

## Chapter 23

# Capturing the Velocity of Sharia Economy Through an Islamic Boarding School's (Pesantren) B2B E-Commerce

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### **ABSTRACT**

*Indonesia is the largest Muslim majority country in the world, representing 13% of the global Muslim population. The high number of Islamic boarding schools, or pesantren, in Indonesia and the value of conventional transactions that occur among them present a big economic opportunity. However, this opportunity is not well-documented, captured, or maintained. The need to digitalize transaction processes between pesantren is of high importance. The government, which in this case is represented by the Central Bank, has tried to form an e-commerce platform for pesantren markets through one particular pesantren considered the most mature and prepared to coordinate and manage such a platform. However, the characteristics of users from pesantren are very unique with a strong culture among them. Thus, the building of an e-commerce platform for this specific market needs to be carried out carefully. By using qualitative and quantitative methods, this research attempts to design the most appropriate e-commerce platform for this Islamic market.*

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## **INTRODUCTION**

### **Sharia Economics in Indonesia**

As the largest Muslim majority country in the world, representing 13 percent of the global Muslim population, Indonesia is an integral and central part of an increasingly large Muslim economy throughout the world. In 2017, approximately 218.8 billion US dollars was spent by Indonesian Muslims in all sectors of the sharia economy (The State of Islamic Economy Report 2018/2019). The amount of spending by Indonesian Muslims has enormous potential to develop the Islamic economy as a new economic flow that could drive global economic growth. Globally, Indonesian halal industry is in the 10<sup>th</sup> position based on the Global Islamic Economic Indicator in 2018/2019. Unfortunately, Indonesia still lacks information about the halal industry's market share in the economy.

Sharia economic potential, also known as Islamic economics or halal economy, can be seen from the increasing growth of the world's Muslim population that is expected to reach 27.5% of the total world population in 2030; from increased economic growth in Muslim countries; and from the emergence of potential halal markets such as China and India (The State of Islamic Economy Report 2018/2019).

The development of sharia economic practices in Indonesia also shows encouraging facts. Within the last ten years, the development of Islamic economic discourse in Indonesia has received attention from many circles, both for its conceptual/academic aspects as well as the practical aspects. From the academic side, the development of Sharia economics is marked by the number of educational institutions that offer training programs and courses in Sharia economics, Sharia finance and Sharia banking at both the Undergraduate (S1) and Postgraduate (S2 and S3) levels. In addition, discussions on the development of Sharia economy are also carried out in seminars, symposia, conferences, book studies and other activities that examine more deeply the development of Islamic economy and its application in the economic and business worlds. In its application, the development of the Sharia economic system is marked by a number of established Sharia financial institutions such as Sharia Banking, Islamic micro finance known as Baitul Mal Wa Tamwil, Sharia Capital Market, Sharia Mutual Funds, Sharia Pawnshop, Sharia Insurance and other institutions that are run on Sharia principles. The increasing availability of financial institutions based on Sharia principles provide more alternatives for the public to use financial institutions that are not interest-based (conventional financial institutions) (Indonesia Islamic Economic Masterplan 2019-2024).

On the other hand, in order to spur sharia economic growth in Indonesia, the government has also issued laws and regulations that can be used as a formal basis in the conduct of business activities based on the Sharia economic system, including: Law Number 41 of 2004 concerning Waqf, Number 21 of 2008 concerning Sharia Banking, Law Number 19 of 2008 concerning Sharia Sovereign Bond (SBSN) or Sukuk, Law Number 33 of 2014 concerning Halal Product Guarantee, and Government Regulation Number 31 of 2019 concerning Halal Product Guarantee. Constituting a legal basis for Islamic economic activities and institutions has been proven to have a significant impact on the economic growth of sharia in Indonesia. An example of this is the 5% target of Islamic banking assets. Compared to conventional banking, this was initially difficult to achieve until government regulations enabled the target to be achieved in 2015 (Toba and Aliludin, 2016). This was made possible because basically activities and institutions related to Islamic banking are linked.

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