

REVITALIZATION OF IBN KHALDUN'S ECONOMIC THOUGHT IN THE FORMULATION OF ISLAMIC ECONOMIC POLICY IN INDONESIA

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Abstraks.

This study explores the connection between the principles of Islamic economics and the economic thought of Ibn Khaldun in the context of Indonesia's national policies aimed at building a just, inclusive, and sustainable Islamic economy. Employing a normative historical approach, it highlights the relevance of Ibn Khaldun's core values honesty, justice, and mutual cooperation in shaping a comprehensive Islamic economic system. Ibn Khaldun emphasized the crucial role of the state in maintaining economic stability, ensuring equitable wealth distribution, and promoting human development as the foundation of social welfare. The study also examines how Indonesia's policies through institutions such as the National Committee for Islamic Economy and Finance (KNEKS), the development of the halal industry, the optimization of zakat and waqf, and the strengthening of Islamic MSMEs and cooperatives reflect Ibn Khaldun's ideas on fiscal moderation, social justice, and macroeconomic balance. The findings suggest that integrating Islamic economic concepts with national policy strategies can strengthen an Islamic economic ecosystem grounded in ethics, fair distribution, and sustainable development.

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A. Introduction

As the country with the largest Muslim population in the world, Indonesia holds a strategic position in the development of the global Islamic economy. According to *Timesprayer* data as of March 3, 2025, Indonesia's Muslim population has reached approximately 244.7 million out of a total population of 281.3 million. This demographic advantage presents a significant opportunity to build a robust sharia based economic ecosystem, particularly in the sectors of Islamic finance, banking, and the halal industry. The Indonesian government has demonstrated a strong commitment to this development through the establishment of institutions such as the National Committee for Islamic Economy and Finance (KNEKS) and the issuance of various supporting regulations. However, structural challenges persist, including wealth inequality, limited public literacy on Islamic finance, and a continued reliance on the non real sector.

Previous studies have explored the development of the Islamic economy in terms of policy and institutional frameworks. For example, research by Zainuddin and Ismail (2021) shows that KNEKS plays a vital role in accelerating the national Islamic economic ecosystem, though implementation is often hindered by bureaucratic inefficiencies and weak inter-agency coordination.⁴ Meanwhile, Hanifah (2023) highlights the limited effectiveness of regulations in promoting the growth of Islamic financial services at the grassroots level, particularly among

⁴ Ahmad Zainuddin and Muhammad Ismail, in their work *Optimizing the Role of KNEKS in Indonesia's Islamic Economic Ecosystem* (Jakarta: National Center for Islamic Economic Studies, 2021), emphasize the importance of KNEKS in accelerating the development of the Islamic economic ecosystem in Indonesia. They argue that while KNEKS plays a strategic role, its effectiveness is still limited by bureaucratic barriers and a lack of synergy among institutions (p. 44).

MSMEs.⁵ Additionally, a study by Rahman and Latief (2022) reveals that while public awareness of sharia principles is increasing, understanding of classical Islamic economic thought particularly that of Ibn Khaldun remains low.⁶

These reviews indicate that little attention has been given to explicitly examining how classical Islamic economic thought especially that of Ibn Khaldun can contribute to the formulation of contemporary Islamic economic policies in Indonesia. In fact, Ibn Khaldun's ideas, presented in his monumental work *Muqaddimah*, offer a visionary framework for an economic system rooted in social justice, equitable wealth distribution, real sector development, and a proportional role of the state in maintaining economic stability.

Ibn Khaldun's economic thought encompasses theories of value, pricing, trade, economic cycles, and fiscal policy, all linked to political and social stability. Grounded firmly within the ethical framework of Islam, his concepts are highly relevant for application in modern Islamic economic systems. Therefore, revitalizing Ibn Khaldun's economic philosophy is crucial for shaping Islamic economic policies that are not merely legal-formal, but also ethical, just, and sustainable.

⁵ Siti Hanifah, in her article "*The Effectiveness of Islamic Financial Policies in Strengthening MSMEs: A Regulatory Study in Indonesia*" (*Journal of Islamic Economics and Finance*, Vol. 7, No. 2, 2023, p. 98), highlights that existing Islamic financial regulations have not been sufficiently effective in empowering micro, small, and medium enterprises (MSMEs). She points out that despite supportive policies, implementation at the grassroots level remains weak due to limited access, inadequate infrastructure, and a lack of targeted financial instruments

⁶ Arif Rahman and Fahrul Latief, in their book *Classical Islamic Economic Thought from the Perspective of Indonesia's Muslim Millennial Generation* (Yogyakarta: Pustaka Pelajar, 2022, p. 113), reveal that while awareness of Islamic principles is gradually increasing among Indonesian Muslim millennials, their understanding of classical Islamic economic thought particularly the ideas of scholars like Ibn Khaldun remains limited. This gap highlights the need for greater integration of classical economic concepts into contemporary Islamic economic education and discourse.

The theoretical framework of this study draws from classical Islamic perspectives on justice, the role of the state in the economy, and sustainable development. This research adopts a qualitative descriptive approach using library research, relying on Ibn Khaldun's works, official documents on Indonesia's Islamic economic policies, and contemporary academic literature. The research is non field based, focusing on a policy analysis of the Indonesian government's efforts in developing the national Islamic economy.

Given the existing research gap, this study aims to offer a conceptual approach rooted in the classical intellectual tradition of Islamic economics, contributing to the development of a national Islamic economic policy framework that is just, inclusive, and resilient. The findings are expected to provide both theoretical and practical insights to support Indonesia's positioning as a global hub for a value-based and ethically grounded Islamic economy.

B. Discussion

1. Relevance of Ibn Khaldun's Thought in Contemporary Sharia Economic Policy

The results of this study clearly demonstrate that the classical economic ideas of Ibn Khaldun hold significant relevance in shaping a just, equitable, and sustainable Islamic economic framework in Indonesia today. Ibn Khaldun, in his seminal work *Muqaddimah* (2004), articulates core principles such as social justice, the fair distribution of wealth, and the critical importance of strengthening the real economic sector. These foundational concepts directly correspond with the primary objectives pursued by Indonesia's current sharia economy policies, which focus on empowering micro, small, and medium enterprises (MSMEs), optimizing the management and distribution of zakat and waqf funds, and fostering growth in the halal industry sector. Such

alignment indicates that Ibn Khaldun's intellectual legacy provides not only theoretical but also practical guidance that can enhance the effectiveness and ethical grounding of modern Islamic economic policies in Indonesia.

More specifically, Ibn Khaldun emphasizes the necessity of social justice as a pillar of economic systems, arguing that the equitable distribution of wealth is indispensable to societal stability and prosperity. This viewpoint resonates with Indonesia's policy efforts to reduce income inequality and ensure that economic growth benefits all layers of society, especially marginalized groups. The emphasis on the real sector, which encompasses productive activities such as agriculture, manufacturing, and services, also matches Indonesia's prioritization of MSMEs and cooperatives, which are considered engines of economic development and employment generation within the sharia framework.

Moreover, research by Zainuddin and Ismail (2021) highlights the pivotal role of the National Committee for Islamic Economy and Finance (KNEKS) in coordinating and driving Islamic economic policy in Indonesia. Their findings indicate that while KNEKS is central to these efforts, its overall effectiveness is constrained by bureaucratic hurdles and insufficient coordination among the various institutions involved. This challenge reflects a broader issue identified by Ibn Khaldun regarding the vulnerabilities of state institutions: he warned that excessive centralization and bureaucratic inefficiencies tend to weaken governance structures, which in turn undermines economic stability and growth (Ibn Khaldun, 2004: 278). Consequently, Ibn Khaldun's insights underscore the importance of decentralizing authority and fostering participatory governance to enhance policy implementation and responsiveness within Indonesia's sharia economic sector.

In essence, Ibn Khaldun's thought not only enriches the theoretical foundations of Islamic economics but also provides practical lessons on

statecraft and institutional design that are crucial for the success of Indonesia's national sharia economic agenda. His holistic approach intertwining economic, social, and political dimensions offers a comprehensive framework that modern policymakers can adapt to address current challenges such as institutional inefficiencies, economic disparities, and the need for sustainable growth. By integrating these classical ideas into contemporary policy formulation, Indonesia can build a more resilient and inclusive sharia economy that fulfills both ethical and developmental goals.

2. Integration of Ethical and Fiscal Principles

A key insight from this study is the substantial potential of Ibn Khaldun's fiscal principles to inform and guide Islamic financial policies in contemporary contexts. Ibn Khaldun's economic thought, particularly his views on taxation and the role of the state in managing economic activity, provides a valuable framework for addressing issues within modern Islamic economies. He argued that tax burdens should never be so heavy that they stifle productivity or discourage the development of businesses. Excessive taxation, according to Ibn Khaldun, can have detrimental effects on economic growth, leading to a decrease in overall economic activity and weakening the foundation of the economy (Ibn Khaldun, 2004: 296).

This principle is particularly relevant in the context of Indonesia's Islamic economy, where the stagnation of the micro, small, and medium enterprise (MSME) sector has been a key concern. As noted by Hanifah (2023), despite the increasing awareness of Islamic finance and the establishment of sharia-compliant financial institutions, grassroots-level financial regulations

have not yet proven fully effective in enabling MSMEs to thrive.

Ibn Khaldun's economic insights offer a way forward for policymakers seeking to support MSMEs while ensuring that fiscal policies do not impede economic activity. His call for a balanced approach to taxation, which avoids overburdening the productive sectors, could help to address the challenges that MSMEs face in Indonesia, particularly in terms of access to finance and the regulatory burdens they encounter. By adopting a more nuanced and thoughtful approach to fiscal policy, Indonesia could better support its MSMEs, many of which are crucial for job creation and poverty reduction, while still maintaining fiscal health and promoting broader economic development.

Beyond the technical aspects of fiscal policy, Ibn Khaldun's work provides a comprehensive ethical economic paradigm that could significantly enrich the discourse on Islamic finance. His emphasis on justice, fairness, and the ethical distribution of wealth underscores the importance of aligning fiscal policies not only with economic efficiency but also with ethical and social considerations. The ethical dimension is especially important in the context of Islamic finance, where the principles of fairness, justice, and social welfare are central to the system's legitimacy. Ibn Khaldun's ideas could, therefore, help policymakers move beyond an over-reliance on formal and legal frameworks within sharia finance, which sometimes neglect the broader ethical and distributive aspects of economic policy. This shift toward a more holistic view could correct the growing tendency in some Islamic financial systems to focus primarily on compliance with legal norms, while overlooking the underlying social and ethical implications of financial practices (Chapra, 2000).

Incorporating Ibn Khaldun's vision into Indonesia's Islamic economic policies could result in a more proportional and inclusive fiscal framework, one that balances the needs of businesses, particularly MSMEs, with broader social goals such as wealth redistribution and poverty alleviation. By combining his ethical principles with modern fiscal tools, Indonesia could create an economic environment that promotes both efficiency and equity, ensuring the sustainability and fairness of its Islamic economy in the long term.

3. Challenges in Public Understanding of Classical Economic Thought

As interest in the sharia economy continues to grow in Indonesia, this study reveals a significant gap in the understanding of classical Islamic economic thought, which hampers the potential for deeper integration of traditional principles into contemporary policy frameworks. Despite an increase in the awareness and adoption of Islamic financial products, a crucial intellectual disconnect persists. Rahman and Latief (2022: 113) found that while more individuals are becoming familiar with Islamic finance options such as sharia compliant loans and investment opportunities, there is a distinct lack of profound knowledge about the classical economic figures who shaped these principles, particularly Ibn Khaldun. This gap in intellectual understanding creates barriers to fully grasping the foundational concepts that underpin Islamic economics, and as a result, it limits the development of policies that are deeply rooted in these comprehensive Islamic principles.

This deficiency in understanding is not merely academic; it has practical implications for policy making. Without a clear grasp of the core ideas presented by foundational scholars like Ibn Khaldun, modern economic

policymakers may struggle to design strategies that are truly aligned with Islamic ethical values and long term socio economic goals. For example, Ibn Khaldun's principles on the cyclical nature of economic activity, the importance of justice in wealth distribution, and the role of the state in regulating market forces are not sufficiently incorporated into the mainstream discourse on Indonesia's sharia economy. This leaves a gap between theory and practice, where policy decisions may miss crucial ethical and structural components that have proven vital in classical economic models.

To address this challenge, one of the key recommendations emerging from this study is the reform of the curriculum in Islamic economics education. It is essential to integrate classical texts, such as Ibn Khaldun's *Muqaddimah*, into modern educational programs on Islamic finance and economics. These classical works provide invaluable insights into economic governance, wealth distribution, and social justice that can complement the technical aspects of Islamic finance taught in universities today. Such an integration would not only enrich the theoretical foundation of students but also enable them to better understand the broader ethical dimensions of Islamic economics, bridging the gap between classical theory and contemporary practice.

Furthermore, to expand this knowledge beyond academic circles, public literacy programs should be established to promote a more widespread understanding of Islamic economic thought among the general population. These programs could focus on translating complex classical texts into accessible formats, offering workshops, seminars, and online courses that introduce key figures like Ibn Khaldun to a wider audience. By doing so, Indonesia can cultivate an informed public that is capable of engaging with the

ethical, social, and economic dimensions of sharia based policies and contribute to a more holistic approach to the country's Islamic economic future.

C. Conclusion

This study concludes that reviving Ibn Khaldun's economic philosophy can play a pivotal role in shaping a value driven, inclusive, and sustainable Islamic economic policy in Indonesia. His principles, which emphasize justice, ethical governance, and the balanced involvement of the state in the economy, remain highly relevant for addressing current challenges such as wealth inequality, underdeveloped real sectors, and limited literacy in Islamic finance.

Ibn Khaldun's fiscal ideas, particularly his views on proportional taxation and the dynamics of economic cycles, provide essential insights into how Indonesia can enhance the Islamic MSME sector and achieve broader macroeconomic stability. Moreover, his focus on human development and social cohesion aligns with Indonesia's long term goal of attaining sustainable prosperity through an integrated Islamic economic system.

However, the study also identifies a significant gap in the public's understanding of classical Islamic economic thought, which limits its practical influence on policy-making. To overcome this, concerted efforts are needed in reforming education, conducting in depth policy research, and fostering public discussions that integrate both primary classical sources like *Muqaddimah* and contemporary empirical research.

In conclusion, embedding Ibn Khaldun's ideas into Indonesia's national policies not only strengthens the ethical and philosophical foundation of its Islamic economy but also enhances its potential to emerge as a global leader in economic systems that prioritize ethics, justice, and sustainability.

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