercial transaction, because both are using same basic parameter which is mashlahat.



# Islamic Perspective



M = mashlahah (benefit)

No Maysir, No Gharar, No Riba, No Ikrah, No Ghabn, No Najasy, No Ba'i Mudhtar, No Haram,

# ACTUAL PROBLEMS

incompatibility between current developed business framework with Islamic model

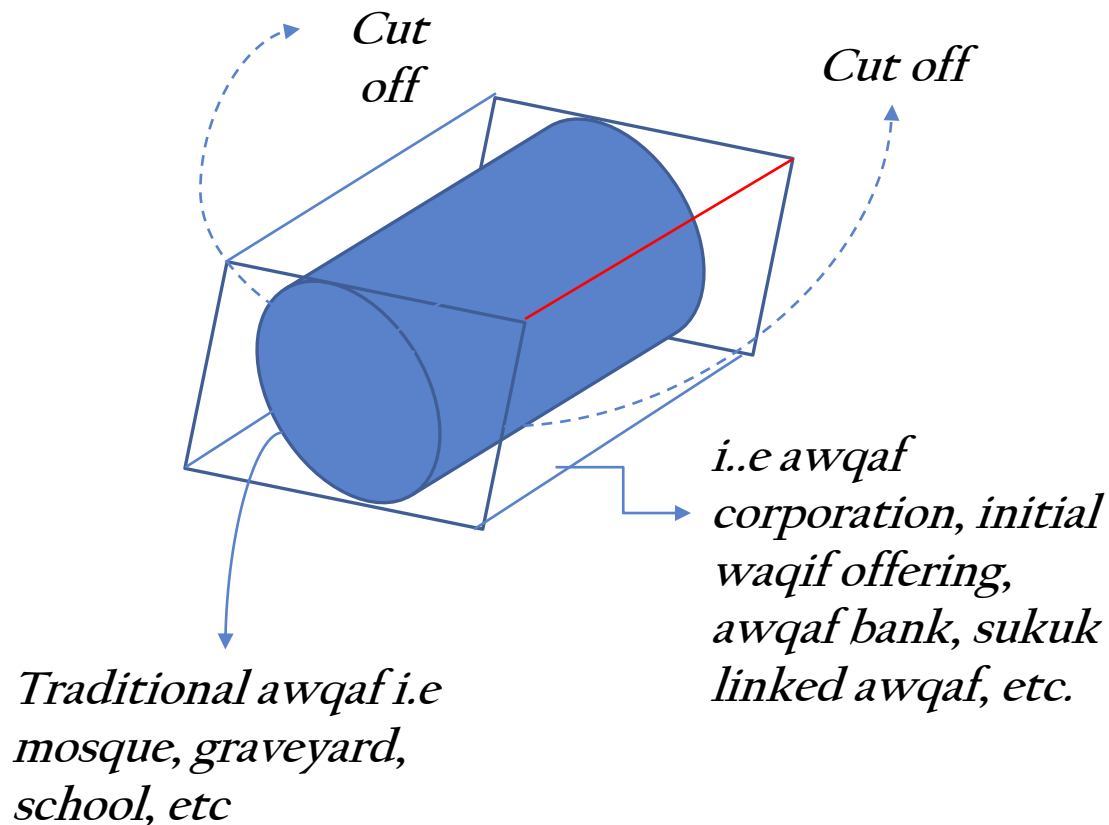
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- **Paradigm**
- **Infrastructure**
- **Organization**
- **Regulation & Legal Framework**
- **Products**

# The Awqaf Case : “Has been systematically undermined & destroyed”

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**Waqf was the main vehicle for financing both commercial as well as public ventures**, a role that has been replaced by banks and other financial institutions (Hodgson, 1974; Kuran, 2001).

However, underdevelopment through the passage of time has made them “dysfunctional” through its inflexibility as a trust (Kuran T. , 2004).

... .. How ironic that contemporary reformers want to promote ‘civil society’ institutions, when authentic Islamic models, honed over centuries of service, have been systematically undermined and destroyed.”(Alawi, 2009)



## How to overcome Incompatibility perception between celestial instrument and mechanism of conventional market

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- ❑ Increase people's literacy on syariah economic paradigm
- ❑ Minimizing gap between syariah practical & concept with institutional aspect and positive regulation as well : institutional innovation, harmonizing of regulation (i.e institutional, incentive system such as tax and subsidy, etc) and strengthening capacity of organization
- ❑ Encourage the birth of contemporary fatwa ulama to accommodate the modernization of civilization and technology
- ❑ Product innovation becoming more simple, flexible , compatible and innovative
- ❑ Infrastructure discrepancy: increase people's access in transaction through technology platform such as e-ZISWAF, fintech, blockchain
- ❑ Create eco-system of ZISWAF



Encourage product innovation and development syariah instrument, to accommodate umat problem thesedays. Especially on ijtihad area by developing comtemporer fatwa



Returning back the Syariah maqoshid parameters as the KPI for formal Syariah financial institutions (i.e banking, insurance, stock market, etc)





Jazakallah

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