



# THE FUTURE OF ISLAMIC FINANCE AS INCLUSIVE FINANCE: EXPERIENCE FROM COMMUNITY SERVICE IN INDONESIA, MALAYSIA AND THAILAND

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## Abstract

*Islamic finance is a global phenomenon that has penetrated various countries, both Muslim-majority countries and non-Muslim-majority countries. The inclusive character of Islamic finance makes it very possible for it to be accepted in various regions. This paper focuses on three countries in Southeast Asia, namely Indonesia, Malaysia and Thailand. The aim of this writing is to understand the latest developments in Islamic finance in these three countries from inclusive financial perspective. This community service paper approach uses literature study. The paper results show that Islamic finance in Indonesia, Malaysia and Thailand shows different degrees. Malaysia can be said to be a leader in the Islamic finance sector not only in Asia but also at the world level. Indonesia shows a strong target to become the world's halal center. Meanwhile, Thailand also does not want to be left behind, especially developing Islamic social finance apart from focusing on the halal tourism industry.*

**Keyword:** *Islamic finance, invclusive, Indonesia, Malaysia, Thailand*

## 1. Introduction

The Islamic financial industry has been present to provide financial solutions for the global community, not only for Muslim communities, but also for non-Muslim communities. Universalism is one of the characteristics inherent in sharia finance because this industry is open to use by all levels of society. The growth of Islamic finance has reached a new era after more than 40 years of its reintroduction globally. Islamic finance is a concrete effort to revive Islamic teachings in the financial sector (Qadri & Bhatti, 2019). Sharia financial contributions are expected to be able to improve community welfare and become a support for the real sector of the economy from various levels of societal segmentation (Arfah et al., 2020).

Modern Islamic finance has reached a point where its development journey has reached more than 40 years since the founding of the Islamic Development Bank in 1975 (Bhatti et al., 2019). Globally, based on the Islamic Corporation for the Development of the Private Sector (ICD) report from IsDB on Islamic Finance Development The 10th report contains a number of data that deserves attention. Data in 2022 shows that global sharia finance has succeeded in reaching assets of 4 trillion US dollars with growth of 17% compared to the previous year. Based on the number of assets, there are 5 countries that dominate the assets of the sharia financial industry, namely Iran (1,235 billion US dollars), Saudi Arabia (896 billion US dollars), Malaysia (650 billion US dollars), the United Arab Emirates (252 billion US dollars), and Qatar (186 billion US dollars).

There are around 1,679 sharia financial institutions spread across various regions in the world. The composition of the global financial industry is dominated by the banking sector which controls 70% of global financial assets with total assets reaching 2.8 trillion US Dollars with a growth rate of 17% per year. In second place is Sukuk with a total outstanding value of 713 billion US Dollars with a growth rate of 14% per year. In the third largest position are Investment Management Funds with a growth rate of 34% with assets reaching a value of 238 billion US Dollars consisting of assets in the money market and stock market, and exchange traded funds (ETFs). Unfortunately, the investment management funds sector is still dominated by Iran, Saudi Arabia and Malaysia. Apart from these three sharia financial services sectors, in the global sharia financial industry there are other sharia

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financial institutions, namely sharia fintech companies, investment companies, financing companies, sharia microfinance institutions which are growing at 5% per year with total assets of 169 billion US dollars. The smallest is Sharia Insurance which grows 17% per year with total assets reaching 73 billion US Dollars.

**1.1 Recent Development Islamic Finance in Indonesia**

Indonesia will have entered the age of 31 years in its efforts to develop modern sharia economics and finance since the establishment of the first sharia bank in Indonesia in 1992. Indonesia's position in the Top Global Sharia Finance is ranked 3rd in the Top Score Islamic Financial Development Indicator (IFDI) category. Countries and Global Average in 2022. This survey measures financial performance, governance, sustainability, level of knowledge and level of awareness and Indonesia managed to get a total score of 61, behind Saudi Arabia in second place (score 74) and Malaysia in first place (score 113). However, in terms of total assets, Indonesia is in 7th position in the world. In terms of the size of the sharia economy, Indonesia is in 4th position after Malaysia, Saudi Arabia and the United Arab Emirates. The largest contributor to the sharia economy in Indonesia is the halal food sector which is ranked 2nd in the world. Indonesia is ranked 3rd in the world for the halal fashion category. As for the sharia finance category, Indonesia is in 6th place in the world.

Data for the last 5 years in the period 2018-2023 shows that the growth of total sharia financial assets reached 13.7 percent consisting of the sharia banking sector, sharia capital markets and sharia non-bank financial institutions (IKNB) with assets reaching IDR 2,450.55 trillion as of June 2023. Based on the OJK report in 2022, the number of sharia financial institutions reached 473 financial institutions spread across Sharia Banking, Sharia Capital Markets and the Non-Bank Financial Industry (IKNB). In the Sharia Banking industry, there are 13 Sharia Commercial Banks, 20 Sharia Business Units, and 167 Sharia Rural Banks. In the Sharia IKNB Sector, there are 58 Sharia Insurance, 31 Sharia Financing Companies, 7 Sharia Venture Capital, 10 Sharia Pension Funds, 7 Sharia Fintech, and 98 Other Non-Bank Financial Institutions (NBFIs). In the Sharia Capital Market sector, there is 1 Sharia Investment Management, 61 Sharia Investment Management Units, 78 outstanding Government Sukuk, 221 Cooperative Sukuk that are still outstanding, and 274 Sharia Mutual Funds that are still outstanding.

The share of sharia financial industry assets is still small when compared with national financial assets. Conventional finance still dominates 89.31% of the share of national assets. This means that sharia financial assets are only able to fulfill 10.69% of total financial assets in Indonesia. In terms of assets, Sharia Capital Market instruments fill 6.42%, Sharia Banking fills 3.61%, and Sharia NBFIs fills 0.66% of total national financial assets. The composition of the national sharia financial industry, when viewed from its asset portion, is 60.08% dominated by the Sharia Capital Market sector, while the Sharia Banking sector is in second place with an asset portion of 33.77% (Rp. 802.26 T) with an asset growth rate of in 2022 it will be 15.63% and the sharia non-bank financial industry will occupy an asset portion of 6.15%.

In terms of market share, the sharia financial industry compared with conventional finance shows that the sharia capital market accounts for 18.27% of the total national market share, sharia banking is at 7.09% of the total national market share, and Sharia NBFIs was only able to achieve a market share of 4.74% of the total national market share. This shows that in terms of market share the conventional capital markets industry controls the national market by majority at 81.73%. Meanwhile, in the sharia banking sector, the conventional banking industry controls the national market by a majority of 92.91%. In the NBFIs sector, the conventional financial industry controls the national market by a majority of 95.26%. This is certainly homework for sharia economic and financial stakeholders so that the sharia financial industry can be more widely distributed.

**1.2 Recent Development Islamic Finance in Malaysia**

The development of the Islamic finance industry in Malaysia has been a notable success story, marked by comprehensive regulatory frameworks, innovative financial products, and strategic



initiatives to position the country as a global hub for Islamic finance. Malaysia's success in developing its Islamic finance industry has garnered international recognition. The country has hosted global Islamic finance conferences and has been actively involved in promoting international standards for Islamic finance (Kassim, 2016). The Malaysian government has consistently supported the growth of Islamic finance through various initiatives. Malaysia's Vision 2020 included the goal of making the country a global Islamic finance hub, and initiatives like the Malaysia International Islamic Financial Centre (MIFC) were established to promote Malaysia as a hub for Islamic finance services. The government of Malaysia played a crucial role in creating a conducive environment for the development of Islamic finance. The enactment of the Islamic Banking Act 1983 and the Takaful Act 1984 provided a legal framework for the operation of Islamic financial institutions.

The 1980s and 1990s witnessed the establishment of several Islamic financial institutions (Sloane-White, 2018), including Islamic banks and takaful (Islamic insurance) companies (Kitamura, 2020). These institutions offered a range of Sharia-compliant financial products and services to meet the diverse needs of customers. Malaysia expanded its Islamic finance landscape by introducing the Islamic capital market (Anuar et al., 2021). The establishment of Bursa Malaysia (formerly Kuala Lumpur Stock Exchange) played a pivotal role in facilitating the trading of Sharia-compliant securities. Sukuk (Islamic bonds) became a prominent instrument within the Islamic capital market. Malaysian Islamic financial institutions have been proactive in introducing innovative Sharia-compliant products to attract a broader customer base. Products such as Islamic home financing (Ijarah) and Islamic credit cards have become popular, contributing to the growth of the industry.

### 1.3 Recent Development Islamic Finance in Thailand

Thailand has made efforts to develop its Islamic finance industry to cater to the financial needs of its Muslim population. The introduction of Islamic banking and finance in Thailand has been part of the government's broader strategy to promote financial inclusion and diversity in the financial services sector. The regulatory framework for Islamic finance in Thailand has been evolving to provide a clear and supportive environment. Authorities have been working on regulations that ensure compliance with Islamic principles while maintaining the stability and integrity of the financial system (Mohd Nawawi et al., 2020).

Efforts have been made to increase awareness and understanding of Islamic finance among the public. Financial education programs and initiatives have been launched to familiarize individuals, businesses, and financial professionals with Sharia-compliant financial products. The Bank of Thailand has been involved in granting Islamic banking licenses to financial institutions interested in offering Sharia-compliant products and services. This includes both domestic and foreign banks looking to operate Islamic banking windows. Even though, Thailand is more well known by its halal tourism and halal food industry (Jeaheng et al., 2019).

Thailand has also shown interest in issuing Sukuk (Islamic bonds) to fund infrastructure projects and raise capital in a Sharia-compliant manner. Sukuk issuance can attract both domestic and international Islamic investors, contributing to the development of the Islamic capital market. Thailand has engaged in collaborations with international Islamic finance organizations and institutions to benefit from their expertise and promote cross-border Islamic financial activities. Partnerships with countries with well-established Islamic finance industries can facilitate knowledge transfer and industry development.

### 1.4 Potential and Opportunities for Sharia Financial Development

Efforts to develop sharia finance are certainly not easy. There are many factors that need to be considered so that the Islamic finance industry can have a larger market share than it currently does. Basically, Indonesia has a huge opportunity to continue expanding its market share in the sharia financial industry. Moreover, the Indonesian Government has determined to make Indonesia the World Halal Center by 2024. It is quite surprising, after 31 years of sharia finance being officially introduced in Indonesia through Bank Muamalat, it turns out that the development of both assets and market share of the sharia financial industry is still far behind compared to financial conventional. If

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viewed from a number of variables, Indonesia should have a very big opportunity to become a market leader in the sharia financial industry sector.

### **1.5 Largest Muslim Population in the World**

The drive to make Indonesia a global sharia financial center is of course based on the large Muslim population in Indonesia which is known as the largest Muslim population in the world. Based on the Royal Islamic Strategic Studies Center (RISSC) report, the number of Indonesian Muslims is 237.56 million people or 86.7 percent of the total population of Indonesia. Appropriate efforts can increase demand for the Islamic financial services sector. The small market share of the sharia financial industry is an indication that there are still many Indonesian Muslim communities who do not use sharia financial services. This is certainly a market that is still very wide open for the sharia financial services industry.

### **1.6 Availability of Formal and Non-Formal Education Pathways**

Financial literacy is one of the entry points in increasing public awareness and inclusion in the financial services sector. The availability of sharia economic and financial education media, both formal and non-formal, can be a force that is expected to be able to encourage the growth rate of sharia finance. Currently in the formal education sector there are more than 100 Islamic Economics and Business Faculties under the Ministry of Religion which are united under the Association of Islamic Economics and Business Faculties (AFEBIS). There are various study programs such as Sharia Economics, Sharia Banking, Sharia Business Management, and Sharia Insurance, Sharia Accounting, Zakat and Waqf Management, Sharia Tourism, and so on starting from S1 to S3 level.

Even universities under the Ministry of Education also offer a number of Islamic Economics and Finance Study Programs. Likewise, at the high school level, several vocational schools also teach Islamic Economics subjects with various competencies including sharia banking. Apart from the availability of formal education in the fields of Islamic economics and finance, a number of educational activities outside formal education are also increasingly being offered to the public. Bank Indonesia has even been holding the Sharia Economic Festival for 10 years. Bank Indonesia has even provided learning modules ranging from books to educational videos on Islamic Economics for middle and high school levels. Likewise, the number of webinars and Podkes related to Islamic economics and finance education is increasing in number and is easy to obtain through information technology. Competency training and certification programs related to sharia economics and finance are also increasingly being offered.

This variety of formal and non-formal educational pathways is a large capital that allows the development and expansion of Islamic economics and finance to have the opportunity to be further improved. Thus, the inclusion of the sharia economics and finance curriculum in formal education at both secondary school and university levels is a strengthening element in efforts to increase opportunities for the development of sharia economics and finance in the country. Likewise, informal education on sharia economics and finance in various channels is certainly one of the media to strengthen literacy and education so that people better understand sharia economics and finance.

### **1.7 Trends in Increasing Awareness of Community Digitalization**

The path to strengthening penetration of sharia economic and financial information can also be accelerated through digital media. The current condition of society has entered a new era after the Covid-19 pandemic. The high level of public awareness of using digital technology is an opportunity in itself to accelerate information penetration to increase the share of the Islamic economic and financial market.

### **1.8 Stakeholder Involvement and the Sharia Financial Industry Ecosystem in Indonesia**

Currently, Indonesia has a complete economic and financial ecosystem. Many stakeholders, including government, financial institutions, society and academics are involved in efforts to develop the Islamic finance industry. The Sharia Financial Industry Ecosystem starts with support from the



Government, Regulators, KNEKS, Sharia Financial Services Industry, Associations Related to Sharia Economics and Finance including Professionals, Industry, Community, MSMEs, and other stakeholders.

### 1.9 More Understanding on Contemporary Sharia Finance

There are a number of views in interpreting sharia economics and finance. First, the presence of contemporary sharia finance can be understood as a form of movement to revive Islamic teachings in the financial sector. For most Muslims, the movement to revive Islamic teachings in the financial sector is a form of expression of religious identity. Therefore, generally Muslim-populated countries such as Malaysia, Indonesia and Muslim countries in the Middle East make the movement to revive Islamic economic and financial teachings an ideological movement. Awareness of implementing religious teachings not only in the field of worship, but also in the field of muamalah has also encouraged the rebirth of sharia economics and finance in the modern era. Second, there are groups of people who view the trend of strengthening sharia economics and finance as a market niche that promises to grow new sources of income. The growth of sharia economics and finance has attracted a lot of attention not only from Muslim and non-Muslim communities.

In fact, many countries that do not have a Muslim population are also developing sharia economic and financial industries. This shows that the demand for sharia financial services and other halal products is a promising market opportunity considering that the global Muslim population reaches a third of the world's population. A number of countries that are not Muslim-majority countries have also entered the halal industry. There are a number of segments in the halal industry, including halal food and drinks, halal fashion, halal tourism, halal logistics, halal accommodation, and including sharia finance. A number of non-Muslim majority countries have entered various types of halal industries, such as England and Singapore which are the main players in sharia finance, Australia in the halal meat industry, Brazil in the halal poultry industry, Thailand in the halal culinary industry, South Korea and Japan in the halal tourism industry. , etc. Third, there are also groups who interpret sharia economic and financial development as a form of political accommodation to gain sympathy and a niche for the political voice of Muslims. In countries with a majority Muslim population, identity politics is often a consideration in attracting voters from the majority group. The public's high awareness of expressing their religious identity is seen as relevant to the emergence of sharia economic and financial entities. Accommodating the high flow of passionate expressions of religious identity is one strategy that is considered effective in attracting political sympathy and votes from Muslims to win political competitions. Fourth, sharia economics and finance have become a global trend that has developed beyond the boundaries of nation states.

The message of universalism in sharia economics and finance which can not only be utilized by Muslims but is also open to non-Muslim groups has made Islamic economics and finance international and become a global trend. The existence of similarities with global issues such as a sustainable economy, a socially responsible economy, attention to the real sector of the economy, health and hygiene issues makes the implementation of Islamic economics and finance acceptable globally. . Fifth, sharia economics and finance which promises a system that is believed to be fairer and is proven to be able to withstand various pressures increasingly strengthens the need for modern society to use sharia economics and finance in its daily muamalah practices. Sharia economics and finance make Islamic ethics and morals a strong foundation supporting sharia economic and financial practices. Sharia economics and finance encourage economic growth that is fair, strong, real sector oriented, and pays attention to human welfare from a holistic spiritual and material, individual and social perspective, now and in the future, which leads to efforts to realize the benefit of humans, society, the country and the world.

### 1.10 The Urgency of Sharia Finance for the Economy in Realizing the Three Pillars of Maqashid Syariah

A number of studies have shown that financial inclusion has a significant influence on reducing poverty levels and encouraging economic growth. Financial inclusion has many positive

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impacts on society, regulators, government and private business actors. Financial inclusion can be understood as providing access to various financial institutions, products and services for those in need in order to improve community welfare. Financial inclusion is measured by reviewing people's use of financial products or services in the past year. This financial inclusion is needed to increase economic efficiency, maintain financial system stability, and reduce the existence of "shadow banks" or "illegal financial services" which often ensnare people such as loan sharks or loan sharks.

Sharia finance is also expected to be able to contribute to economic growth as part of the national financial system which currently offers a dual financial system. The Islamic financial system, with its unique characteristics, is believed to be able to play an important role in growing a real sector-based, balanced and ethical economy. There are at least 8 distinctive characteristics that make sharia finance unique when compared to conventional financial systems, namely 1) Sharia finance is a financial system that is rooted in Islamic teachings; 2) Sharia finance views interest as usury which is forbidden; 3) Sharia finance prohibits speculative behavior; 4) Islamic finance promotes trade and sharing of profits and risks in business; 5) Islamic finance positions money as potential capital that can grow if used in business schemes; 6) Sharia finance promotes real asset-based financing; 7) Sharia finance places agreements and contracts as something important and sacred; 8) All business activities and operations must not violate Islamic law.

A financial system is needed in order to allocate funds from parties who have excess funds to parties who need funds. The existence of sharia finance is expected to be able to meet the needs of allocating public funds in ways that are fair, real sector oriented, and tied to Islamic ethics and moral values. Currently, the sharia financial system has complete sharia financial institutions in accordance with the segments of society's needs. For poor communities or the underprivileged category (people who experience difficulties in meeting their basic needs) there is Islamic social finance which is organized by the Amil Zakat Agency (BAZ), and the Amil Zakat Institution (LAZ). Based on 2022 data, there are 34 provincial BAZNAS, 463 Regency/City BAZNAS, 28 National LAZs, and 23 international LAZs. This Islamic public financial service is packaged with an emphasis on its social function for the lower strata of society with the characteristics of the poor and needy.

In the category of people who are unbankable because they do not have the ability to meet the feasibility requirements put forward by banks but have the desire and potential to be economically empowered, they can utilize the services of sharia microfinance institutions. Financial institutions that fall into this category include Micro Waqf Bank, Sharia Cooperative, Baitul Mal Wat Tamwil, Sharia Microfinance Institutions, sharia pawnshops, and Madani National Capital which provides sharia schemes for ULaMM and Mekaar products. According to 2022 data, there are 3,912 Sharia Savings and Loans and Financing Cooperatives (KSPPS), 81 Sharia Microfinance Institutions, 62 Micro Waqf Banks, 624 Sharia UlaMM and 161 Mekaar Syariah business units spread across various regions in Indonesia, as well as 4 Sharia pawns. For low-income people in vulnerable groups who have the potential to be economically empowered in the ultra-micro and micro business categories, they can take advantage of sharia financial services in this segment with semi-social and semi-commercial packaging with the target of financial institution business activities being able to continue to be sustainable.

Indonesian People who have middle and upper middle income can take advantage of sharia financial services that are more suitable to their income profile, namely sharia banking, sharia capital markets, sharia insurance, sharia fintech and sharia financing. In the sharia banking sector, according to 2022 data, it shows that there are 13 Sharia Commercial Banks, 20 Sharia Business Units and 167 Sharia People's Financing Banks. In the Sharia IKNB sector there are 58 Sharia Insurance, 31 Sharia Financing Companies, 7 Sharia Venture Capital, 10 Sharia Pension Funds, and 7 Sharia Fintech, and 98 other types of Sharia IKNB. In the Sharia Capital Market sector there is 1 Sharia Investment Management, 61 Sharia Investment Management Units, 78 State Sukuk (Outstanding), 221 Corporate Sukuk (Outstanding), and 274 Sharia Mutual Funds (Outstanding). Sharia financial services in this segmentation are commercial business oriented while still operating in accordance with sharia principles. Sharia financial services in this segment offer wealth/savings functions, financing functions, investment functions, payment functions, and risk protection and diversification functions.

For groups of people who have a certain amount of assets that they need to maintain, develop and hedge risks through risk diversification, they can utilize sharia financial services in this financial services industry group. Quantitatively, the sharia financial industry can be said to be very complete to meet the various financial needs of society in Indonesia. The remaining task for sharia financial services industry players is to convince the public that in practice sharia financial institutions are not only halal but have also been proven to provide universal good for society and contribute positively to economic development. At least the sharia financial industry is able to realize three things that are relevant to Abu Zahrah's maqasid sharia, namely tahdzib al fardh (able to be a medium for educating the public), iqamat al 'adl (able to be a means of upholding economic justice), and jalb al-masalih (able to be vigilant in creating benefits).

### **1.11 ahdzib al-Fardh: Education and Literacy as a door to increasing Sharia Financial inclusion**

One of the biggest challenges faced in developing sharia finance is the low index of sharia financial literacy and inclusion. Data shows that the sharia financial literacy index in 2022 is 9.14 percent. This data means that out of 100 people in Indonesia, only 9 people understand sharia finance. Meanwhile, the sharia financial inclusion index is at 12.12 percent. This indicates that out of 100 people in Indonesia, 12 people use sharia financial services. This data also shows that there is a high gap between the sharia financial literacy and inclusion index and the national index. Nationally, the financial literacy index of Indonesian society is at 49.68 percent. This indicates that out of 100 people there are 49 people who understand finances. The national level of financial inclusion is 85.10%. This shows that out of 100 people in Indonesia, 85 people already use formal financial services.

In addition, based on the IFDI Countries and Global Average report in 2022, there is a gap between knowledge and awareness of Islamic finance in Indonesia. The survey results showed that the score for the level of Islamic financial knowledge of the Indonesian people was 195, while the score for the level of public awareness of Islamic finance was at 56. This shows that a higher level of knowledge was not accompanied by a high level of public awareness in utilizing sharia financial services. This situation is certainly work that needs to be resolved.

Therefore, higher quality education is needed so that people have more literacy and awareness. It is hoped that a comprehensive understanding accompanied by a number of concrete actions in campaigning for sharia finance can become an energy to increase the development of sharia finance. More serious efforts in increasing knowledge, skills, beliefs, attitudes and behavior of the community towards sharia financial products and services need to be increased, including through sharia financial education, involvement of sharia finance in facilitating public financial needs, mapping of sharia financial information, more involvement financial distance in financial intermediation and national financial distribution channels, product innovation that is able to meet people's financial needs, guaranteed consumer protection, increased human resource competency, and the use of more up-to-date financial technology, as well as the need for support from all parties (stakeholders) in supporting financial development sharia.

### **1.12 Iqamat al-'Adl: Upholding Justice as a Basis for Gaining Public Trust**

Since its development, Islamic finance has promoted itself as a just and balanced financial system. Islamic Finance strongly condemns various financial practices that reflect injustice, such as ribawi practices in interest on money; speculation and uncertainty that have the potential to harm the parties; the practice of shifting risks and replacing them with the promotion of profit and risk sharing; the gap in equal distribution of financial access which is resolved by redistributing income through zakat, infaq and alms instruments; as well as illicit goods and services that can harm society.

The implementation of sharia financial justice certainly needs to be expanded by expanding the diversification of sharia financial services so that they are able to reach the needs of society at various segments, from low-income (poor), vulnerable, to middle, middle and upper income groups. The existence of sharia financial institutions, whether social, semi-social and commercial, or fully commercial, is encouraged to be able to meet the financial needs of the community with a variety of product innovations and prices that are appropriate (affordable) to their user segments. The expansion

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of sharia financial services can also be expanded by adopting technology. The trend of increasing use of information technology is an opportunity for the Islamic finance industry. The use of information technology can increase the effectiveness and efficiency of penetration of sharia financial services to the most remote areas without the need to open branches. Ease and acceleration through digitalization of sharia financial services will provide more equal access opportunities for the public to use sharia financial services and services (inclusion). It is hoped that product innovations from sharia financial institutions that are more sophisticated and affordable will attract all levels of financial services consumers in Indonesia, whether loyalist, rationalist or apathetic.

Sharia financial services are also expected to be able to demonstrate their role in encouraging the redistribution of income for groups of people who are able to pay zakat, charity and charity (aghniya/muzakki) and distribute it to people in need (mustahiq). There are sharia financial institutions that directly receive social funds from aghniya and distribute them to underprivileged communities as beneficiaries, namely BAZ and LAZ. There are sharia financial institutions that directly and indirectly receive social funds from wealthy communities and channel them through productive financing schemes to underprivileged communities, such as Micro Waqf Banks and sharia cooperatives/Baitul Mal Wat Tamwil. There are also sharia financial institutions that indirectly collect social funds from wealthy communities and channel them through third parties such as sharia banking, sharia insurance, sharia financing companies and other sharia financial industry companies with PT or CV legal entities. This sharia financial institution as a legal entity collects zakat, infaq and alms from employees and customers who are willing to collect their zakat personally as well as from the Company's zakat, infaq and alms.

**1.13 Jalb al-Masalih: Benefit as the Final Goal of Sharia Finance**

Sharia finance exists not only to meet the economic and financial needs of society in a halal manner, but is expected to be able to optimally become a means of realizing benefits in the community's economic and financial activities. Sharia finance is called halal because operationally sharia finance is guided by the rules and principles set out in sharia law (Fatwas). Compliance with sharia rules is the initial parameter to ensure that sharia financial products circulate in accordance with sharia rules and principles. However, in reality, sharia finance must not stop at just pursuing halal status, but must move continuously to improve its status to become a halal and good industry. The goodness of the sharia financial industry is demonstrated by its ability to support the realization of various benefits that are demanded by God and society, both nationally and globally. Sharia finance is encouraged to be able to support the development of the Halal MSME Industry.

Sharia finance is also expected to be able to support the green economic trend (environmentally friendly on land), blue (environmentally friendly in the marine sector), and red (environment without waste). Based on global data, the issuance of ESG-based Sukuk (ecologically and socially responsible governance) in 2021 has reached a value of 5.3 billion US Dollars, led by Saudi Arabia, Indonesia and Malaysia. The trend of environmentally and socially responsible investment funds is also increasing globally, led by Malaysia. This reality shows that the development of sharia finance is expected to be able to remain relevant to sustainable economic trends which lead to efforts to create an economy that is able to realize universal benefits for both human life and the planet on which humans live.

**2. Closing**

Efforts to expand the sharia financial market are not just an effort to fulfill the spiritual calling of Muslims, but are also a struggle to realize universal benefit in the financial sector by offering goodness based on Islamic sharia values. Sharia finance needs to continue to be encouraged to be able to meet halal standards from the perspective of Islamic law as stated in global fatwas and the MUI DSN, but it is also hoped that it will be able to provide universal and global benefits for a prosperous, sustainable and just human life.





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