

ACCELERATING DIGITALIZATION IN THE SHARIA ECONOMY AND FINANCE FOR INCLUSIVE AND SUSTAINABLE GROWTH IN THE POST-PANDEMIC RECOVERY

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

اقْرَأْ بِاسْمِ رَبِّكَ الَّذِي خَلَقَ - خَلَقَ الْإِنْسَانَ مِنْ عَلَقٍ - اقْرَأْ وَرَبُّكَ الْأَكْرَمُ - الَّذِي عَلَّمَ بِالْقَلَمِ - عَلَّمَ الْإِنْسَانَ مَا لَمْ يَعْلَمْ

Read! In the Name of your Lord Who created - He has created man from a clot - Read!
And your Lord is the Most Generous - Who has taught by the pen - He has taught man
that which he knew not.

I. INTRODUCTION

I have always reflected on the reasons behind “اقْرَأْ” being the first word revealed by The Almighty Allah (سُبْحَانَهُ وَتَعَالَى). Allah created man from clay. He has taught us by a pen and He has taught what we do not know.

I have also asked why Allah created coronavirus disease or Covid-19, which erupted into the pandemic in early 2020. I reflect on how such a tiny biological entity can put a sudden stop to global activities and push global economies to the brink of collapse. We are still struggling to recover from the consequences that Covid-19 has inflicted on us, economically and socially. As the health crisis worsened in mid-2020, the IMF predicted the recovery to be slower than previously forecasted¹. Indeed, the recovery has proved to be difficult for many countries. I believe, Covid-19 is a strong signal from Allah (سُبْحَانَهُ وَتَعَالَى) that we need to go back to the very first word revealed, i.e. Iqra (اقْرَأْ) such that we can uncover knowledge, and learn more and subsequently be better. We must always strive to gain new knowledge related to new emerging problems such as Covid-19 and find answers to address them.

One of the answers to Covid-19 and its related problems is embedded within the theme of the present conference: Accelerating Digitalization in Sharia Economy and Finance for Inclusive and Sustainable Growth in the Post-Pandemic Recovery. There are three keywords in this theme. These are “Accelerating Digitalization”,

1. <https://news.un.org/en/story/2020/06/1067052>.

“Sharia Economy and Finance”, and “Inclusive and Sustainable Growth”. In my address, I shall dwell on the theme of the conference in more detail.

II. ACCELERATING DIGITALIZATION

It is not a coincidence that our knowledge, through “اقرأ” (Iqra’), regarding digitalization and our subsequent initiatives to adopt digitalization comes before the covid-19 pandemic. It is about 10 months before Covid-19, I required the standardization of the “Quick Response” or in short QR code for Indonesia. We must have the national QR code. In May 2018, after my first term as the Governor, I called all industries and discussed with them that we had many QR codes and they were not connected or talked to each other. On August 17, 2019, we have the national QR code.

The institution of the standard QR code has made financial transactions easy and seamless. This proves to be extremely beneficial during the Covid-19 period. With the standard QR code, the government was with ease able to disburse financial assistance to those in need during the Covid-19 period and they were able to spend their daily needs easily through online purchases to be delivered directly to their homes. We all also benefited from the standard QR code during the period. Without this, the spread of Covid-19 would be unimaginable. Thus, I have a strong conviction that Allah (سُبْحَانَهُ وَتَعَالَى) with his instruction for us to read continues to teach us what we already understand by the pen and what we do not know. This transformation that we have made in the sphere of digitalization, as fundamental as the standard QR code, has allowed us to cope with adversities during Covid-19 well. This hints to us that we need to accelerate digitalization moving forward for the benefit of millions of people and millions of small and medium enterprises (SMEs).

We have moved forward in our next step to have our payment systems via QR code to be regionally interconnected. We are already interconnected with Malaysia and Thailand and soon we will go to Singapore. With four countries having Real Time Gross Settlement (RTGS) interconnected, we anticipate that our SMEs including Sharia SMEs would benefit greatly. I also believe that, in banking, accelerating digitalization through for example the QR code is the answer to online banking, cross-border transactions, and carbon reduction. With the tagline that we have, “one nation, one country, and one language”, we consolidate our payment industry and marketplace for fintech. We take guidance from “Iqra” seriously for gaining knowledge and digitalization is the result of this “Iqra”.

At the same time, we should note that technology has a negative side too. Cyberattack is a great risk, potentially leading to tempering and misuse of data. Digital technology is also used for gambling and illegal intermediation or financing. In these respects, we must keep continuing with the “Iqra” culture such that we learn how to fend off the negative aspects of digitalization.

At the same time, the already fast-growing sharia economy and finance in Indonesia needs further push through the acceleration of digitalization. Thus, let me proceed to the second keyword of the conference, i.e. “Sharia Economy and Finance”, and then with “Acceleration of Digitalization”, I will connect both with “Inclusive and Sustainable Growth.”

III. SHARIA ECONOMY AND FINANCE

Islamic finance has emerged to be a significant development that shapes the financial landscapes in many countries, including Indonesia, and supports the progress of the sharia economy. There are three principles that are key to the Sharia economy and finance – namely, *Rahmatan lil Alamin* (mercy for all universes), *Amanah* (trust), and *Adil* (justice).

Rahmatan lil Alamin (mercy for all universes): Sharia economy and finance are firmly grounded on the teachings of Islam. Hence, it would not be an exaggeration to say that *Rahmatan lil Alamin* is its *raison d'être*. Sharia economy and finance must bring benefit to all. It must benefit Muslims and non-Muslims alike. It must support the real sector by stimulating economic growth or to be more exact green economic growth. It must be inclusive, without excluding any economic segment, in particular the small and medium enterprises (SMEs) as well as individuals or households at the low ends of income strata.

In this regard, Sharia economy and finance must emphasize “حلالا طيبا”, i.e. not only being compliant with fundamental Sharia parameters but also being good, pure, wholesome, and free from any impurities. In addition, the Islamic financial system must be fully integrated by bringing Islamic social finance such as zakat, infaq and saqadah into the system through digitalization. By doing these, sharia economy and finance will be inclusive and consequently realize its first principle, *Rahmatan lil Alamin*.

Amanah (trust): This is the second principle of sharia economy and finance. There must be *Amanah*, i.e. fulfilling obligations and responsibilities with trust and honesty. Business firms must have trust and honesty in the production and distribution of goods and services. Policymakers must have trust and honesty in managing and implementing public duties and government policies. Bankers must have *Amanah* in their management of financial funds. Social institutions such as Zakat and Waqf institutions must have *Amanah* in collecting and disbursing funds to their beneficiaries. In short, *Amanah* is the core principle that must be embedded in the system called Sharia economy and finance.

Adil (justice): In bringing benefits to all, as encapsulated in the principle *Rahmatan lil Alamin*, we need to remember not only *Amanah* but also *Adil*. That is, all economic and financial activities must be done with *Amanah* and *Adil*. While the nature of businesses is seeking profits, it should not be absolute profit and it should not be the only reason. In Sharia economy and finance, there is the principle of *adil*, where the benefits from economic and financial activities must be shared by the common people. In progressing forward, no one should be left behind. The prosperity brought by the Sharia economy and finance must be shared.

These are the three key principles of Sharia economy and finance that all of us should strive to achieve: *Rahmatan lil Alamin*, *Amanah*, and *Adil*.

IV. INCLUSIVE AND SUSTAINABLE GROWTH

The discussion on inclusive and sustainable growth has been lively and extensive, especially ever since the inception of the 17 sustainable development goals (SDGs). But, when it comes to the issues related to inclusive and sustainable growth, my

heart is always with the SMEs. Undoubtedly, the SMEs are the backbone of our economy.

The height that the sharia economy and finance can reach would be beyond our imagination if we can scale up our SMEs from small to medium and then to large entities powered by digitalization, halal certification, and training. By doing these with *Amanah* and *Adil*, I strongly and sincerely believe that there would be benefits to all, in accordance with the principle *Rahmatan lil Alamin*. Thus, there is no doubt in my mind that the development of SMEs is a way to move forward for “Inclusive and Sustainable Growth.”

Hence, let us focus on the SMEs for the development of the Sharia economy and finance. Let us develop our SMEs to be Sharia economic or business entities by equipping them with entrepreneurship skills, digitalization, halal certification and, to be complete eco-friendly and sustainable framework. We should make them collectively work together and, in the process, scale them up to be larger. Consequently, they will become more productive and competitive.

Indeed, Bank Indonesia has taken initiatives in this direction. We have Islamic business development and we develop our religious schools or *Pesantren* by bringing them on board to undertake businesses. We have 750 of them from all over Indonesia being developed. Embracing digitalization for them to move forward is key in our initiatives. Education and literacy are also important. Many of our people have little knowledge about digitalization and entrepreneurship. The Fiqh of the businesses is also important such that they demarcate themselves from prohibited activities such as gambling, and illegal financial transactions. “Iqra” is thus key to these initiatives and efforts to develop Sharia economy and finance.

V. CONCLUSION

The word “Iqra”, which is the first Quranic word revealed by Allah Almighty, is the guidance for us moving forward in achieving inclusive and sustainable growth. Sharia economy and finance, which is framed by Islamic tenets, is by its very nature inclusive and sustainable. We also should emphasize that, in the present technologically disruptive era, digitalization must be accelerated and embraced. For us, in Indonesia, the key sector is the SMEs. Through the SMEs and by equipping them with digitalization, entrepreneurship skills and knowledge of the Sharia or Fiqh, we can develop a sharia economy and finance that is truly inclusive and sustainable.

These are the main reasons we bring these three keywords - Accelerating Digitalization, Sharia Economy and Finance, and Inclusive and Sustainable Growth – together in this conference. With “بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ” (In the name of Allah, the Most Gracious, the Most Merciful), I hereby officially declare the conference open. Allah always guide us. In the spirit of “Iqra”, let us read together such we gain knowledge to accelerate digitalization of the Sharia economy and finance for inclusive and sustainable growth.