STRENGTHENING SHARIA ECONOMIC LAW IN INDONESIA:
CHALLENGES AND STRATEGIC APPROACHES AMIDST GLOBAL
ECONOMIC DOMINANCE

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Abstract: In the current context of economic globalization, Indonesia's Sharia-based economic system faces significant challenges in developing itself amidst the dominance of capitalist and socialist economic systems. This article aims to analyze the challenges faced by Indonesia's Sharia-based economic system and explore the maslahah mursalah approach as a conceptual framework to address these challenges. Through this approach, the article presents several strategic steps to strengthen the position of Sharia economics in Indonesia, including efforts to maintain the identity of Sharia economic law in a global environment dominated by capitalism, gathering empirical evidence on the advantages of Sharia economics, and increasing dialogue and collaboration between the academic community and practitioners of Sharia economics. This study fills the research gap by providing empirical comparative studies on the advantages of Sharia economics over capitalist and socialist systems, offering strategic solutions for practical implementation, and emphasizing the importance of academic-practitioner collaboration. This research's novelty is applying the maslahah mursalah conceptual framework, strategically reinforcing Sharia economic law identity, and enhancing academic-practitioner interaction. This article contributes to understanding the potential and challenges of developing Sharia economic law in Indonesia, offering new perspectives and concrete steps to strengthen Sharia economics in a dynamic global context. The findings enrich theoretical discussions and provide practical solutions to bolster the Sharia-based economic system amidst the prevailing global economic paradigms.

Keywords: Sharia-Based Economic System, Economic Globalization, Maslahah Mursalah, Sharia Economic Law Indonesia

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Introduction

Considering that the majority of the population is Muslim, the Sharia economic law system in Indonesia is considered very relevant for building an economic system based on Islamic values. Therefore, the Indonesian economic system must be studied like any other one. The difference between a Sharia-based economy and a capitalist and socialist economy tends to have significant differences. So, its existence can provide a reason for the development system of the Sharia-based economic system, which is a system in a specific group that does not drive an economy that applies the principles of justice and wealth. No individuals manage the state's wealth, but all individuals are forcibly placed on the same economic level.¹

Islam does not allow the existence of private ownership at all and categorically rejects the essence of capitalism, whose system monopolizes and exploits. The Sharia-based economic system also proves that the standard of work or human resources of economic management has a high and quality work ethic. Reinforced by Clifford Geertz's statement finding facts in his efforts to find out who among Muslims has an entrepreneurial ethos similar to the "ethics of Protestantism," following the ideas of Max Weber, Geertz found that the principles were found in students who, in general, had higher standards of work and responsibility than abandons affected by elements of non-Muslim beliefs.²

The literature review for "Strengthening Sharia Economic Law In Indonesia: Challenges And Strategic Approaches Amidst Global Economic Dominance" will be compared with some of the sources you have mentioned. The title reflects the desire to compare capitalist and socialist-based economic systems with Sharia-based economic systems and explore the challenges faced in developing Sharia-based economic systems in this era.

In "Global Economic System and the Effect of Economic Globalization on Islamic Economic Law" by M. Rasikhul Islam, Surahmah, and Keisha Farellia Putri Lindra, 2023, there are similarities with the thesis title in the discussion of the effect of globalization on

Sharia economic law. However, this source does not explicitly compare the capitalist and socialist economic systems with Sharia economic law.3

The source "Challenges And Initiatives In The Implementation Of Syariah Economy In Indonesia" by Yadi Janwari, 2012, provides insight into the challenges of implementing Islamic economics but does not directly compare with other economic systems.4 Meanwhile, in "Challenges of the Islamic Economic System in the Industrial Era 4.0 in Supporting Economic Growth in Indonesia," written by Izzun Khoirun Nissa, Sulistyowati, Asti Marlina, Jessica Allya Putri, and Chusnul Intan Alfiana, 2024, focuses on challenges in the Islamic economic system in the industrial era 4.0 in Indonesia, without comparing it with the capitalist and socialist economic systems.5 "Sharia-Based Economic Development in the Era of Globalization" by Mohammad Midkhol Huda, 2020, reviews the development of Islamic economics in the context of globalization but does not explicitly compare it with other economic systems.6

The source "The Western World's Response to Islamic Economics in the Era of the Industrial Revolution 4.0" by Hisam Ahyani, Memet Slamet, in 2021, discusses the Western world's response to Sharia economic law in the era of the Industrial Revolution 4.0, but does not compare directly with the capitalist and socialist economic systems.7 Then, "The Challenge Of Syariah Economy In Facing Indonesia's Future In The Globalization Era" by Anis Mashdurohatun, 2011,8 and "The Challenge Of Syariah Economy In Facing Indonesia's Future In The Globalization Era" by Hamad Taqi Al-Din

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Al-Muhaim, 2024, discuss the challenges of Islamic economics in Indonesia in facing the future but do not compare with other economic systems directly.⁹

From the literature review, it can be concluded that although these sources provide valuable insights into the challenges and implementation of Sharia economic law in the global and Indonesian context, they have not explicitly compared with capitalist and socialist economic systems. Therefore, the research entitled "Strengthening Sharia Economic Law In Indonesia: Challenges And Strategic Approaches Amidst Global Economic Dominance " is expected to make a unique contribution in comparing these economic systems and identifying the challenges in developing a Sharia-based economy in this complex era.

Although the capitalist system has already dominated the economic system in the world, even with countries that tend to embrace Islam, if examined more deeply, the statement should have proved that the Islamic economy can replace the capitalist and socialist systems. Compared to the few advantages described by the Sharia-based economic system. Of course, there are some challenges and obstacles in the actualization of the system. In addition to the Sharia-based system itself, other economic systems also have advantages that cause the weakness of the Sharia system in its development, with the capitalist and socialist systems. Thus, there is a need to study the challenges and obstacles in actualizing a Sharia-based economic system that is not limited to the territory in the era system of capitalist and socialist systems.¹⁰

**Research Methods**

The research method used is the Library research method¹¹, which collects and examines books, journals, and articles as reference sources in its compilation. In addition to the library method, the compiler digs deeper information and expresses and develops the thoughts from the theories obtained.¹² The research approach to be adopted in this article is the *maslahah mursalah* approach. This approach emphasizes the search for solutions following the public interest (*maslahah*), which is not directly regulated by

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Nash (legal arguments). In the context of research on "Strengthening Sharia Economic Law In Indonesia: Challenges And Strategic Approaches Amidst Global Economic Dominance," the maslahah mursalah approach will provide a broad and in-depth look at the challenges faced in developing a Sharia-based economic system amid the dominance of capitalist and socialist economic systems. This research uses the maslahah mursalah approach, which is expected to contribute significantly to understanding the challenges and potential of developing a Sharia-based economic system in today's complex global economic era.

**Development System Of Sharia-Based Economic System In Socialist And Capitalist Era**

According to the famous US anthropologist Clifford Geertz, the reformist students in Java worked as traders or entrepreneurs with the spirit of entrepreneurship. In the book "The Geertz wrote in "Religion of Java" (1960), employers (Muslims) are those who are influenced by Islamic working principles Islam that exist in their work environment. These facts are the result of Clifford Geertz's research in an attempt to identify who among Muslims has such entrepreneurial values as the "ethic of Protestantism" following the ideas of Max Weber; Geertz found that the principles are in students who turned out to be generally working standards higher level of moral entrepreneurship.

In the era of capitalist and socialist systems, it is the best way for Muslims to spread system the Sharia-based economic system. Muslims can do it because, as stated in the Quran, religion has no violence. Ummah can set an example of Islamic lifestyle, philosophy, and culture, convey to the world by displaying the example of the Prophet Muhammad and the prophets before, simplicity, monotheism, honesty, and ethics, is one of the lessons of Islam which today is something expected by modern humans. This possibility should be used well. By the people of Islam in creating a life and community that Allah glorifies. The Islamic economic movement in Indonesia has existed since 1911, the same year as the establishment of the Islamic trading company. It was an Islamic Trade Organization, Islam founded by prominent Muslim businessmen and figures of the time. If we look back in history, long before 1911, the role and position of the students

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(Muslims) in the world of trade are extensive, and many anthropological and historical studies confirm this fact.

Advantages Of Sharia-Based Economic System

Advantages of Sharia-based economic system, including:¹⁴

a) Freedom for individuals to make decisions

In Islam, human freedom is based on monotheistic values. These values give man courage and confidence. In the Islamic economic system, everyone should have the courage to voice their opinion. This freedom will maximize the human ability to survive. Consider also the characteristics of the foundation¹⁵. In addition, everyone is free to make decisions about their finances without being forced by others.

Through the maslahah mursalah approach, the benefits of a Sharia-based economic system can be understood more deeply¹⁶, especially in the context of individual freedom to make decisions. In Islam, human freedom is not only understood as an individual right but also as a moral responsibility based on the values of tawhid. These values give people the courage and confidence to make decisions that align with the common good and respect the laws of Allah.¹⁷ In the Sharia economic law system, everyone can voice their opinions in business and social life. This freedom allows for greater self-expression and facilitates dialogue and active participation in decision-making that impacts people's lives. This aligns with the principles of social justice in Islam, where all individuals have equal rights to participate in economic and social development.¹⁸

The consideration of the characteristics of foundations is also an essential aspect of appreciating the benefits of a Shariah-based economic system. Foundations in Islam are enjoined to operate with transparency, honesty, and fairness. This creates an enabling environment for individuals to make decisions based on the values of tawhid.

environment for sustainable and inclusive economic development, where every member of society can contribute according to their potential and needs.\textsuperscript{19}

Moreover, in the Islamic economic system, individuals are free to make decisions about their finances without being coerced by others. This promotes personal responsibility and allows individuals to manage their assets and resources following Islamic ethical values.

b) The recognition of individual ownership rights to property and the right to own property The right to own real estate is highly recognized in this economic system.

However, ownership and how to own it must be under Islamic law. In addition, pay attention to the characteristics of the enterprise. Convenience is the Sharia economic law system of property ownership. Thus, having this property will foster mutual respect and respect for each other. One of the critical values that must be instilled is the awareness that the treasure is only a deposit from Allah SWT.\textsuperscript{20} In Islam, recognizing individual ownership rights to property is highly respected, but under certain conditions by Islamic law. This creates a solid foundation to ensure that the ownership and management of property are done in compliance with Islamic principles of ethics and justice.\textsuperscript{21}

In a Shariah-based economic system, company characteristics are also a significant concern. Companies in Islam are expected to operate with transparency, honesty, and fairness. The ease of the property ownership system in Islam promotes mutual respect and honour among individuals. Property ownership is seen as a trust from Allah SWT that must be safeguarded and put to good use following Islamic principles.\textsuperscript{22}

Awareness of the trustworthiness of property is also an essential aspect of the Shariah-based economic system.\textsuperscript{23} Individuals are encouraged to realize that the wealth they own is only a trust from Allah SWT, and therefore, they have a moral responsibility

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\textsuperscript{23} Itang, Teori Ekonomi Islam, ed. M.Nur Arifin (Banten: Laksita Indonesia, 2015).
to manage it wisely and use it for the common good. This forms a solid ethical foundation for managing wealth and property in Islamic society.

c) **Economic inequality within reasonable limits is recognized in Islam, and everyone has economic differences.**

However, such dissimilarity is not caused by the decree of God or the foundation's structure. This is not because of the stupidity of man, who believes that people with positions and wealth have a higher degree than others. Thus resulting in the belief that "Allah SWT is unfair." This view must be eliminated because everyone has the same degree as the Creator.²⁴

Through the *maslahah mursalah* approach, the advantages of a Shariah-based economic system are discussed by considering the perspective of justice and equality in Islam. In a Shariah-based economic system, it is recognized that there are economic inequalities within reasonable limits, which are the result of the different sustenance provided by Allah to each individual.

However, it is essential to understand that such economic inequality is not due to Allah's injustice or an unfair underlying structure. Nor is it due to the ignorance of people who believe that those who have higher positions and wealth have higher degrees in the eyes of Allah SWT. Such a view is incompatible with the teachings of Islam, which emphasizes that every human being is equal before the Creator.

The principles of justice and equality in Islam encourage the elimination of distorted views, such as the belief that "Allah is unfair" because of economic differences. Regardless of economic status, everyone has equal rights before Allah SWT and should be treated fairly by society.²⁵

d) **Social Security and the right to life for individuals in a country exist. In a country, everyone has the right to live and defend his life.**

Every citizen has a social right to satisfy his needs. Each state government is also responsible for monitoring the financial transactions of service companies. In a Sharia economic law, the state is responsible for regulating natural resources to improve the general welfare of its people.

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In a Shariah-based economic system, Social Security and the right to life are considered integral to Islamic justice principles. Every individual has the right to life, survival, and social protection from the state. This includes equitable access to basic needs such as food, clothing, shelter, education, and healthcare.

Fulfilling these fundamental rights is a moral obligation and a form of investment in the country's socio-economic sustainability and stability. A Sharia-based economic system can help reduce social and economic inequality and strengthen solidarity and togetherness by ensuring equal access to resources and opportunities.²⁶

In the context of maslahah mursalah, these principles are driven by the public interest involving social justice and shared prosperity. A just and equitable society, where everyone is protected and guaranteed their rights, will create a stable and harmonious environment for economic growth and shared prosperity. Thus, through the maslahah mursalah approach, a Sharia-based economic system can significantly contribute to ensuring social Security and the right to life for individuals in a country, in line with Islamic principles of justice and the public interest in achieving shared prosperity.

e) The distribution of wealth  Islam advocates the distribution of wealth to all walks of life as part of business management.

Natural resources do not belong to any particular individual or group of individuals. In the public interest, natural resources must be utilized. There is no problem with this effort if there is no effort to optimize it through the sharia economy. Al-Maṣlaḥah al-Daruriyah emphasizes the importance of wealth distribution to all levels of society as a basic fundamental need. In Islam, the principle of social justice is strongly emphasized, and equitable distribution of wealth is considered an integral part of maintaining social balance and stability. A Shariah-based economic system can help reduce social and economic inequality and strengthen solidarity and togetherness by ensuring everyone can access economic resources equally. Al-Maṣlaḥah al-Hajjiyyah highlights the importance of wealth distribution as a necessity needed to achieve practical goals in daily life. A Shariah-based economic system can help improve society's overall economic well-being through equitable distribution of wealth. This creates a stable and harmonious environment for economic growth and shared prosperity. Al-Maṣlaḥah al-Tahsiniyyah focuses on the distribution of wealth to improve society's overall well-being

and quality of life. The Shariah-based economic system can help create a prosperous and equitable society by ensuring wealth is distributed equally and fairly. This creates a stable and harmonious environment and strengthens solidarity and togetherness in society.

Through the *maslahah mursalah* approach, a Shariah-based economic system can significantly contribute to ensuring a fair and equitable distribution of wealth in line with Islamic principles of justice and the public interest in achieving shared prosperity.

**Constraints on Sharia-based Economic Development**

One of the factors contributing to the challenges faced by the Islamic economy that Indonesia must face in progress towards the Islamic economy is the capitalist system, which is dominating the global economic system. Many Islamic countries even tend to use the system. Capitalism, although it has changed in its application, economically and politically, is not considered an Islam-strong Islamic State, so it is difficult to prove that the Islamic economic system is superior to capitalist and socialist economies, and it is among the experts themselves. There are still differences of opinion about the understanding of Sharia economic law.\(^{27}\) Three theoretical schools make up the economic structure: the capitalist system, the socialist, and the Islamic economic paradigm. In this regard, Sharia economic law has the following characteristics:\(^{28}\)

1. Value Terms
   Terms of value: the modern economic system focuses only on increasing the benefits and value of the materiality of an object without recognizing the importance of spiritualism and moral life in society. However, in the economic sphere, there are values in Islam. Materialism and spiritualism.

2. Freedom in transactions
   Islamic Economic Freedom is divided into several categories: namely freedom to communicate and interact, products, expenses, choices, cancel or continue transactions, and freedom in determining goods and prices, but there are ways to control freedom. The Quran and Hadith are examples of this. In the Quran, there is a ban on the consumption of haram goods, and there are instructions for food consumption following Islamic law.

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\(^{27}\) Muhammad, *Islamic Economics from an Islamic Perspective* (BPFE, 2004), 6–7.

3. Balance of individual and collective rights

Natural resources can be divided into individual and collective ownership. The religion of Islam justifies ownership of a person. However, it is not absolute, especially in tracking, supervising, and spending money on property, which must follow the principles of Sharia, which cannot justify anything that disturbs others and can disrupt general well-being.

4. Oriented to the Benefit

Oriented to the benefit, the most important is the benefit of society and individuals. In Sharia economic law, Islam in saving goodness always focuses on personal interests and includes economic rules such as buying and selling transactions, as evidenced by spending assets.

However, to implement the Sharia economic system in Indonesia, they will face many difficulties. If analyzed, difficulties can be sorted into different types. First of all, the political situation. Problems of legal conditions relating to legislative and executive responsibilities in terms of Economic Policy and regulation. However, the reason for using the Sharia economy will be problematic for Indonesia.

In comparison, policies and regulations need both institutions and social conditions. The problem of this sociological condition is closely related to the level of readiness of the community to accept the sharia economy as a means to be implemented. This came about because, over the years for how long the Indonesian people have become accustomed to classical financial measures. Even the vast majority of the Islamic population highly glorifies the growing and thriving economic organization of the Western state. Third, the financial condition of the community.

In addition, the problem that is also important to observe is the decline in the economic level of Indonesian society. According to Karnaen A. Perwataatmadja, this was a consequence of systematic efforts made by the Dutch colonialists to leave Indonesia as a state. Starting from the limitations of studying to the application of the economic discrimination law of Indonesia, it is weak, and the effects are still felt today.

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Therefore, three issues that must be considered when developing a Sharia-based economy must be prioritized, including:30

a. Develop Sharia economic law globally, science, and education.

b. developing an economic system that adheres to Sharia principles through supportive regulations.

c. Creating a people's economy that can be developed due to economic growth based on the real sector and supported by Islamic financial institutions.

Identification at the end of the Banking Year Seminar 2005 stated that the problems of developing Sharia-based banks are not based on macroeconomic conditions alone but on the influence of several other things31. First, the Islamic finance and office services network is still somewhat limited. Secondly, professional and low-quality human resources. Third, the general understanding of the bank, although Sharia is quite good, interest in its use is still tiny. Fourth, synchronization between policies and other public institutions related to financial transactions, such as tax policies and legal elements, has not been maximized; fifth, the highest interest rate system in 2005; and sixth, in that year, the social responsibility of Islamic banks in facilitating relationships between free sectors with perfect marginal economic support.32 Meanwhile, concerning Sharia economic research, several obstacles can hinder the progress and development of research on Sharia economic law, including:33

1) the absence of historical studies in research;
2) the lack of empirical studies and research;
3) inadequate institutional support;
4) non-observance of norms and Ethics in research and publications;
5) weak research vision; and
6) wrong in sorting out.

It can be concluded that two things must be considered in the progress of Sharia economic law: precisely the growth of Sharia economic law pragmatic analysis, not offset by the development of Sharia economic law from a theoretical point of view of how Sharia economics should be as a science not only be transformed into a more practical

and effective but need to be accompanied both must be done hand in hand, then the research development of Sharia economic law disciplines also becomes very significant.

**Sharia-Based Economic Development Opportunities From a Maslahah Mursalah Perspective**

Three main currents of thought emerged simultaneously with new opportunities for advancing Islamic Economic Research. Sharia economic law, which includes:

1. First, The School of Baqir al-Sadr and its main characters, the School of Baqir Sadr and Ali Shariati, realize a difference between economics and Islam. As a result, the term "economy" should be replaced by "Iqtishad." Madzhab This school also usually disagrees with the conventional economic axiom of limited resources, unlimited wants. Second, Madzhab is the mainstream madhhab, starring M.A. Mannan, Umer Chapra, dan Nejatullah Anas Zarqa, Siddiqi, and Monzer Kahf. If the first is pink, "Fundamentalist," the second shows a "middle ground" in contrast to conventional economics. Due to its modern characteristics, this academia has become the most dominant, with ideas provided using economic models and quantitative methods and the support of large institutions that conduct research and publish their findings. Third, Muhammad Arif and Timur Kuran founded the Alternative School of Madzab. Teaching Muslims to act critically against capitalism and socialism, but also modern Sharia economic law, according to them, is correct in Islam, but economics for just this reason, Islam may not be correct. It is an interpretation made by humans about the teachings of Islam.

While the differences between Islamic and capitalist economic systems provide great potential for developing Sharia economic law, the reason lies in evaluating Islamic economic systems with some principles and characteristics. In addition, the Islamic economic system only takes Sharia law, which is extracted from the arguments of Sharia as a solution. In addition, the economic system hopes there will be no more monopolies. The above-mentioned profit-making business is regular. Therefore, each transaction is based on a very profitable deal.

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34 Ibid., 2–3.
When viewed from the perspective of *maslahah mursalah*, Sharia-based economic development opportunities reflect a holistic and sustainable vision for the welfare of the people and the environment. Within the framework of *maslahah mursalah*, several aspects can illustrate the potential for Sharia economic development.\(^{37}\)

A Shariah-based economy depends on social justice principles and equitable wealth distribution. The Shariah-based economy can enhance shared prosperity by ensuring equitable access to economic resources, including through financial institutions prioritizing community economic empowerment.

One of the critical advantages of the Sharia economy is its alignment with Islamic moral and ethical values. By ensuring compliance with Shariah principles, such as the Prohibition of usury and investment in sectors that align with Islamic principles, the Shariah-based economy builds strong credibility in the eyes of stakeholders and society.

While based on well-established principles, the Shariah economy also provides room for innovation and creativity. By developing products and services that comply with Shariah principles and utilizing new technologies and approaches to business, the Shariah-based economy can become a hub of innovation that drives sustainable economic growth.

The Sharia economy also pays special attention to environmental protection and sustainability. By encouraging environmentally friendly and responsible business practices and investing in sectors that support sustainable development, the Sharia-based economy can be a driving force for achieving sustainable development goals.

Through the *maslahah mursalah* approach, Shariah-based economic development opportunities are about achieving sustainable economic growth and creating a just, ethical, and environmentally sound society. This creates a solid foundation for economic development that is inclusive and in favor of the public interest and environmental sustainability.

Conclusion

The development of Sharia economic law in Indonesia faces several significant challenges that must be addressed to ensure its progress. Firstly, the global economic system is predominantly capitalist, and many countries with substantial Muslim populations still adhere to capitalist economic principles. This dominance poses a challenge to the development of Sharia economic law. Secondly, establishing the superiority of the Sharia economic system over capitalist and socialist ideologies is difficult, particularly given the perception that Sharia economics is less robust in addressing political and technological issues. Thirdly, there are differences of opinion among experts within the Sharia economic community itself.

Several strategic approaches need to be considered to overcome these challenges. The maslahah mursalah approach provides a conceptual framework to navigate these obstacles effectively. Firstly, in the face of global capitalist dominance, Muslim-majority countries must preserve their Islamic economic identity. This can be achieved by developing economic policies that align with Sharia principles while incorporating beneficial aspects of the capitalist system. This balance ensures that the economic system remains true to Islamic values while adapting to global economic realities.

Secondly, demonstrating the superiority of Sharia economic law requires robust empirical research. Studies should focus on the positive impacts of Sharia principles on social welfare, equitable wealth distribution, and environmental sustainability. Strengthening the empirical evidence base will make Sharia economic law more compelling than capitalist and socialist ideologies.

Thirdly, continuous dialogue and collaboration between academics and practitioners are essential for overcoming internal differences and advancing the Sharia economic system. Mastery of technology and innovation is also crucial for enhancing the competitiveness of Sharia economic law and reinforcing its comparative advantages.

Implementing these steps through the maslahah mursalah approach can effectively address the obstacles to developing Sharia economic law. This approach ensures sustainable progress towards an economic system that prioritizes justice, shared prosperity, and environmental sustainability, aligning with the core values of Sharia economics. Indonesia can strengthen its Sharia economic law through this refined framework, making it more resilient and adaptive to global economic challenges.
Bibliography


