

EDITORIAL NOTES

Islamic Economic and Financial Practices in Indonesia: From Local to a Potential Global Framework

Abstract

This issue continues to showcase the distinctiveness of Islamic economic and financial practices in Indonesia and their potential relevance globally. It covers various aspects, including emerging trends in Islamic economics research, the significance of Islamic economics and finance in the modern economy, institutional performance, financial stability, waqf institutions, and the societal role of Islamic economics and finance. The selection process for the articles followed several rigorous steps. Upon receiving each submission, an initial check was conducted to assess its suitability with the journal's aim and scope. Subsequently, the manuscripts were sent to two appropriate reviewers for a double-blind peer review process. In some cases, manuscripts required multiple rounds of evaluation before final acceptance. The feedback provided by the reviewers played a crucial role in making the final decisions. Upon acceptance, the manuscripts proceeded to the editing stages, where they underwent meticulous proofreading and layout design. Throughout this stage, close and constant communication between our editors and the respective authors was maintained to ensure the clarity and coherence of the final articles. From the numerous submissions received, only 12 outstanding papers were selected for publication. Each of these articles offers valuable contributions to the field of Islamic economics and finance, and they have been carefully chosen for their originality, relevance, and potential impact on the scholarly community. We believe that these selected papers will enrich the understanding and discourse surrounding Islamic economics and finance, both in Indonesia and beyond.

Introduction

This issue represents our unwavering dedication to upholding the highest standards of academic rigor as we strive to offer our esteemed readership a profound exploration of the distinctive economic and financial practices that prevail throughout Indonesia. Our primary objective is not only to provide a comprehensive account of these practices but also to evaluate their potential applicability within a broader global framework.

The discourse presented in this issue is multifaceted, covering a wide range of pivotal topics that shed light on Indonesia's economic landscape. These topics span across various domains, including accounting, the zakat system (a form of Islamic charitable giving), halal tourism (tourism adhering to Islamic principles), Islamic banking, capital market dynamics, and microeconomics. By delving into these subjects, our aim is to offer a comprehensive analysis that captures the intricacies and nuances of Indonesia's economic fabric. Moreover, we seek to highlight the potential lessons and insights that can be gleaned for broader global contexts, fostering a greater understanding of the diverse economic systems around the world.



In pursuit of academic excellence, we subjected a multitude of scholarly manuscripts to a rigorous selection process. From this extensive pool of submissions, our meticulous evaluation and review led us to identify and curate the twelve most exceptional papers. Each of these selected manuscripts stands out uniquely, representing exemplary research and offering insightful perspectives. By presenting these distinguished works to our readers, we aim to provide an exceptional learning experience that transcends the conventional understanding of Indonesia's economy and financial practices.

Through the dissemination of these select papers, our intention is to foster intellectual discourse and promote a deeper understanding of the economic intricacies inherent to Indonesia. Furthermore, we aspire to contribute to the broader academic community by showcasing the potential of Indonesia's economic and financial practices as valuable contributions to the global discourse on economic frameworks and policies. By sharing these insights, we hope to stimulate further research and collaboration, enabling scholars and policymakers worldwide to draw upon the experiences and lessons learned in Indonesia to enhance their own economic frameworks and policies.

Methodology

The publication process for the submitted manuscripts underwent a comprehensive and meticulous review to uphold the utmost standards of academic excellence. Each manuscript underwent a rigorous evaluation, meticulously conducted by our esteemed team of editors and expert reviewers, involving a minimum of two rounds of scrutiny. The purpose of these reviews was to assess various crucial aspects of the manuscripts, including their scholarly rigor, coherence, originality, and adherence to well-established academic conventions and guidelines. The comments and feedback provided by the reviewers played a pivotal role in shaping the final decisions for publication. They were subjected to careful consideration and were integral to the decision-making process. The aim was to ensure that the final selection of papers for publication was based on a thorough and comprehensive evaluation that integrated expert insights and constructive criticisms, thereby guaranteeing the highest quality of scholarship.

Upon acceptance for publication, the selected manuscripts progressed to subsequent stages of the publication process, encompassing meticulous editing, meticulous proofreading, and meticulous layout design. During this critical phase, our dedicated team of editors maintained a close and collaborative relationship with the authors, fostering open channels of communication to address any necessary revisions, clarifications, or improvements. This collaborative approach aimed to refine the manuscripts, elevating their overall quality and ensuring they met the standards of scholarly excellence expected by our readership. As an essential measure in upholding the integrity and credibility of our publication, each manuscript underwent a rigorous quality control procedure. This rigorous process was implemented to ensure that the published papers adhered to the highest benchmarks of academic excellence,



accuracy, and lucidity. By maintaining stringent quality control measures, our intent was to provide our readers with a compilation of scholarly works that not only met the most exacting standards of academic rigor but also made substantive contributions to the existing body of knowledge in a meaningful and profound manner.

Selected Manuscripts

The first article in our publication delves into understanding the response of the global Islamic stock market, specifically represented by the Jakarta Islamic Index (JII), during the COVID-19 pandemic. This study utilizes the Error Correction Model (ECM) techniques to test the proposed hypothesis. The results indicate a significant impact of the global Islamic stock market on the Indonesian Islamic stock market, both in the short and long term, during the outbreak. This can be attributed to the interconnected nature of the Islamic stock market, which attracts investors by allowing foreigners to own Islamic stocks in Indonesia and offers promising prospects in both the short and long term.

The second article aims to evaluate and analyze the financial performance of publicly traded companies operating under the Sharia category amidst the Covid-19 pandemic. The study employed the Altman Z-Score method, which utilizes four parameters and secondary data, to examine the 2020 financial statements of 30 companies listed in the Sharia category in JII. The findings of the study reveal that three companies exhibited indications of potential bankruptcy, as their Z-Score values were below 1.1. Additionally, three other companies were deemed susceptible to bankruptcy, with Z-Score values falling between 1.1 and 2.6. On the contrary, 24 companies were classified as financially sound, as their Z-Score values exceeded 2.6.

The subsequent article addresses the persistent lack of understanding among a significant number of farmers regarding the fundamental concepts underlying agricultural cooperatives, despite their extensive involvement in daily or long-term farm work. The study aims to explore the preferences of farmers in the agricultural sector concerning *Muzara'ah* and *Mukabarah* cooperation contracts, and their impact on allocated working time. To gather crucial data, a quantitative survey methodology is employed in this study. The quantitative analysis utilizes the Regression Moderation Analysis (RMA) technique. According to the survey findings, farmers exhibit a preference for the *Muzara'ah* contract as their preferred form of cooperation. This contract reduces the daily cultivation time by approximately 3.14 hours. Additionally, farmers engaged in this contract increase their daily working hours by approximately 8.28 hours when not faced with risks such as fertilizer or seed-related risks.

One notable article in this issue is a systematic literature review authored by Kiranawati et al. The study focuses on Islamic banking governance in the context of Maqashid Sharia perspectives. Its primary objective was to



investigate the application of Sharia governance in Islamic banking and its impact on bank performance. The study emphasizes the importance of adhering to good governance practices aligned with Islamic law, particularly incorporating the principles of Maqashid Sharia. The findings of the study indicate that implementing Sharia governance, guided by Maqashid Sharia principles, positively influences bank performance, service quality, and the value of Islamic banks. Adhering to these principles allows Islamic banks to excel in the industry and provide superior services. The findings underscore the significance of incorporating Sharia governance based on Maqashid Sharia principles in Islamic banking to achieve enhanced performance and value.

Another distinct article focuses on investigating the interplay between brand image, promotion, and customer loyalty in the context of Islamic banking in Indonesia, with trust as a moderator variable. The research pursues two main objectives: (1) examining the direct impact of brand image and promotion on trust and customer loyalty, and (2) investigating the indirect influence of brand image and promotion on customer loyalty through the mediation of trust. The results of the analysis reveal the statistical significance of all the examined variables. One of the noteworthy contributions of this study lies in identifying trust as a substantial mediating factor in the relationship between brand image, promotion, and customer loyalty at Bank Syariah Indonesia.

Furthermore, our next distinctive article delves into the role of Mudharabah financing in Islamic banking in addressing capital problems within the real sector through its profit and loss sharing (PLS) system. This study aims to identify the factors hindering optimal Mudharabah financing practices in Indonesian Islamic banking, analyze potential solutions, and provide optimization strategies. The study employs a qualitative method using the Analytical Network Process (ANP) approach. The study identifies priority solutions to address these issues, including implementing long-term financing options with appropriate profit-sharing ratios and yield benchmarks, adopting regulatory strategies, providing community training, and making investments in IT and HR. Additionally, developing the integrated micro, small, and medium enterprise (MSME) segment and strengthening stakeholder synergy is crucial.

In the following article by Kusuma and Agustin, the concept of Other Comprehensive Income (OCI) is examined. This study investigates the relationship between OCI and dividends using data from annual reports of 682 companies listed on the Indonesia Stock Exchange spanning from 2015 to 2021. The research employs descriptive statistics, correlation analysis, multiple linear regression analysis, and path analysis. The results indicate that OCI as a whole does not have a significant impact on dividends. However, when specifically analyzing the items within OCI that are "to be reclassified to net income," particularly gains (losses) on "available-for-sale financial assets," the study identifies a significant and positive relationship between OCI and dividends. These findings suggest that incorporating OCI with net income in the income statement format can enhance the relevance of financial information for users.



In the next row, a unique article by Hamzah et al. explores the factors influencing non-Muslim customers' preferences for Islamic banks in Muslim minority areas in Indonesia. Data was collected through questionnaires from 232 non-Muslim customers and analyzed using exploratory factor analysis (CFA). The study revealed four main preference factors: 1) access factors, related to facilities and location; 2) product quality factors, including product, promotion, and reputation; 3) psychological factors, such as satisfaction, perception, and knowledge; and 4) socio-cultural factors, involving social and religious status. These findings provide initial insights into non-Muslim customers' preferences for Islamic banks in Muslim minority areas in Indonesia. The study's outcomes offer valuable insights for Islamic banks when developing banking services for non-Muslim customers, thus promoting Islamic banking's growth in Muslim minority areas.

Following that, an article by Hulwati et al. aims to explore the benefits of investing in Hajj funds deposited by waitlisted pilgrims, not only for organizing the pilgrimage but also for the broader community in Indonesia. Primary data was obtained through interviews with the Public Relations of the Hajj Financial Management Agency (BPKH) and the Director of Hajj and Umrah Management of the Ministry of Religious Affairs in Jakarta. Additionally, secondary data was collected from various sources such as books, online news articles, and reports published by the BPKH regarding the investment benefits of Hajj funds. The study emphasizes that investing in Hajj funds benefits not only the management of Hajj operations but also has value for the wider community. The optimal utilization of Hajj funds includes providing religious, educational, and social facilities, as well as supporting disaster relief efforts such as during the pandemic. The study concludes that to maximize the benefits of Hajj fund investments, they should be directed towards more productive investment opportunities that yield maximum returns.

Another unique study conducted by Arif et al. examines stakeholder synergies in the development of halal micro-businesses in North Sumatra, specifically focusing on the traditional *Dodol* business in Tanjung Pura, Langkat Regency. Using a qualitative phenomenological approach, the study investigates stakeholders' perspectives within the Quadruple Helix model (Academics, Business Sector, Communities, Government), with an emphasis on the integration of Islamic banking. The findings highlight a lack of synergy among stakeholders, stemming from differing visions, insufficient collective commitment and coordination, and limited financial support from banking institutions. The study emphasizes key success factors in business development, including a shared mission, collective commitment, effective stakeholder coordination, and support from financial institutions. These empirical insights hold significant importance, providing valuable guidance for government entities in formulating strategic approaches and implementing necessary support mechanisms to foster the growth and development of the *Dodol* business.



In a similar vein, Adnan et al. analyze the impact of company size, age, profitability, leverage, and independent commissioners on ISR (Islamic Social Responsibility) disclosure using panel data regression analysis. The research employs a quantitative approach, utilizing secondary data from a panel dataset of 10 companies listed on the Jakarta Islamic Index (JII) from 2016 to 2022. Panel data regression analysis is utilized, incorporating three approaches: the standard, fixed, and random effect models. The findings suggest that company size, profitability, leverage, and independent commissioners do not significantly affect ISR disclosure. However, company age has a significant and positive influence on ISR disclosure. These results highlight the importance of implementing mandatory ISR disclosure regulations in the Indonesian Capital Market to enhance transparency and accountability for Muslim investors.

Our last article in this issue, authored by Gumansari and Huda, aims to investigate the impact of various macroeconomic indicators and the State Budget on State Sharia Securities (SSS) in Indonesia. The study utilizes secondary data from the first to the fourth quarter of 2022 and applies the PLS-SEM (Partial Least Squares - Structural Equation Modeling) method to estimate the multiple relationships between dependent and independent constructs. The findings reveal significant direct or indirect effects of macroeconomic indicators, including inflation rates, real GDP, benchmark interest rates, and oil commodity prices, on SSS. Additionally, as indicated by tax revenue and government foreign debt with a remaining time of ≤ 1 year, the State Budget demonstrates a significant positive impact on the volume of SSS issuance and outstanding. It is important to note that macroeconomic indicators were found to have a significant negative effect on the State Budget, highlighting the interplay between these variables.

Conclusion

This publication comprises a compilation of scholarly articles encompassing diverse facets of Islamic economics and finance in Indonesia. The featured papers delve into multifarious themes, including the ramifications of the global Islamic stock market on the Jakarta Islamic Index during the COVID-19 pandemic, the financial performance assessment of Sharia-compliant enterprises, and farmers' preferences regarding cooperation contracts. Additionally, it explores topics such as Islamic banking governance aligned with Maqashid Sharia principles, the interplay between brand image, promotion, customer loyalty, and trust in Islamic banking, hindrances to optimal Mudharabah financing, and the relationship between Other Comprehensive Income (OCI) and dividends. Moreover, it discusses determinants influencing non-Muslim customers' inclinations towards Islamic banks in regions with Muslim minorities, the advantages of investing in Hajj funds, stakeholder synergies in halal micro-business development, the influence of corporate characteristics on Islamic Social Responsibility (ISR) disclosure, and the impact of macroeconomic indicators and the State Budget on State Sharia Securities. These scholarly contributions offer valuable insights into the distinctive practices pervading Islamic economics and finance in Indonesia, constituting



significant contributions to the advancement of knowledge in this specialized field.

I sincerely thank the editors, reviewers, and administrative staff for their dedicated work in ensuring the journal's quality. We invite practitioners and academics in Islamic economics and finance to contribute original research papers to our journal, addressing relevant topics and advancing knowledge in the field. For inquiries and submissions, please contact us at jurnal.share@ar-raniry.ac.id. We look forward to your valuable contributions and continued efforts to advance Islamic economics and finance research.

Warmest regards,

Azharsyah Ibrahim

Editor-in-Chief

Share: Jurnal Ekonomi dan Keuangan Islam

Universitas Islam Negeri Ar-Raniry Banda Aceh

Email: azharsyah@ar-raniry.ac.id

