



Inclusive Economic Development in Islamic Perspective

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ABSTRACT

The current economic development is not enough only to be interpreted by increasing economic growth. Economic development must also be able to create community access to economic opportunities. Because the benefits of development must be felt equally and fairly by all people. Therefore, the concept of inclusive economic development is currently being developed. This paper tries to discuss inclusive economic development from an Islamic perspective and at the same time formulates an index of inclusive economic development from an Islamic perspective. The inclusive economic development index in an Islamic perspective is formulated by modifying the inclusive economic development index published by Bappenas (Badan Perencanaan Pembangunan Nasional), where the Basic Infrastructure Sub-Pillar adds the Percentage Availability of Worship Facilities (Mosques) indicator in an Area and on the Inclusive Finance Sub-Pillar adds an indicator of the Ratio of Total Distribution of Zakat Funds to the Poor.

1. INTRODUCTION

The concept of economic development is constantly changing. Changes in the concept of economic development are inseparable from a shift in perspective or paradigm on 'how to create social welfare'. In the initial phase, economic development emphasizes the importance of quantitative measures such as economic growth. However, this development concept is considered to have many weaknesses, because the findings in the field show that economic growth is not always followed by an increase in people's welfare. Findings from Asian Development Bank (ADB) studies show that the growth process creates new economic opportunities that are not evenly distributed (Ali, 2007a, 2007b; Ali & Son, 2007; Ali & Yao, 2004). In the next phase, economic development begins to take into account non-economic measures that are directly related to humans. Then economic development began to pay attention to aspects of sustainability, due to concerns over the diminishing availability of resources as a result of development activities. Therefore, the concept of sustainable economic development emerged. However, of all the existing development concepts, none has paid attention to the community's access to economic opportunities.

The easy access of the community to economic opportunities is an indication of the success of development. So that the initiative emerged to formulate the concept of inclusive economic development, which focuses on efforts to create community access to economic opportunities, regardless of status and background. Inclusive economic development applies the principles of justice so that people get equal access to economic opportunities. Although there is no agreed and general definition yet, it is understood that inclusive economic development refers to "growth coupled with equal opportunities". It focuses on creating opportunities and making them accessible to all, not just to the poor (Rauniyar & Kanbur, 2009).

Inclusive economic development has a number of main goals. One of the main goals of inclusive economic development is to reduce the number of poor people through employment opportunities, access to economic opportunities, and social safety nets (Negara, 2013). To achieve this goal, inclusive economic development must be followed by the realization of inclusive economic growth. Inclusive economic growth is an alternative measure of economic growth that emphasizes equal access to economic opportunities for all levels of society (Hapsari, 2019). In efforts to reduce poverty, inclusive growth depends on three important components: success in maximizing economic opportunities for all levels of

society; availability of social safety nets for all levels of society; and success in ensuring fair access to employment opportunities (Negara, 2013). However, the pace of poverty reduction depends not only on the rate of economic growth, but also on how the benefits of growth are shared (Ali, 2007b). Even though the data shows the success of the Millennium Development Goals by reducing the number of poor people from 945 million in 1990 to 604 million in 2005, most of this is the result of the rapid economic growth of several countries such as Vietnam and the People's Republic of China (PRC). On the other hand, the problem of high poverty was still found in South Asian countries in 2005 except for Pakistan and Sri Lanka. Poor communities face several limitations, which include difficulties in taking advantage of opportunities when market failures occur. The result is that the poor benefit less from growth than the non-poor (Rauniyar & Kanbur, 2009).

Besides reducing poverty, inclusive economic development aims to reduce inequality. In achieving this goal, inclusive economic development seeks to create community access to job opportunities. In the concept of inclusive development, the existence of job opportunities in the formal sector is the key to the ability of households to improve their welfare (Negara, 2013). However, efforts to create access to job opportunities often face a number of obstacles. Inequality in access to job opportunities often occurs due to differences in the ability of human resources (HR) (Negara, 2013). Poor people are often unable to compete with rich people because they do not have adequate skills and education. Income inequality will determine the conditions of social and political stability and the sustainability of the growth process. Ali (2007a) shows that high income inequality tends to pose a danger to social and political stability and the sustainability of the development process.

Poverty and inequality are major problems in developing countries. This condition is still found in Islamic countries, most of which are still classified as developing countries. Under these conditions, Islamic countries need an inclusive economic development strategy in planning their national economic policies. There are different approaches when formulating an inclusive economic development strategy in Islamic countries because Islamic countries have several norms and rules that originate from religious teachings which form the basis of state policies. Therefore, it is necessary to formulate the concept of inclusive economic development in an Islamic perspective. This paper attempts to discuss the concept of inclusive economic development from an Islamic perspective. This study is important, especially in Islamic countries considering that Islam also recognizes principles that are in line with inclusive economic development. In addition, this paper attempts to formulate an inclusive economic development index from an Islamic perspective.

2. LITERATURE REVIEW

According to Kamus Besar Bahasa Indonesia (KBBI) the word inclusive means including; counted. Meanwhile, linguistically, the word inclusive comes from the English word 'inclusion' which means enclose. Inclusive economic development is economic development that creates wide access and opportunities for all levels of society in an equitable manner, improves welfare, and reduces disparities between groups and regions (Bappenas). Based on the definition that has been put forward, inclusive economic development places great emphasis on the discussion of 'access'. And if further defined, inclusive economic development can be interpreted as development which is followed by easy access from the community/development actors in obtaining benefits from economic opportunities.

There are several definitions of inclusive economic development. According to Prasetyantoko et al. (2012), inclusive economic development is development for everyone, regardless of background and differences. Inclusive development means that the benefits reached all those that made up the poor in the region, particularly women and children, minority groups, the extremely poor in the rural areas, and those pushed below the poverty line by natural and human-made disasters (Rauniyar & Kanbur, 2009).

Inclusive economic development has similarities with other economic development concepts such as sustainable development (SDGs). However, there are differences in terms of the underlying principles. The SDGs emphasize the end product of development, namely in the form of achievements that show the success of development. While inclusive economic development emphasizes the benefits that can be felt from development activities.

The realization of inclusive development is indicated by the achievement of inclusive economic growth. Inclusive growth is growth that not only creates new economic opportunities, but also ensures equal opportunities for all levels of society, especially the poor (Ali & Zhuang, 2007). There are characteristics of inclusive growth. Growth is defined as inclusive if it increases the social opportunity function, which depends on two factors, namely: (i) the average opportunities available to the community, and (ii) how opportunities are shared among the community (Hapsari, 2019). The inclusive growth approach takes a long-term perspective. Therefore, inclusive growth should be inherent, sustainable, and reduce the gap between the poor and the rich (Hapsari, 2019). Inclusive growth can be linked to the role of society in the growth process. There is inclusive growth when all members of a society participate in and contribute to the growth process equally, regardless of their individual circumstances (Rauniyar & Kanbur, 2009). Inclusive growth can also be seen as an economic opportunity created from growth. In the same way, inclusive growth is one that emphasizes that economic opportunities created by growth are available to all, particularly the poor, to the maximum extent possible (Rauniyar & Kanbur, 2009).

There are several factors driving inclusive growth. Infrastructure quality is considered as a supporting factor that can promote inclusive growth and sustainable poverty reduction. Inadequate infrastructure increases the cost of doing business and discourages domestic and foreign private investment (Rauniyar & Kanbur, 2009). Provision of quality

infrastructure is a necessary prerequisite to catalyze domestic and foreign investment, facilitate the adoption of new technologies, and at the same time increase productivity.

3. METHODOLOGY

This paper uses a descriptive analytical method. With the aim of obtaining a conceptual framework on inclusive economic development in an Islamic perspective. The formulation of the conceptual framework for inclusive economic development from an Islamic perspective was built by referring to several articles discussing inclusive economic development and the concept of development from an Islamic perspective.

4. RESULTS AND DISCUSSION

4.1 The Concept of Inclusive Economic Development in General

Inclusive economic development is a development concept that emphasizes the importance of access from economic actors to economic opportunities. Thus, every economic actor, has the same opportunity in taking advantage of economic opportunities. Therefore, in inclusive economic development, every economic actor, regardless of status, is entitled to and able to enjoy every economic opportunity.

In creating an inclusive economy, it really depends on the design of institutions and public policies. The economic progress of a country is largely determined by public institutions because their existence determines the extent to which the economy can overcome fundamental problems such as inequality and poverty. Public institutions can be divided into two, namely extractive institutions and inclusive institutions. If the economic design implemented by the state has an orientation only to enrich the elite, then the state institution is an extractive institution. The existence of these extractive institutions has implications for policies that are enforced, whose characteristics are only oriented towards efforts to maintain elite power. Meanwhile, an inclusive economy is characterized by institutions that promote property rights, create a level playing field, and encourage investment in technology and skills (Mahri et al., 2021). In this inclusive institution there are policies that are expected to encourage economic growth. This is in contrast to extractive government, where a country's economic inequality tends to occur permanently (Mahri et al., 2021).

4.1.1 Inclusive Economic Development Index in General

The achievement of Inclusive Economic Development in a region/country is measured through an index called the Inclusive Economic Development Index. The Inclusive Economic Development Index is basically a comprehensive measurement in viewing and measuring the level of inclusivity of current and future development (Shaleh, 2021). In Indonesia, the Inclusive Economic Development Index is measured through several pillars and indicators which can be explained as follows:

Table 1. Inclusive Economic Development Index in General

Pillar	Sub-pillar	Indicator	
Pillar 1. Economic Growth and Development	Sub-Pillar 1.1. Economic growth	Real GRDP growth per capita	
		Share of manufacturing to GDP	
		Banking Credit Ratio to Nominal GRDP	
	Sub-Pillar 1.2. Job Opportunity	Job Opportunity Rate	
		Percentage of Population Fully Employed	
		Percentage of Workforce with Middle and Higher Education Levels	
		Sub-Pillar 1.3. Economic Infrastructure	Percentage of Households Using Electricity/PLN
			Percentage of Population Having Mobile Phones
			Percentage of Roads with Good and Moderate Conditions
Pillar 2. Equal Income and Poverty Reduction	Sub-Pillar 2.1. Inequality	Income Gini Ratio	

		Women's Income Contribution
		Ratio of Average Village and City Household Expenditures
	Sub-Pillar 2.2. Poverty	Percentage of Poor Population
		Average Protein Consumption per capita per day
Pillar 3. Expansion of Access and Opportunity	Sub-Pillar 3.1. Human Capability	School Old Expectation Rate
		Percentage of Toddlers Getting Complete Basic Immunization
		Percentage of Population Having Health Insurance
	Sub-Pillar 3.2. Basic Infrastructure	Percentage of Households with Decent Drinking Water Sources
		Percentage of Households with Private Toilet Facilities
	Sub-Pillar 3.3. Inclusive Finance	Ratio of Total Deposit Accounts to the Productive Age Population
		MSME Banking Credit Ratio

Source: Bappenas

4.2 Inclusive Economic Development in Islamic Perspective

The economic sector is part of muamalah which cannot be separated from Islamic law. The economy as a system must comply with the application of Islamic law. Its implementation and application must rely on religious law originating from the Al-Qur'an and As-Sunnah. Therefore Muslim scientists began to think about economic forms that are based on Islamic law. In Islam, the purpose of sharia is to create *maslahat* (benefit). This means that the main purpose and institutionalization of law in Islam is to realize *maslahat* (benefit) and prevent humans from various kinds of difficulties and harm (Khatib, 2018). If this Shari'a is applied in the economic field, the economic activity carried out should aim to create *maslahat* (benefit). The purpose of Islamic law is called *maqashid al sharia*. Etymologically *maqashid al sharia* means the purpose of Allah (the law maker) to establish laws for his servants, the essence of which is the implementation of Shari'ah is oriented towards realizing the *maslahat* (benefit) of mankind (Khatib, 2018). This *maslahat* (benefit) is inherent in Islamic law. Meanwhile, according to al-Ghazali, the original meaning of *maslahat* is *maslaha* which in Islamic law is anything that is intended to maintain the objectives of the Shari'a which is essentially summarized in *al-mabaadi' al-khamsyah*, namely protection of religion (*hifzd al-din*), soul (*hifzd al-nafs*), mind (*hifzd-aql*), descendants (*hifzd al-nasl*), and wealth (*hifzd al-maal*) (Khatib, 2018).

The concept of *maqashid al-shariah* cannot be separated from economic activities. Because economic activity is a means in creating *maslahat* (benefits). Thus efforts in realizing inclusive economic development must comply with the principles of *maqashid al-shari'ah*, namely *Hifdz ad-din* (maintaining religion), *Hifdz an-nafs* (safeguarding the soul), *Hifdz al-aql* (maintaining the mind), *Hifdz al-mal* (maintaining wealth), and *Hifdz al-irdl* (maintaining honor) becomes *haq al-intirom al-insani* (right to human honor).

The current concept of inclusive economic development assumes that the benefits of development will only lead to the creation of physical well-being. Meanwhile, in an Islamic perspective, inclusive economic development is directed at creating prosperity both physically and spiritually. Therefore, economic opportunities that can be accessed by the community must be able to internalize Islamic values. This means that in carrying out economic activities, it must be supported by facilities and infrastructure that are able to increase the degree of faith and piety. From this it can be concluded that inclusive economic development in an Islamic perspective is a condition in which economic development can create

community access to economic opportunities, supported by facilities and infrastructure that support the spiritual aspect, with the aim of creating prosperity both physically and spiritually.

For example, in the creation of basic infrastructure, it is not enough to only be supported by facilities and infrastructure to meet the basic needs of the community. However, facilities and infrastructure are also needed that can facilitate community religious activities such as the existence of prayer facilities (mosques).

Creating inclusive finance is part of inclusive economic development. When assessing inclusive finance as a measure of inclusive development, it often does not include Islamic finance indicators. To assess inclusive finance, it is important to include indicators of Islamic finance such as the ratio of total distribution of zakat funds to the poor. Inclusive economic development in an Islamic perspective must be able to provide easy access for the poor to zakat.

Inclusive economic development in an Islamic perspective is built on the principle of '*Adalah*'. '*Adalah*' has the meaning of balance or justice (Juhro et al., 2019). '*Adalah*' is a complement to the principle of '*Tawhid*', where '*Adalah*' is the basis used to maintain horizontal relations between humans, while '*Tawhid*' is the basis used to maintain the vertical relationship between humans and God. This principle encourages people to understand that God has created humans in groups, not individually, so that every human being should have equal rights and access to the resources that God has bestowed (Juhro et al., 2019).

4.2.1 Inclusive Economic Development Index in Islamic Perspective

The current inclusive economic development index, such as Indonesia's inclusive economic development index, does not provide indicators of spiritual well-being. Thus, the formulation of an inclusive economic development index from an Islamic perspective is necessary to accommodate indicators of spiritual well-being. Based on the results of the studies and discussions that have been described previously, the formulation of an inclusive economic development index in an Islamic perspective is obtained as follows:

Table 2. Inclusive Economic Development Index in Islamic Perspective

Pillar	Sub-Pillar	Indicator	
Pillar 1. Economic Growth and Development	Sub-Pillar 1.1. Economic growth	Real GRDP growth per capita	
		Share of manufacturing to GDP	
		Banking Credit Ratio to Nominal GRDP	
	Sub-Pillar 1.2. Job Opportunity	Job Opportunity Rate	
		Percentage of Population Fully Employed	
		Percentage of Workforce with Middle and Higher Education Levels	
		Sub-Pillar 1.3. Economic Infrastructure	Percentage of Households Using Electricity/PLN
			Percentage of Population Having Mobile Phones
			Percentage of Roads with Good and Moderate Conditions
Pillar 2. Equal Income and Poverty Reduction	Sub-Pillar 2.1. Inequality	Income Gini Ratio	

		Women's Income Contribution
		Ratio of Average Village and City Household Expenditures
	Sub-Pillar 2.2. Poverty	Percentage of Poor Population
		Average Protein Consumption per capita per day
Pillar 3. Expansion of Access and Opportunity	Sub-Pillar 3.1. Human Capability	School Old Expectation Rate
		Percentage of Toddlers Getting Complete Basic Immunization
		Percentage of Population Having Health Insurance
	Sub-Pillar 3.2. Basic Infrastructure	Percentage of Households with Decent Drinking Water Sources
		Percentage of Households with Private Toilet Facilities
		Percentage of Availability of Prayer Facilities (Mosques) in an Area*
	Sub-Pillar 3.3. Inclusive Finance	Ratio of Total Deposit Accounts to the Productive Age Population
		MSME Banking Credit Ratio
		Ratio of Total Distribution of Zakat Funds to the Poor*

Source: Bappenas, modified

*Additional indicator

In the inclusive economic development index from an Islamic perspective, in the Sub-Pillar 3.2. Basic Infrastructure, can include and add other indicators, namely the Percentage of Availability of Worship Facilities (Mosques) in an Area. In addition, in the Sub-Pillar 3.3. Inclusive Finance, can include and add other indicators, namely the Ratio of Total Distribution of Zakat Funds to the Poor. Zakat is an instrument in Islamic finance that is public in nature, and its distribution can be used to improve people's welfare, especially the poor. The poor are included in the category of zakat recipients. The ease of the poor in receiving benefits from zakat can be an indicator of inclusive economic development.

5. CONCLUSION

Inclusive economic development in an Islamic perspective can be interpreted as economic development whose benefits can be accessed by the community, especially in fulfilling aspects that are the needs of the Muslim community, which is reflected in *maqasid al-shari'ah*. In measuring the inclusive economic development index which has now been formulated by Bappenas, it has not yet included indicators that represent the *maqasid al-shariah* aspect. Therefore, this

paper proposes additional indicators which include: a) the Percentage of Availability of Worship Facilities (Mosques) in an Area, and (b) the Ratio of Total Distribution of Zakat Funds to the Poor.

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