

## THE INFLUENCE OF GOVERNMENT POLICIES ON THE GROWTH OF SHARIA BUSINESSES IN INDONESIA

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### *Abstract*

*The government is actively conducting promotions and counseling related to the benefits and potential of sharia finance for the community and businesspeople. This is done through public campaigns, seminars, conferences, and exhibitions introducing Islamic financial products and services. This study aims to analyze government policies' influence on Sharia businesses' growth in Indonesia. The research method used is library research, with a qualitative approach. Data is collected based on observation and documentation and then analyzed through qualitative data analysis. The study results show that government policies also include efforts to educate and promote Islamic finance to the wider community. This includes social campaigns, training, and other programs that aim to increase understanding and awareness of the benefits of Islamic finance. The government is collaborating with the private sector, including Islamic financial institutions and other business actors, to develop a more inclusive and sustainable Islamic finance ecosystem. With the support and conducive policies from the government, the growth of Sharia businesses in Indonesia can continue to increase, make a significant contribution to the country's economy, and provide more diverse financial options by Sharia principles for the community.*

**Keywords:** policy, business, sharia, government.

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### INTRODUCTION

The government's policy on the growth of sharia businesses in Indonesia includes various steps and initiatives aimed at supporting the development of the sharia economic sector. The Indonesian government has established institutions such as the Commodity Futures Trading Supervisory Agency (Bappebti) and the Financial Services Authority (OJK) to supervise and regulate the capital market and Islamic finance. This includes the implementation of regulations that support the development of Islamic financial products and services.

The government has developed Islamic financial infrastructure, such as Islamic financial institutions (banks, insurance, and non-bank financial institutions), Islamic capital markets, and other Islamic financial products to facilitate the growth of Islamic businesses (Halim, 2023). Education and training programs in the field of Islamic finance are strengthened to increase the capacity and competence of human resources involved in the Islamic finance industry, such as Islamic banking, Islamic insurance, and Islamic fund management.

The government is actively conducting promotions and counseling related to the benefits and potential of sharia finance for the community and businesspeople. This is done through public campaigns, seminars, conferences, and exhibitions that introduce Islamic financial products and services (Nakissa, 2020). The government provides incentives and facilities to sharia business actors, such as tax exemptions or other tax incentives, special financing, subsidies, and other policy support to encourage investment and growth in sharia businesses.

These policies are expected to create a conducive environment for the growth of sharia businesses in Indonesia, increase financial inclusivity, and support a sustainable economy based on sharia principles. Although the Indonesian government has implemented various policies to support the growth of sharia businesses, there are still several problems or challenges that need to be overcome.

In conducting further research, it is important to refer to the relevant literature that already exists and conduct an in-depth analysis of the Indonesian context and the dynamics of the growth of sharia businesses in it. One of the aspects of novelty that can be explored in research on government policies towards the growth of Sharia businesses in Indonesia is research that evaluates the extent to which existing government policies have been implemented well and effectively in supporting the growth of sharia businesses. The focus can include the evaluation of regulatory policies, incentives, financing programs, and other supports that have been implemented. By exploring these aspects of novelty, the research can make a significant contribution in developing an understanding of the effectiveness of government policies on the growth of sharia businesses in Indonesia as well as providing more relevant and impactful policy recommendations.

Unlike previous studies, this study focuses on the influence of government policies on the progress of Sharia businesses in Indonesia. By the fact that the Muslim community is a referential foothold in promoting sharia business. It is hoped that this research can provide positive implications for policy makers and be able to provide new knowledge about the influence of government policies, especially on the development of sharia businesses in Indonesia.

## **METHOD**

The research method used in this study is *library research* with a qualitative approach. This research method is considered to be able to provide scientific and accountable information and interpretation (Creswell, 2009; Sugiono, 2015). Meanwhile, the data sources in this study are divided into two, primary and secondary. Primary data sources are taken from scientific writings that focus on government policies on the growth of sharia businesses in Indonesia, while secondary sources are taken from articles, journals, and books that are considered to be related to the focus of research.

The data collection techniques used are observation and documentation. This technique is considered to be able to provide data that is indispensable in research. Meanwhile, the data analysis used is qualitative data analysis. The data was originally collected, then selected and sorted and analyzed so as to produce interpretations that led to research results that could be accounted for in their scientific nature.

## **RESULTS AND DISCUSSION**

### ***Government Policies Towards Businesses in Indonesia***

The government's policies towards businesses in Indonesia cover various aspects that aim to support economic development, increase competitiveness, and create a conducive business environment. The OSS system is a platform that allows business actors to take care

of licensing online, thereby speeding up the process and minimizing bureaucracy. The government has simplified the licensing process for MSMEs with the aim of making it easier to establish and operate small businesses.

Large investments in infrastructure development such as toll roads, ports, airports, and railways to support logistics and business mobility. The government develops SEZs to encourage investment and industrialization in various regions of Indonesia (Aydin, 2022). This program provides access to low-interest financing for MSMEs (Wijayanti & Muhammad Ramadhan Bayu Aji, 2023). Various tax incentives are given to certain sectors, such as tax deductions for investments in certain sectors or for companies that conduct research and development (R&D) activities (Khotimah, 2019).

The government is improving vocational education and training programs to provide a skilled workforce in accordance with the needs of the industry. The determination of the UMR is to protect the welfare of workers while ensuring economic stability. The Job Creation Law or Omnibus Law aims to simplify regulations that hinder investment and job creation. This includes reforms in the fields of employment, taxation, and the environment. The government actively attracts foreign investment by providing convenience in terms of licensing and investment protection.

Indonesia's participation in regional trade agreements to expand market access and increase the competitiveness of Indonesian products in the international market. Strengthening economic ties with partner countries to boost exports and attract foreign investment (Aydin, 2022). Developing policies that support the green economy, including incentives for renewable energy and sustainable business practices. Policies to reduce deforestation and preserve the environment as part of a commitment to climate change.

Although many policies have been implemented, there are still some challenges that need to be overcome, such as complex bureaucracy, corruption, and the gap between policies and implementation on the ground. Regular policy evaluation and adjustment is very important to ensure that the policies implemented are truly effective and provide the expected benefits for business actors in Indonesia. With these policies, the government seeks to create an environment conducive to economic growth and business development, both large and small, in Indonesia.

The analysis of government policies towards businesses in Indonesia covers various aspects involving implementation effectiveness, economic impacts, challenges, and future prospects. OSS has accelerated the licensing process by reducing bureaucracy. Business actors can take care of permits online, thereby minimizing time and costs. This system increases transparency in the licensing process, reducing the chances of corruption. Many business actors, especially MSMEs in remote areas, do not fully understand or have access to technology to use OSS. Technical constraints and IT infrastructure are uneven throughout Indonesia.

The government's policy towards businesses in Indonesia shows a strong intention to encourage economic growth, increase competitiveness, and create jobs. Policies such as OSS, KUR, and the Omnibus Law have had a significant positive impact, although there are still challenges in implementation and adjustments needed.

Further investment in digital infrastructure and digital upskilling among businesses will be key. Continuous bureaucratic reform and institutional capacity strengthening to ensure policies run effectively on the ground. More inclusive policies, which take into account the needs and challenges of business actors in remote areas and the informal sector, will help accelerate equitable growth. With the right handling of existing challenges, these policies have great potential to change the business landscape in Indonesia, making it more dynamic and competitive in the global arena.

### ***The Influence of Government Policies on the Growth of Sharia Businesses in Indonesia***

The Indonesian government's policy towards the growth of sharia businesses reflects its commitment to supporting and developing the sharia economy in accordance with Islamic principles. The OJK has issued various regulations governing Islamic banks, Islamic insurance, and Islamic capital markets to ensure that all operations are in accordance with sharia principles. OJK published a roadmap that includes a strategy for the development of the Islamic financial sector until 2024.

The government provides financing support through various schemes, such as sharia People's Business Loans (KUR), and financing from Islamic financial institutions. Several tax incentives are given to business actors who implement the sharia system, including tax reductions for activities that support the development of the sharia economy (Halim, 2023). OJK and BI organize various Islamic financial literacy programs to increase public understanding of Islamic financial products and services. Integration of sharia economic materials in formal and non-formal education curricula to form a deeper understanding of sharia principles.

The development of innovative Islamic financial products in accordance with market needs will be the key to attracting more consumers (Albanjari dkk., 2021). Increasing collaboration between governments, financial institutions, and the private sector to create a more integrated ecosystem. Increasing market penetration through education and increasing Islamic financial literacy will help expand the consumer base (Hukmi, 2023). Strengthening commitment to the Sustainable Development Goals (SDGs) through the application of sustainable and environmentally friendly Islamic finance principles (Andiansyah dkk., 2022). The use of advanced technologies, such as blockchain and AI, to increase efficiency and transparency in Islamic financial operations (Yulita Amalia dkk., 2019). By continuing to improve policies that support and overcome existing challenges, the growth of sharia businesses in Indonesia has great potential to contribute significantly to the national economy, increase financial inclusion, and meet the needs of people who want financial services in accordance with sharia principles.

### ***Opportunities and Challenges of Government Policies Against the Growth of Sharia Businesses in Indonesia***

With the majority of Indonesia's population being Muslim, there is a natural demand for products and services that are in accordance with sharia principles. The increasing awareness and preference for Islamic finance opens up great opportunities for sharia-

compliant financial products (Yusuf & Ichsan, 2021). Clear policies and roadmaps from the government provide concrete directions and goals for the development of the sharia economy. Tax incentives for sharia business actors can attract more investors and businesspeople to enter the sharia market.

The growth of Islamic fintech provides easy access to Islamic financial services, especially for those who were previously unreachable by conventional financial services. Digital platforms that facilitate sharia transactions can increase efficiency and market reach (Apriyana dkk., 2023). Indonesia's participation in international sharia economic forums opens up opportunities for collaboration and investment from abroad. Trade agreements with Muslim-majority countries can increase exports of halal products and Islamic financial services. Innovations in Islamic financial products and services, such as green sukuk, sharia insurance, and sharia mutual funds, can attract more customers and investors (El Ayyubi dkk., 2018).

Today's challenge is that there are still many people who do not understand the difference between conventional and sharia financial products. Limited Islamic financial education and literacy programs require improvement to reach all levels of society. Frequent regulatory changes can cause uncertainty for business actors. Despite the existence of OSS, there is still a complex bureaucracy in the sharia business licensing process.

Uneven access to technology and the internet throughout Indonesia is an obstacle to the development of digital-based Islamic financial services. Inadequate physical infrastructure in some areas hinders access to Islamic financial services. Islamic financial institutions often face challenges in competing with conventional financial institutions that have a larger economic scale. Islamic financial products that are still limited compared to conventional financial products can reduce the attractiveness for customers. Maintaining compliance with sharia principles in all aspects of operations can be challenging, especially for institutions that are just transitioning to the sharia system. A strict system of supervision and certification is required to ensure that all products and services are completely compliant with sharia principles.

The recommendation to overcome the above challenges is with strategic innovations that can provide convenience to every user. Launching a more intensive and widespread education campaign on Islamic finance. Include Islamic finance materials in formal and informal education curricula. Harmonization of regulations between related institutions to reduce complexity and uncertainty. Maintaining policy consistency to provide certainty for business actors.

Investment in equitable digital infrastructure to support Islamic fintech and digital financial services. Development of physical infrastructure in remote areas to improve access to financial services. Increasing research and development of Islamic financial products that are innovative and in accordance with market needs. Collaboration between Islamic and conventional financial institutions for broader product development (Halim, 2023). Supervision of Islamic financial institutions to ensure compliance with sharia principles. By taking advantage of opportunities and overcoming existing challenges, government policies

can be more effective in supporting the growth of sharia businesses in Indonesia, which will ultimately contribute to increased financial inclusion and sustainable economic growth.

### CONCLUSION

Government policies play a key role in the growth of sharia businesses in Indonesia. In recent years, the Indonesian government has taken strategic steps to support the development of the Islamic finance sector. The government has issued regulations that support the development of sharia businesses, such as the Sharia Banking Law and various regulations governing Islamic financial institutions. This provides a clear legal basis and strengthens investor and consumer confidence in Islamic financial products and services. The government also provides incentives and facilities, both in the form of taxes and other support, to encourage the growth of sharia businesses. This aims to increase competitiveness and expand market penetration for Islamic financial institutions. Government policies also include efforts to educate and promote Islamic finance to the wider community. This includes social campaigns, training, and other programs that aim to increase understanding and awareness of the benefits of Islamic finance. The government is collaborating with the private sector, including Islamic financial institutions and other business actors, to develop a more inclusive and sustainable Islamic finance ecosystem. With the support and conducive policies from the government, the growth of sharia businesses in Indonesia can continue to increase, make a significant contribution to the country's economy, and provide more diverse financial options in accordance with sharia principles for the community.

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