

# TERAJU

Jurnal Syariah dan Hukum

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- **Hukum:** Filsafat Hukum, Hukum Bisnis, Hukum Pidana, Hukum Perdata, Hukum Tata Negara, Hukum Adat, Hukum Internasional dan Studi Perbandingan Hukum.

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## History of Islamic Economic Thought in Indonesia

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### Abstract

This study examines the history of Islamic economic thought in Indonesia, particularly during the Kingdom era, Dutch colonialism, and after the proclamation of independence, as well as the roles of several important figures who influenced this development. During Dutch colonialism, Islamic economic thought was suppressed and marginalised because the colonial economic system, which was dominated by Western capitalism, hindered the development of Islamic economics. However, at the beginning of the 20th century, the rise of the modern Islamic movement in Indonesia also influenced Islamic economic thought. This movement emphasised the importance of renewal in various aspects of life, including in economic practices based on Islamic teachings. The methodology used in this study is qualitative with a literature review approach, as well as historical studies to explore the differences in thought. The results of the study indicate that Islamic economic thinkers in Indonesia established Islamic principles as the foundation for achieving fair and sustainable economic goals.

**Keywords:** *History of Thought, Islamic Economics, Indonesia,*

### Abstract

This research examines the history of Islamic economic thought in Indonesia, especially during the Kingdom, Dutch colonialism and after the proclamation of independence, as well as the role of several important figures who influenced these developments. During Dutch

colonialism, Islamic economic thought experienced oppression and marginalisation, because the colonial economic system dominated by Western capitalism hampered the development of Islamic economics. However, at the beginning of the 20<sup>th</sup> century, the rise of the modern Islamic movement in Indonesia also influenced Islamic economic thinking. This movement emphasises the importance of reform in various aspects of life, including economic practices based on Islamic teachings. The methodology used in this research is qualitative with a literature study approach, and uses historical studies to explore differences in thought. The research results show that Islamic economic thinkers in Indonesia establish Islamic principles as the basis for achieving just and sustainable economic goals.

**Keywords:** *History of Thought, Sharia Economics, Indonesia*



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## Introduction

More than a century ago, Islamic economic thought emerged alongside the development of Islam itself. In efforts to enhance Islamic economics, the Qur'an and Sunnah serve as the primary and irreplaceable foundations; the Qur'an is the revelation of Allah revealed to Prophet Muhammad (PBUH), and the Sunnah is its practical implementation and explanation. Both possess distinct economic philosophies and principles that can be applied in various situations. However, this does not imply that the understanding of Islamic economics is static; rather, it demonstrates that this understanding is dynamic, substantial, and methodological. The ideology of the Qur'an and Sunnah has a divine nature, while this understanding stems from the human thought process. Therefore, the essence of Islamic economic "thought" evolves over time, across regions, and under varying conditions.<sup>1</sup>

The classical economic period, which lasted from 738 CE to 1932 CE, marked the development of Islamic economics. Thinkers such as Abu Yusuf with his book *Al-Kharaj (Manual on Land Tax)* and Abu Ubaid al-Qasim with his book *Al-Ammal (The Wealth)*. This economic development continued from 1058 CE to 1466 CE, with the ideas of Ibn Khaldun, documented in his book *Muqadimah*, playing a significant role. Between 1446 CE and 1932 CE, Islamic economics continued to evolve. The ideas of Syah Waliullah in his book *Hujjatullah al-Baligh* determined the style of Islamic economics at that time. After this period, the development of Islamic economics entered the modern era, which began in 1930 and continues to this day. In this era, the development of Islamic economics has progressed through more in-depth analysis of various issues, such as social economics, monetary economics, banking,

<sup>1</sup> Vidairotul Hamdiah and Muhammad Arif, "Islamic Economic Thought in the Contemporary

*Era of Muhammad Abdul Manan*", INTELEKTIVA, Vol. 5 No. 3 November - December 2023, p. 77

as well as the theory and practice of the Islamic economic system.<sup>2</sup>

The development of Islamic economics in Indonesia has been greatly influenced by the contributions of Islamic economic thinkers. They have not only provided big ideas about Islamic economics, but also demonstrated a strong commitment to the development and advancement of Islamic economics in Indonesia. One of the most prominent figures in this regard is Adhiwarman Azwar Karim. He belongs to the group of fundamentalist Islamic thinkers, given his deep expertise in the field of Islamic economics. Based on an analysis of his works, several approaches and methods he employs in developing Islamic economics can be identified, including historical, fiqh, and economic approaches.<sup>3</sup>

The development of Islamic economics in Indonesia has received positive responses from various parties. Muslim scholars in Indonesia, through the Indonesian Muslim Intellectuals Association (ICMI), established Bank Muamalat Indonesia (BMI) as the first Islamic bank in 1992. This marked the beginning of the birth and development of Islamic economics in Indonesia. In the early days of its establishment, BMI was able to survive the 1997 crisis that hit all aspects of the Indonesian economy. This achievement became a positive value for

Islamic economics to develop even further in Indonesia. The government also responded positively to the development of Islamic economics after seeing the achievements made by BMI during that period. Various forms of support were provided by the government through the issuance of legal products that support and regulate Islamic economic activities.<sup>4</sup>

The development of Islamic economic ideas has reached the stage of discourse, as it has entered the phase of institutionalising these ideas and the stage of regulation in the form of laws, national government regulations, and economic development policies. Amid the rapid growth of the Islamic banking industry, Islamic economic thought has largely served as the foundation for this industry. However, there are also criticisms of the operational practices of Islamic banking, with the argument that its current practices are far removed from the principles of Islamic economics and are not significantly different from conventional banking.<sup>5</sup>

## Discussion

### The Economic System During the Islamic Kingdom

The spread of Islam in Indonesia took place gradually and involved various channels, beginning in the 7th century CE. The process of spreading Islam was influenced by Arab, Persian, and Indian traders, and strengthened by the role of

<sup>2</sup> Muhammad Cahlanang Prandawa et al., "The Development of Islamic Economics in Indonesia: Between Opportunities and Challenges", *Jurnal Istiqro: Journal of Islamic Law, Economics and Business*, Vol. 8 No. 1: 29-47, January 2022, p. 30

<sup>3</sup> Khairul Wahid, et al., "A Comparative Analysis of the Economic Development Thoughts of KH. Ma'ruf Amin and Adhiwarman Azwar Karim," *ORGANIZE: Journal of Economics, Management and Finance*, Vol. 2 No. 1, 2023, p. 52

<sup>4</sup> Muhammad Cahlanang Prandawa et al., "The Development of Islamic Economics in Indonesia.....", p. 30

<sup>5</sup> Cahyono Bayu Aji et al., "Islamic Economic Thought in Indonesia (A Study of the Thought of Indonesian Muslim Intellectuals in the Pre-Independence Era – New Order Era)," *Al-Muamalat Journal of Islamic Economic Law*, Vol. II No. 02, 2017, p. 38

local preachers and traders. Islam spread through various channels such as trade, marriage, preaching, education, arts and culture, and Sufism, which proceeded peacefully and adapted to local cultures. Islam first developed in coastal areas but later spread inland with the establishment of Islamic kingdoms such as Samudra Pasai, Demak, Malacca, Banten, Cirebon, Ternate, Gowa, and Banjar. The success of this spread was also linked to the decline of Hindu-Buddhist kingdoms such as Sriwijaya and Majapahit, which opened the way for Islamic power in Indonesia.<sup>6</sup>

Several Islamic kingdoms in Indonesian history, such as Aceh Darussalam, Mataram, Banten, Palembang, Ternate, Tidore, Makassar, Banjar, Jambi, and Demak, became centres of international trade. Traders from the Middle East and the West came to these kingdoms to sell their goods and buy products from the archipelago. One important phenomenon that emerged during the sultanate era was the emergence of a "merchant class" or "trading entrepreneurs", who became the main actors in the economy of the archipelago from the 16th to the 18th centuries. This class consisted of rulers and traditional elites such as kings or sultans, nobles, port masters, military commanders, wealthy individuals, prominent religious leaders, and merchants from the ranks of prominent religious scholars.<sup>7</sup>

<sup>6</sup> Idris Prakkasi, *"The Development of Islamic Economics Based on History, Culture, Society, and Religion in Indonesia"*, Tekstual, Vol. 16 No.1, 2018, pp. 27-28

<sup>7</sup> Abdul Qoyum et al., *History of Islamic Economic Thought*, (Jakarta: Department of Islamic Economics and Finance – Bank Indonesia, 2021), p. 260

Economic interests through trade routes and centres were not limited to the ruling class but extended to the lowest strata of society. For the upper classes, markets were a source of income for kings and their families, nobles, and elites, while farmers could sell their produce to merchants who would trade it or exchange goods and services at the market. Thus, markets played a central role in the economy and the spread of Islam in the Nusantara region.<sup>8</sup>

The moral wisdom and courteous trading practices of Muslim merchants had a positive influence on coastal communities. They not only introduced Islamic teachings but also provided wise solutions to economic and social issues, such as trade disputes, inheritance rights, and property division. As these merchants settled and integrated into the community, these solutions evolved into broader studies that became increasingly complex as society developed.<sup>9</sup>

The Islamic economic system that developed during the kingdom era continued to evolve until eventually, one by one, the Islamic kingdoms in Indonesia were defeated by colonisers, and their territories were conquered and controlled by them. Internal and external factors were the causes of the fall of Islamic kingdoms in Indonesia in the 19th century. The Islamic economic system that had been built gradually disappeared and was replaced by the capitalist economic system brought by colonisers such as the Portuguese and the Dutch.<sup>10</sup>

<sup>8</sup> *Ibid*, p. 465

<sup>9</sup> Idris Prakkasi, *"The Development of Islamic Economics .....*, p. 28

<sup>10</sup> Abdul Qoyum et al., *History of Islamic Economic Thought.....*, p. 463

### Islamic Economic Thought During the Colonial Period

Under colonial rule, the Islamic economic system and economic movements faced challenges and pressures that led to changes in Islamic economic practices and thought. The Dutch colonisers implemented economic policies that benefited themselves and controlled natural resources and trade in Indonesia, such as the monopolistic VOC economic system from 1600 to 1800, the command economy system of forced cultivation from 1830 to 1870, and the liberal capitalist economic system from 1870 onwards. Unfortunately, these three systems often oppressed and exploited the people. Therefore, Muslims sought to resist this oppression through warfare, such as the largest Java War (the Diponegoro War of 1825–1830) and the Padri War in West Sumatra (1821–1837), but these efforts were unsuccessful, leading to bankruptcy in 1830.<sup>11</sup>

In the 19th century, a Muslim movement in the field of Islamic economics was formed, named the Islamic Traders' Association (SDI). The Islamic Traders' Association (SDI) was founded by Haji Samanhudi in 1905 in Solo, Central Java, with the aim of advocating for the economic interests of Muslim traders so they could compete with non-Muslim traders. This organisation also promoted Islamic economic principles among Muslims. Over time, the SDI evolved into the Sarekat Islam (SI) in 1912, which not only focused on economics but also became involved in

politics and emerged as one of the national movements playing a significant role in Indonesia's struggle for independence. The Sarekat Islam (SI) was led by KH Samhudi as Honorary Chairman, KH Oemar Said Tjokroaminoto as Chairman, and Raden Gunawan as Vice Chairman.<sup>12</sup>

### Islamic Economic Thought After Independence

After Indonesia gained its independence in 1945, Islamic economic movements and thought continued to develop well in a political and economic context influenced by the policies of the government led by President Soekarno. Islamic economic thought and practice at that time also interacted with socialist and nationalist ideologies that dominated economic policy at the time.<sup>13</sup> The establishment of Bank Muamalat Indonesia in 1991 was a significant milestone in the advancement of Islamic economics in Indonesia. As the first Sharia bank in Indonesia, Bank Muamalat paved the way for the establishment of other Sharia financial institutions such as Bank Syariah Mandiri and Bank BRI Syariah.<sup>14</sup>

The Indonesian government has supported the development of Islamic economics by improving regulations and policies, such as the enactment of the Islamic Banking Law in 2008. Additionally, various other regulations and incentives have been implemented to

<sup>11</sup> Nur Afiah, et al., "History of Islamic Economic Thought in Indonesia," *Al Mustla: Journal of Islamic and Social Sciences*, Volume 5 No. 1, June 2023, p. 75

<sup>12</sup> Bedjo Santoso and Abdul Aziz, *Islamic Economic Thought and Practice: From the Time of the Prophet Mubammad SAW to the Contemporary Era*, (Gresik: Inspirasi Pustaka Media, 2022), p. 76

<sup>13</sup> Nur Afiah et al., "History of Economic Thought .....", p. 176

<sup>14</sup> *Ibid*, p. 177

promote the growth of Islamic economics, including in the banking sector, capital markets, insurance, and the real sector. Higher education institutions and educational institutions have increasingly focused on the study of Islamic economics. Specialised education and research programmes have been established to produce graduates who understand the principles of Islamic economics and are capable of developing economic practices in line with Islamic religious principles.

The community also plays an active role in developing Islamic economics through Islamic financial products, Islamic cooperatives, and MSMEs. The growth of Islamic economics is also driven by the development of the halal industry. Halal products, including food, beverages, cosmetics, and tourism, have become an important focus for the country's economy. Halal certification issued by LPPOM MUI (Indonesian Ulema Council's Food, Drug, and Cosmetics Research Institute) helps increase consumer confidence in halal products and encourages the growth of the halal industry.<sup>15</sup>

## Key Figures in Islamic Economic Thought in Indonesia

### H.O.S. Tjokroaminoto

Raden Mas Oemar Said Tjokroaminoto was born in Bakur, a quiet village in Madiun, East Java, on 16 August 1882, coinciding with the eruption of Mount Krakatau in Banten. He was born with the name Oemar Said. After performing the Hajj pilgrimage, he abandoned his noble title and preferred to

introduce himself as Haji Oemar Said Tjokroaminoto, or more commonly known as HOS Tjokroaminoto.<sup>16</sup>

He received his primary education in Madiun, at a Dutch school. His secondary education was completed at the *Opleiding School Voor Inlandsche Ambtenaren* (OSVIA), a school for indigenous civil servants, in Magelang, Central Java, graduating in 1902. At OSVIA, where the five-year programme was taught in Dutch, he studied Dutch as the medium of instruction. After graduating from OSVIA, from 1902 to 1905, Tjokro worked as a clerk for the regent in Ngawi, East Java, then became a regent, and later held various positions within the civil service. However, he only stayed in the civil service for three years before resigning, shortly after marrying Suharsikin, the daughter of the Regent of Ponorogo, in 1905.<sup>17</sup>

In 1907, Tjokroaminoto moved to Surabaya and continued his education at the BAS (*Burgelijke Avond School*), a civil engineering school specialising in machinery. To finance his studies, he worked at a trading company named Kooy & Co. After graduating from BAS in 1910, Tjokroaminoto moved around in various jobs while also becoming actively involved in organisational activities. Tjokroaminoto passed away in Yogyakarta, Indonesia, on 17 December 1934 at the age of 52. He died after falling

<sup>16</sup> E. Hamdan Ridwan, *The Concept of Islamic Education: The Perspective of H.O.S. Tjokroaminoto*, (Bandung: Cendekia Press, 2019), p. 28

<sup>17</sup> Minkhatul Maula, et al., "Economic Thought of Indonesian Muslim Scholars (Cokroaminoto, Syafrudin Prawiranegara, Moh. Hatta, H. Abdul Malik Karim Amrullah)", *Academic Campus Publishing: Scientific Journal of Research Students*, Volume 1 No. 3, January 2024, p. 458

<sup>15</sup> *Ibid*, p. 177

ill following the SI Congress in Banjarmasin. HOS Tjokroaminoto was posthumously awarded the title of national hero, and his remains were buried at the TMP (Taman Makam Pahlawan) Pekuncen in Yogyakarta.<sup>18</sup>

HOS (Haji Oemar Said) Tjokroaminoto was an Indonesian nationalist and founder of Sarikat Islam (SI), an organisation that had a significant influence on the Indonesian independence movement. Although better known as a politician, Tjokroaminoto also had economic ideas that offered religious socialist ideals.

In addition to serving as the leader of the Islamic economic movement, HOS Tjokroaminoto was also active in writing about Islamic economics. In 1924, he published his first book titled "Islam and Socialism." According to him, socialism is a set of rules for managing wealth based on religion and philosophy. Therefore, according to him, the socialism that should be implemented by Muslims is socialism based solely on Islamic principles. In his book, he explained in detail how the concept of socialism in the context of Islam is based on the Quran and Sunnah of the Prophet Muhammad SAW, as well as examples of socialist practices in Islamic teachings.<sup>19</sup>

According to HOS Tjokroaminoto, ownership of property is the right of each individual. However, this is different when it comes to land ownership. For Tjokroaminoto, land is the source of all income and the basis of all large-scale industrial work. Therefore, land ownership must be controlled by the state.

<sup>18</sup> *Ibid*, p. 458

<sup>19</sup> Nur Afiah et al., "History of Economic Thought ....., p. 178

He believed this was in accordance with the example set by the Prophet when he held state power.<sup>20</sup>

Regarding usury, Tjokroaminoto strongly opposed it. The usury referred to by Tjokroaminoto is not limited to woeker, which is high interest rates, but usury in Tjokroaminoto's sense is taking advantage of others (meewarde). This includes meewarde, which is taking the fruits of others' labour, not giving the share of profits that should belong to those who participated in the work, and all similar acts.<sup>21</sup>

In terms of zakat and almsgiving, Tjokroaminoto explained the application of the principles of brotherhood and generosity in Islam. According to him, the commandment of generosity in Islam has a socialist basis consisting of three things: first, cultivating sincerity in sacrificing oneself and prioritising the common good over personal interests. Second, distributing wealth evenly within the Islamic world, because giving zakat is one of the pillars of Islam. Third, guiding people not to consider poverty as something shameful but rather better than committing crimes. In fact, several holy figures in Islam even chose to live simply without abundant material possessions.<sup>22</sup>

### Sjafruddin Prawiranegara

Syafruddin Prawiranegara was born in Serang, Banten, on 28 February 1911 and passed away in Jakarta on 15 February

<sup>20</sup> Cahyono Bayu Aji, "Islamic Economic Thought in Indonesia: A Study of the Thought of Indonesian Muslim Intellectuals in the Pre-Independence Era – New Order", *Al Muamalat: Journal of Islamic Economic Law*, Vol. 2 No. 2, 2017, p. 42

<sup>21</sup> *Ibid*, p. 42

<sup>22</sup> Nur Afiah et al., "History of Economic Thought ....., p. 179

1989 at the age of 77. He had Banten ancestry from his father's side and Minangkabau ancestry from his mother's side. His maternal great-grandfather, Sutan Alam Intan, was a descendant of the Pagaruyung king in West Sumatra, who was exiled to Banten for his involvement in the Padri War. He married a Banten noblewoman and had a son named Raden Arsyad Prawiraatmadja. Syafruddin's father worked as a prosecutor but was close to the people, and as a result, he was exiled by the Dutch to East Java.<sup>23</sup>

Syafruddin attended the Europeesche Lagere School (ELS) in 1925, followed by the Meer Uitgebreid Lager Onderwijs (MULO) in Madiun in 1928, and the Algemeene Middelbare School (AMS) in Bandung in 1931. He pursued his higher education at the Rechtshoogeschool (Law School) in Jakarta (now the Faculty of Law, University of Indonesia) in 1939, and successfully obtained the title of Meester in de Rechten (equivalent to a Master of Law).<sup>24</sup>

Sjafruddin Prawiranegara advocated for the need to create balance in the economic sector. He emphasised the importance of equitable development across all regions of Indonesia, both in terms of infrastructure and employment opportunities. He also prioritised the protection of small and medium-sized economic sectors so that they could compete fairly. He believed that

community empowerment was the key to sustainable economic development. He encouraged active community participation in economic decision-making and local resource management, and also fought for wealth redistribution and the reduction of economic inequality.<sup>25</sup>

Sjafruddin Prawiranegara places the Islamic economic system between the capitalist and socialist economic systems. For Sjafruddin Prawiranegara, the basis of the Islamic economic system is no different from the economic systems in non-Islamic countries. The similarities concern two things. First, the similarity of purpose, which is to seek satisfaction from various needs of society, both individual and collective. Second, the similarity of principles, also known as economic motives, which is that every individual or community will not want to work harder and longer than necessary to meet their needs. The difference between the two economic systems lies in the needs that must be met by each system. These differences are influenced by various factors, such as geography, customs, and religion. He defines the Islamic economic system as an economic system that operates based on economic principles guided and limited by Islamic teachings.<sup>26</sup>

Regarding ownership, Sjafruddin Prawiranegara believes that the purpose of ownership in Islam is not to pursue wealth and material possessions, but to seek the pleasure of Allah SWT. Material possessions in Islam are merely tools to enable humans to live and serve their God. Individual and collective rights are

<sup>23</sup> Department of Communication, *Syafruddin Prawiranegara, The Only Indonesian to Become President of DJB*, accessed from <https://www.bi.go.id/id/publikasi/ruang-media/cerita-bi> on Saturday, 16 November 2024, at 18:40 WIB

<sup>24</sup> *Ibid*

<sup>25</sup> Nur Afiah et al., *History of Economic Thought* ....., p. 180

<sup>26</sup> Cahyono Bayu Aji, *Islamic Economic Thought in Indonesia* ....., p. 43

equal and cannot be exercised arbitrarily. "27 " This means that property rights are not only personal rights but also have a social function. Thus, Islam does not provide a justification for the emergence of cruel capitalism that disregards humanity.

Syafrudin Prawiranegara has a different view from other economists regarding usury and interest. He does not consider bank interest to be usury, and interprets usury as an exploitative system, whether in the fields of production, distribution, or consumption. He concludes that usury is any profit obtained through a transaction or agreement in which one party abuses its economic position to take advantage of the weaker party.<sup>28</sup>

In discussing zakat, Sjafruddin Prawiranegara begins his analysis by examining social class. He criticises the socialist-Marxist doctrine, which aims to eliminate class differences through revolution. For Sjafruddin, differences between the rich and the poor will always exist as long as humans live in this world. However, Islam does not advocate exacerbating inequality and conflict between groups in society. Instead, Islam acknowledges the existence of class differences but also encourages sharing through the payment of zakat. Zakat is a noble act of those who have economic surplus giving to those in need to alleviate the burden of life and provide assistance to the poor and oppressed.<sup>29</sup>

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<sup>27</sup> Minkhatul Maula et al., *"Economic Thought of Muslim Scholars .....*, p. 459

<sup>28</sup> *Ibid*, p. 460

<sup>29</sup> Nur Afiah, et al., *"History of Economic Thought .....*, p. 181

### Mohammad Hatta

Dr. Drs. H. Mohammad Hatta was a prominent figure in Indonesia's struggle for independence, an economist, and a statesman who served as Indonesia's first Vice President and is honoured as a National Hero. He is known as the Proclamation Hero for his role in fighting for independence and is considered one of Indonesia's national heroes during the colonial era. Additionally, he served as the chairman of the Indonesian Association from 1925 to 1930 and had a significant impact on the development of Indonesia's people-oriented economy, earning him the title of "Father of the People's Economy."<sup>30</sup>

Mohammad Hatta was born on 12 August 1902 in Bukittinggi, West Sumatra. His father was Haji Mohammad Jamil and his mother was Siti Saleha. Mohammad Hatta's father was the son of Syeh Arsyad, a well-known religious teacher in Batuhampar, near Payakumbuh. During his school years, Hatta enrolled in a public school and was in the same class as his sister, Rafi'ah. At the public school, Hatta only studied until the third year. In the middle of the school year, Hatta transferred to a Dutch school, the Europeesche lagere School (ELS), and was accepted into the second grade.<sup>31</sup>

In 1916, Hatta completed his education at the ELS, and his mother urged him to continue his studies at the Meer Uitgrebreid Lager Onderwijes (MULO) in Padang. Three years later, Hatta graduated from the MULO and continued his education at the Prins Hendrik School (PHS), a commercial

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<sup>30</sup> *Ibid*, p. 182

<sup>31</sup> Rohmat, *Short Biography of Mohammad Hatta*, (Duta Publisher, 2019), p. 1

school in Jakarta, where he successfully completed his studies in 1921.<sup>32</sup>

Hatta had the opportunity to continue his studies in the Netherlands in 1921. At that time, in addition to studying, Hatta was also active in the Perhimpunan Hindia (Indische Vereeniging) organisation, which in 1925 changed its name to Perhimpunan Indonesia (PI). Hatta earned a bachelor's degree in economics, but he decided to switch his major to political economy, so his studies were not completed until 1932.<sup>33</sup>

Moh. Hatta passed away on 14 March 1980 after being hospitalised at Cipto Mangunkusumo Hospital for 11 days. He was buried at Tanah Kusir Cemetery in Jakarta with a state funeral led by then Vice President of Indonesia, Adam Malik. Thanks to his extraordinary contributions to achieving Indonesia's independence, Moh. Hatta was designated as a Proclamation Hero of Indonesia by President Soeharto in 1986 and recognised as a National Hero in 2012.

When discussing the people's economy, one cannot separate it from the role of Mohammad Hatta. Bung Hatta, an Indonesian proclaimer, is recognised as one of the pioneers in developing an economy based on the interests of the people. Through his speeches, writings, and books, he always emphasised the importance of an economic system based on the interests of the community, with cooperatives as the main vehicle. Given his contributions in this field, it is no surprise that he is known as the "Father of

the People's Economy" and also the "Father of Cooperatives" in Indonesia.<sup>34</sup>

Key points regarding the concept of People's Economy proposed by Hatta are: (1) It highly values justice and prosperity in society, where economic activities must be carried out by all Indonesian people through fostering a spirit of family unity, mutual cooperation, and without any interference from colonial powers. This is intended to free the Indonesian people from the shackles of colonialism; (2) the people's economy is in line with Pancasila, the state ideology, as this concept originates from the ancestral culture that forms the essence of every principle in Pancasila and the preamble of the 1945 Constitution; (3) The people's economy implemented through cooperatives is still relevant to be implemented and developed today because the mandate of cooperatives as the pillar and backbone of the nation's economy plays a strategic role in the recovery of the nation's economic condition.<sup>35</sup>

In his view, usury and interest in banks are acceptable in Islam and are not part of usury. He believes that Islam is a blessing for all people in the world and its norms can be accepted by Indonesians from various backgrounds. Usury is related to consumer loans that generate additional profits. When a customer borrows money from a bank, they will face difficulties and confusion in repaying their debt. This is also related to the basic meaning of usury as *Ziyadah* or additional gain. Interest cannot be equated with

<sup>34</sup> Nur Afiah et al., "History of Economic Thought .....", p. 182

<sup>35</sup> Nasruddin Yusuf et al., "Mubammad Hatta's Thoughts on Islamic Economics in Indonesia", Portrait of Thought, Vol. 23 No. 1, 2019, p. 38

<sup>32</sup> *Ibid*, p. 3

<sup>33</sup> Minkhatul Maula et al., "Economic Thought of Muslim Scholars.....", p. 460

usury because there are no elements of exploitation or oppression involved in it. According to Hatta, the practice of bank interest by conventional banks in the past was in line with the principles of Islamic law. If a consumer loan has additional or multiplied amounts that cause hardship and oppression for the borrower, then *riba* is considered haram.<sup>36</sup>

### Conclusion

During the Dutch colonial period, Islamic economic thought in Indonesia was suppressed and ignored due to the dominance of Western capitalism. However, at the beginning of the 20th century, the rise of the modern Islamic movement in Indonesia influenced Islamic economic thought, emphasising the importance of reform in economic practices in accordance with Islamic teachings. Although these figures lived in different eras, they shared similarities in developing Islamic philosophical values, with the principle of *tawhid* guiding all economic activities to respect these values. Values such as brotherhood, equality, justice, and safety form the foundation of an economic system that influences the economic behaviour of the community. The differences in the thinkers' ideas mainly lie in how they understand and evaluate the economy, which is influenced by their backgrounds and socio-political conditions. Although their approaches differ, their goal is the same, namely to achieve the common good (*maslahah*). *Riba*, bank interest, and *zakat* are considered important tools in the distribution of wealth in the Islamic economy. These differences actually

enrich the understanding of Islamic economics in Indonesia.

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