



The Urgency of Updating Material Legal Sources in the Resolution of Sharia Economic Disputes

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Abstract

Currently, the material sources of law in Islamic economic law in Indonesia remain very limited and generally focus only on the aspect of Islamic banking. However, as Sharia-based economic activities continue to grow, the number of violations in this sector is also increasing. Unfortunately, in judicial practice, judges often rely on material legal sources that do not fully align with Sharia principles due to the lack of legal sources that are truly rooted in Islamic law. In fact, pure Sharia-based legal sources tend to be treated merely as legal opinions or doctrines, rather than as the main foundation in judicial decisions. This research aims to examine the urgency of renewing the material sources of law in Islamic economic practices. It employs a qualitative method with a library research approach. The qualitative method emphasizes an in-depth understanding of social and legal phenomena by analyzing literature sources, legal documents, and court decisions in a descriptive-analytical manner. The results of this research indicate that renewing the material sources of Islamic economic law is urgently needed, considering the rising number of violations and the lack of legal certainty in resolving Sharia economic disputes. Furthermore, the research reveals that legal reasoning in various Sharia-related court decisions still refers to the Indonesian Civil Code (KUHPerdata), which is not fully aligned with Sharia principles. Therefore, it is necessary to develop valid, concrete, and Sharia-compliant material legal sources for Islamic economic law.

Keywords: Urgency, Material Law, Sharia Economics

Abstrak

Dewasa ini, sumber hukum materiil dalam hukum ekonomi syariah di Indonesia masih sangat terbatas dan umumnya hanya berfokus pada aspek perbankan syariah. Padahal, seiring dengan meningkatnya aktivitas ekonomi berbasis syariah, jumlah pelanggaran dalam sektor ini juga semakin bertambah. Sayangnya, dalam praktik peradilan, hakim sering kali menggunakan sumber hukum materiil yang tidak sepenuhnya sesuai dengan prinsip-prinsip syariah, karena kurangnya sumber hukum yang benar-benar berlandaskan pada hukum Islam. Bahkan, sumber hukum dari syariah murni cenderung hanya dijadikan sebagai legal opinion atau doktrin, bukan sebagai landasan utama dalam memutus perkara. Penelitian ini bertujuan untuk mengkaji urgensi pembaruan sumber hukum materiil dalam ekonomi syariah. Penelitian ini menggunakan metode kualitatif dengan jenis penelitian kepustakaan (*library research*). Metode kualitatif merupakan metode yang menekankan pada pemahaman mendalam terhadap fenomena sosial dan hukum, dengan mengkaji sumber-sumber literatur, dokumen hukum, serta putusan-putusan pengadilan secara deskriptif-analitis.

Hasil penelitian menunjukkan bahwa pembaruan sumber hukum materiil sangat mendesak dilakukan, mengingat tingginya jumlah pelanggaran dan lemahnya kepastian hukum dalam penyelesaian perkara ekonomi syariah. Selain itu, penelitian ini juga menemukan bahwa dasar hukum yang digunakan dalam berbagai putusan perkara syariah masih merujuk pada KUHPerdara, yang substansinya tidak sepenuhnya selaras dengan prinsip-prinsip syariah. Oleh karena itu, diperlukan pengembangan sumber hukum materiil yang valid, konkret, dan sesuai dengan nilai-nilai hukum Islam.

Kata Kunci: *Urgensi, Hukum Materiil, Ekonomi Syariah*

INTRODUCTION

In recent years, the number of Islamic economic disputes submitted to Religious Courts in Indonesia has shown a significant upward trend. According to data from the Supreme Court's Decision Directory, there were 404 decisions in 2022, 461 in 2023, and 494 in 2024, indicating a growing complexity in Sharia-based commercial activities. (Mahkamah Agung Republik Indonesia) However, the legal instruments available to resolve these disputes—particularly the material sources of Sharia economic law—are often outdated or insufficiently codified. Judges frequently rely on personal interpretation (*ijtihad*) due to the absence of binding, comprehensive references such as a fully formalized Kompilasi Hukum Ekonomi Syariah (KHES) (Dzuluqy, 2016). This situation creates inconsistencies in legal reasoning, reduces predictability in verdicts, and undermines legal certainty. These challenges raise the urgency of updating the material legal sources of Sharia economic law to ensure effective, fair, and Sharia-compliant dispute resolution in an increasingly complex and digitalized economic environment.

The development of the Sharia economy worldwide, particularly in Indonesia, has experienced significant growth over the past few decades. This is marked by the increasing number of Sharia financial institutions, Sharia-based financial products, and regulations supporting an economic system based on Islamic principles. However, this rapid progress presents new challenges, especially regarding the relevance and flexibility of material legal sources that serve as the legal foundation for the Sharia economy.

The primary goal of the Sharia economy is not merely limited to financial profit but also aims to create social justice, empower the economic well-being of the community, and promote sustainable development (Zunaidi, 2023). In this regard, a deep understanding of material legal sources in the Sharia economy is essential to preserve the authenticity and sustainability of this system.

The material legal sources in the Sharia economy include the Qur'an, Hadith, *Ijma'*, and *Qiyas* (Hasan, 2021). Although these sources hold high validity and authority, the dynamics of the modern economy often demand interpretation and updates to ensure that Sharia principles remain applicable and relevant (Ishandawi *et al.*, 2024). The complexity of economic transactions, technological advancements, and globalization are factors that accelerate the need for updates to material legal sources in the Sharia economy.

Updating material legal sources in the Sharia economy is essential to address various contemporary issues that are not fully accommodated in classical literature. Additionally, this update aims to ensure that the Sharia economic system operates fairly, transparently, and sustainably in accordance with the principles of *Maqashid* Shariah, which include the preservation of religion, life, intellect, lineage, and wealth (Firdaus & Sahputra, 2022).

Updating material legal sources in the Sharia economy is crucial in the context of global economic changes and technological advancements. By continuously adapting and updating regulations, the Sharia economy can remain an effective and relevant solution, not only for Muslims but also as an alternative capable of making a positive contribution to the global community.

Therefore, this study will examine the urgency of updating material legal sources in the Sharia economy, identify existing challenges, and provide recommendations for developing a more adaptive and responsive Sharia economic legal framework that aligns with the needs of modern society.

LITERATURE REVIEW

Law is divided into two types: material law and formal law. Material law consists of substantive rules, while formal law governs the procedures or processes for enforcing those rules. Material law functions as the basis for resolving issues that arise in society through the application of legal provisions (Imani *et al.*, 2023). Material law is the main focus of this study because the resolution of Islamic economic disputes must comply with Islamic legal principles, including the determination of the legal basis used.

The resolution of Islamic economic disputes through litigation falls under the absolute jurisdiction of the Religious Court, as regulated in Article 49 of Law No. 3 of 2006, whose provisions remain unchanged in Law No. 50 of 2009 concerning the Second Amendment to Law No. 7 of 1989 on Religious Courts (Paulus *et al.*, 2024). This law comprehensively explains the absolute authority of the Religious Court, including its jurisdiction over Islamic economic cases. Currently, the material legal sources used in

resolving Islamic economic disputes are divided into two categories: legally binding sources and legal opinion sources.

Legally binding sources of Islamic economic law include Law No. 21 of 2008 on Islamic Banking, Law No. 19 of 2008 on State Sharia Securities, as well as various Minister of Finance Regulations (PMK), Bank Indonesia Regulations/Circulars, Financial Services Authority Regulations (POJK), and the Compilation of Sharia Economic Law (KHES). Meanwhile, material legal sources that are still considered legal opinions include fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI).

One of the material legal sources that has been positivized and is most in line with Sharia principles is the Compilation of Sharia Economic Law (KHES). KHES is a form of positivization of Islamic law that has undergone several adjustments to remain relevant to the current context. The presence of KHES is an urgent necessity as a legal source applicable in the Religious Courts in the field of Islamic economics, especially after the enactment of Law No. 3 of 2006, which expanded the jurisdiction of the Religious Courts to handle Islamic economic disputes (Elhas, 2020).

In the context of regulatory formation, there are several state institutions authorized to issue binding legal instruments related to Islamic economic law. These institutions include the Financial Services Authority (OJK), Bank Indonesia (BI), and the Ministry of Finance, each having authority to issue regulations that directly impact Islamic financial and banking practices. Additionally, although DSN-MUI fatwas do not have legally binding force, these fatwas serve as important references and are often adopted or integrated into the regulatory frameworks established by these institutions. However, the absence of a centralized and harmonious codification of Islamic economic law remains a challenge, given that regulatory authority is spread across various institutions with overlapping mandates.

As seen in other countries that have been more successful in codifying and systematizing Islamic economic law, such as Malaysia, where the legal framework is more structured, the approach to regulation and institutional governance in this field is significantly more advanced. Malaysia has a key legal instrument in the form of the Islamic Financial Services Act 2013 (IFSA), which comprehensively regulates Islamic financial activities based on prudential principles and Shariah compliance. Under the IFSA, Bank Negara Malaysia (BNM) is granted full authority to set policies, supervise Islamic financial institutions, and integrate the Shariah Advisory Council's fatwas into a binding legal system (Laldin & Furqani, 2018).

Malaysia has also implemented a regulatory sandbox since 2016, continuously updated until 2024, as an effort to accommodate digital

innovation in the Islamic financial system without compromising stability and legal compliance. This model allows limited experimentation with new financial products and services within a controlled legal environment (Policy Document on Fintech Regulatory Sandbox Framework - Bank Negara Malaysia, n.d.).

Regarding fatwa institutions, Malaysia established the Shariah Advisory Council (SAC), which not only serves as an advisory body but also holds binding authority over issued fatwas. SAC fatwas are used as references by courts and all Islamic financial institutions, making them an integral part of the positive legal system. This contrasts with Indonesia, where fatwas from the National Sharia Council (DSN-MUI) do not yet have formal legal force and are still classified as legal opinions that are not always recognized in litigation processes (Dahlan *et al.*, 2016).

The harmonization of religious law and national law in Malaysia is also carried out in a more centralized and systematic manner, without overlapping authority among institutions. Islamic economic disputes can even be resolved in civil courts while still taking into account the expert opinions from SAC as part of legal evidence (Hassan *et al.*, 2022).

This Malaysian model demonstrates success in implementing legal pluralism institutionally and serves as an important reference for Indonesia to strengthen its Islamic economic legal system in terms of regulation, institutional structure, and the integration of fatwas into the national legal framework.

RESEARCH METHOD

This research employs a qualitative descriptive approach, a method that illustrates, describes, and presents the research object as it is, based on the situation and conditions at the time the study is conducted. Thus, this study will describe the importance of developing material sources of Sharia economic law in Indonesia, both from the perspective of the development of Islamic financial institutions and from the perspective of Sharia economic dispute resolution (Septiani *et al.*, 2022). The type of research used is library research, which relies on sources of information and references from various literary materials through reading and analyzing books and written works related to the topic of this study (Firdaus *et al.*, 2023). In this study, the author has taken several steps, including identifying legal issues in the practice of Sharia economics, collecting secondary data from Islamic legal literature, statutory regulations, and court decisions, and analyzing them descriptively and analytically to assess the compatibility of the material legal sources used with Sharia principles. The entire process was carried out systematically in order to draw relevant and well-argued conclusions

regarding the urgency of reforming the material sources of Sharia economic law in Indonesia.

Material Legal Sources of Sharia Economy in Indonesia

Essentially, the primary material legal sources of the Sharia economy are the Qur'an and Hadith, which provide fundamental guidance for all aspects of life, including economic activities. In addition, other legal sources such as *Ijma'* (consensus of scholars) and *Qiyas* (analogy) are also used to establish legal rulings on issues that are not explicitly mentioned in the sacred texts (Zainuddin Ali, 2015).

Material legal sources of the Sharia economy refer to the foundations upon which laws regulating economic activities in accordance with Islamic principles are established. These sources include the Qur'an, which provides fundamental guidance such as the command to fulfill contracts and the prohibition of *riba*; As-Sunnah, which encompasses the sayings, actions, and approvals of Prophet Muhammad (PBUH); *Ijma'*, the consensus of scholars; and *Qiyas*, legal analogy based on common legal reasoning (*'illat*). These sources serve as the basis for formulating laws that govern various aspects of *muamalah* in the Sharia economy (Abdurohman *et al.*, 2022).

Additionally, in the development of the contemporary Sharia economy, the method of collective *ijtihad* (*ijtihad jama'i*) has become increasingly important. This is because the complexity of modern economic issues requires a collective approach in establishing legal rulings that align with Sharia principles. Contemporary *Ijma'*, realized through collective *ijtihad*, serves to address new challenges in society and ensure the continued relevance of Islamic law in the context of today's economy (Kusuma & Mustofa, 2023).

In Indonesia, the fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) serve as one of the material legal sources that assist judges in resolving Sharia economic disputes. To date, DSN-MUI has issued 156 fatwas regulating the systems and mechanisms of Sharia economic contracts as well as the development of financial institution products that comply with Sharia principles (Alamudi & Hasan, 2023). However, these fatwas are essentially non-binding legal opinions that function as doctrinal guidance and legal interpretations analyzed partially or critically within the context of overlapping legal norms, thus lacking formal binding legal force unless integrated into positive law or referenced in judicial decisions (Firdaus & Sup, 2023). Besides fatwas, the material sources of Sharia economic law in Indonesia also include statutory regulations such as Law No. 21 of 2008 concerning Sharia Banking and the Compilation of Sharia Economic Law (KHES), which are enacted by the legislative body (DPR) and possess binding legal authority. Nevertheless,

given the increasing complexity of Sharia economic practices, there is an urgent need for more comprehensive, binding, and integrated legal instruments. Therefore, the development of valid, codified legal sources grounded in Sharia principles and officially recognized within the Indonesian legal system is essential to provide legal certainty and strengthen the foundation of Sharia economic law in the country.

However, in practice, the implementation of Sharia economic principles is also influenced by other factors such as social, political, and economic conditions within society. For instance, technological advancements and economic globalization demand new adaptations and interpretations of Sharia principles to ensure their continued relevance and applicability in the modern context. Therefore, a comprehensive understanding of material legal sources in the Sharia economy is crucial to ensure that economic practices align with Islamic values while remaining responsive to the dynamics of the times (Hasan, 2021).

Thus, material legal sources in the Sharia economy are not limited to sacred texts but also encompass various factors that influence the formulation and implementation of laws in an economic context that aligns with Islamic principles (Elhas, 2016).

The material legal sources applicable in Indonesia and used as the basis for resolving Sharia economic disputes in the Religious Court include Law No. 21 of 2008 on Sharia Banking and Law No. 19 of 2008 on State Sharia Securities. In addition to these laws, several other regulations serve as material legal sources for the Sharia economy, such as Minister of Finance regulations and decisions, which amount to 19 Minister of Finance Regulations (PMK). There are also 59 Bank Indonesia Regulations or Circular Letters and 55 Financial Services Authority Regulations (POJK).

Furthermore, to assist in resolving Sharia economic disputes, the Supreme Court established the Compilation of Sharia Economic Law (KHES). The creation of KHES was an urgent necessity to provide a legal framework for the Religious Court in handling Sharia economic cases following the issuance of Law No. 3 of 2006 (Firdaus *et al.*, 2024). The Compilation of Sharia Economic Law (KHES) serves as a material legal source that regulates various aspects of economic activities based on Sharia principles. KHES covers topics such as Sharia banking, non-bank financial institutions, the Islamic capital market, Sharia insurance, Sharia trade and investment, as well as the management of zakat and waqf. Its primary goal is to establish a fair and sustainable economic system in accordance with Sharia principles (Farid *et al.*, 2024). Essentially, KHES is merely a Supreme Court Regulation (PERMA) and does not constitute a universally binding material legal source. As a result, several of its articles and clauses primarily serve to define various terms in Sharia economic transactions rather than specifically addressing the resolution of Sharia economic disputes.

The Dynamics of Sharia Economic Law in Indonesia

Over time, Sharia economics has proven to be a viable option for addressing the economic challenges faced by the Muslim community, which continues to struggle with economic crises. The public's aspiration to engage in economic activities based on Sharia principles once again resonated during the 4th Indonesian Muslim Congress (KUII IV). One of the 14 recommendations outlined in the Jakarta Declaration (point 5) urged the government to implement a 'Dual Economic System' within the national economic framework, integrating both the conventional and Sharia economic systems. As a country with a Muslim-majority population, the Sharia economic system should be implemented as a universal economic model that prioritizes transparency, justice, and good governance in managing businesses and state assets. This system should promote economic practices that favor the general public and uphold truth and fairness (Musfiqoh, 2011).

Currently, the practice of Sharia economics in financial institutions is experiencing significant growth, both in Indonesia and globally. In the modern era, Sharia banking has become a global phenomenon, even in countries where Muslims are not the majority. According to McKinsey's 2010 projections, the total assets of Sharia financial institutions were expected to reach one billion US dollars. The growth rate of the world's 100 largest Sharia banks reached 27% per year, compared to the 19% annual growth rate of the 100 largest conventional banks ("Perkembangan Ekonomi Syariah di Indonesia -Fakultas Syariah").

It is important to understand that the rapid development of Sharia economics in Indonesia has also led to an increase in challenges related to its implementation. This is evidenced by the rising number of disputes being brought to Religious Courts across the country.

Since the reform era, there has been a growing awareness of the importance of integrating Sharia principles into the national economic system. This is reflected in the emergence of various Sharia financial institutions and Sharia-based financial products. However, the legal framework governing the operationalization of Sharia economics is still considered inadequate. For instance, the Compilation of Sharia Economic Law (KHES), which was established through Supreme Court Regulation No. 2 of 2008, lacks broad legal binding power as it is not included in the national legislative hierarchy (Pratiwi & Rifai, 2018).

The dynamics of Sharia economic law in Indonesia have undergone significant development in recent years. As the country with the world's largest Muslim population, Indonesia holds great potential for advancing an economic system based on Sharia principles. This progress is evident in various aspects, from the increasing number of Sharia financial institutions

to the establishment of regulations that support the operationalization of the Sharia economy (Kusmawaningsih, 2024).

One of the key indicators of this dynamic growth is the rapid expansion of Sharia financial institutions, both banking and non-banking. This reflects a positive public response to financial services that align with Sharia principles. However, this progress also necessitates a comprehensive and adaptive legal framework to ensure that operations remain in accordance with both Sharia principles and national law.

In terms of regulation, the Indonesian government has taken strategic steps to support the development of the Sharia economy. One such initiative is the formulation of the Compilation of Sharia Economic Law (KHES), which aims to provide legal guidance for Sharia-based business practices in Indonesia. However, the implementation of KHES in practice still faces several challenges, including differences in interpretation and a lack of socialization among business actors (Indriana & Halim, 2020).

Additionally, legal politics play a crucial role in shaping the dynamics of Sharia economic law in Indonesia. Studies indicate that the direction and orientation of Sharia economic law in the country still require clearer affirmation. This is essential to ensure that Sharia economic law is not merely a passing trend but rather a legal framework that contributes significantly to achieving equitable economic justice (Syarif, 2019).

In the era of digital transformation, the implementation of Sharia economics faces both new challenges and opportunities. Digitalization presents an opportunity to optimize Sharia-based financial technology, empower community-based economies, and enhance resource management efficiency. However, challenges such as low digital literacy and the lack of an adequate regulatory framework remain obstacles that need to be addressed (Elhas, 2016).

Overall, the dynamics of Sharia economic law in Indonesia demonstrate positive growth. However, collaborative efforts between the government, Sharia financial institutions, business actors, and society are essential to ensure that this development aligns with Sharia principles and provides optimal benefits for all segments of the population.

It can therefore be concluded that the factors indicating the need for renewal or changes in the material law of Sharia economics in Indonesia can be outlined as follows:

1. The rapid growth of Sharia economic practices, which creates new complexities.
2. The increasing number of Sharia economic disputes brought before the courts.
3. Weaknesses in the existing legal framework, such as the limited legal authority of the Compilation of Sharia Economic Law (KHES).

4. Differences in interpretation and the lack of dissemination of regulations among Sharia business actors.
5. The unclear direction of legal politics in the development of Sharia economic law.
6. Challenges and opportunities arising from the digital era, which require adaptive and responsive regulations.

Problematic Aspects in the Material Sources of Sharia Economic Law

One of the main problematic aspects is the lack of comprehensive codification with binding legal authority. Furthermore, the dynamics of the modern economy give rise to new issues that are not yet accommodated within existing legal sources. This situation necessitates judicial lawmaking in resolving Sharia economic disputes, where judges often rely on interpretation and *ijtihad* to find solutions that align with Sharia principles (Pratiwi & Rifai, 2018).

Islamic economics in Indonesia has experienced rapid growth in recent years. However, its implementation faces various challenges related to material legal sources that must be addressed to ensure alignment with Sharia principles and the dynamics of modern society.

One of the main challenges is the integration of Islamic law into the national legal system. Although Islamic law is recognized as one of the sources of national law, it is not the only applicable legal source. This creates challenges in harmonizing Islamic law with other legal sources, such as customary law and Western law, particularly in the context of formulating nationally applicable regulations (Farid *et al.*, 2024).

Furthermore, the rapid growth of Islamic financial institutions demands a comprehensive and adaptive legal framework. However, there remain gaps in regulations governing the operationalization of Islamic economics, particularly in addressing contemporary issues such as the digitalization of financial services and innovative financial products. These limitations may hinder growth and innovation in the Islamic economic sector.

Alongside the development of Islamic economics in Indonesia, the number of Islamic economic disputes registered in Religious Courts has also increased. According to data from the Supreme Court's Decision Directory, the number of rulings related to Islamic economics per year is as follows:

Tabel. 1
Number of Sharia Economic Decisions in Indonesian Religious Courts

Year	Total Decisions
2025	49
2024	494
2023	461
2022	404

This data shows an increase in the number of rulings related to Islamic economics from 2022 to 2024, with a slight decline in 2025, as the year is still ongoing (Mahkamah Agung Republik Indonesia).

The enforcement of Islamic economic law also faces challenges in terms of legal structure. The role of religious courts in resolving Islamic economic disputes needs to be strengthened, both in terms of judicial capacity and supporting infrastructure. Additionally, better coordination among relevant institutions is required to ensure effective and efficient law enforcement.

The legal culture of society is also a determining factor in the implementation of Islamic economics. A lack of understanding and awareness among the public about Islamic economic principles can hinder acceptance and participation in this system. Therefore, education and socialization efforts regarding Islamic economics need to be enhanced to build a legal culture that supports its development (Elhas, 2016).

Overall, the challenges in the material sources of Islamic economic law in Indonesia encompass legal substance, legal structure, and legal culture. Addressing these challenges requires collaboration between the government, financial institutions, academics, and society to build a legal system that is responsive and aligned with Sharia principles.

In the era of digital transformation, technological advancements have significantly influenced the dynamics of Sharia economic law. Digitalization has driven the emergence of various innovations in Sharia-compliant financial services, such as Islamic fintech, digital payments, and blockchain-based transactions (Yunitasari *et al.*, 2024). These innovations create a strong demand for new regulations that are not only aligned with Sharia principles but also address challenges related to data security, transparency, and transaction speed. Technology compels the Sharia economic legal system to be more adaptive and progressive in accommodating new realities in economic activities. Therefore, the renewal of material legal sources is essential to ensure legal certainty, consumer protection, and the sustainability of innovations that uphold the objectives of Sharia (*maqashid sharia*).

The Urgency of Updating Material Legal Sources in the Resolution of Islamic Economic Disputes

The resolution of Islamic economic disputes falls under the jurisdiction and authority of the Religious Court, as stipulated in Explanation Point (1) of Article 49 of Law Number 3 of 2006 concerning the Amendment of Law Number 7 of 1989 on Religious Courts. This is further reinforced in Article 55, Paragraph (1) of Law Number 21 of 2008 on Islamic Banking, which states that in the event of a dispute in the field of Islamic banking, the resolution shall be submitted to the Religious Court. In this context, the Religious Court has the right and authority to accept, examine, and settle such disputes (Dzuluqy, 2016).

The authority to adjudicate Islamic economic disputes falls under the absolute jurisdiction of religious court judges. Therefore, the formalization of Islamic economic law in the form of a comprehensive Kompilasi Hukum Ekonomi Syariah (KHES) is of great importance. This is similar to what was implemented by the Ottoman government with Al-Majallah Al-Ahkam al-'Adliyah, which consisted of 1,851 articles, aimed at ensuring legal certainty in Islamic economic law and providing judges with a standardized reference for resolving disputes in sharia business transactions.

This need becomes even more significant considering that various Islamic financial institutions-such as Islamic insurance (takaful), reinsurance, Islamic pawnshops, Islamic mutual funds, sukuk (Islamic bonds), and the Islamic capital market-still lack a strong legal framework. Consequently, a well-established legal instrument is crucial to accommodate the rapid growth of Islamic economics in Indonesia today.

The renewal of material legal sources in Islamic economics is essential to ensure that existing regulations can adapt to the evolving complexity of modern economic transactions. A comprehensive and legally binding codification of Islamic economic law is needed to provide legal certainty for Islamic economic actors. Additionally, this renewal is critical to maintaining the alignment of Islamic economic practices with fundamental sharia principles while ensuring their responsiveness to the needs of contemporary society (Santoso, 2022).

The renewal of material legal sources in Indonesia has become an urgent necessity in line with the continuously evolving dynamics of society. Material legal sources, which include legislation and legal doctrines, must be adaptable to social, economic, and technological changes to remain relevant and effective in regulating social life (Fitrianingsih, 2022).

One concrete example is the Indonesian Civil Code (KUHPerduta), which is still based on the *Burgerlijk Wetboek*, a colonial legacy from the Dutch era. Since its enactment through Staatsblad No. 23 of 1847, the Civil Code has remained the primary reference for civil law in Indonesia.

However, to this day, no replacement law has been enacted, leading to issues such as unclear legal status, difficulties in translation, and provisions that no longer align with modern developments. Therefore, the renewal of the Civil Code has become an urgent necessity to ensure its relevance in the current legal landscape (Pratiwi & Rifai, 2018).

Similarly, in the field of criminal law, the Indonesian Penal Code (KUHP) currently in force remains a colonial legacy. The revision of the KUHP is necessary to accommodate the emergence of new offenses resulting from societal changes, such as terrorism, cybercrime, and environmental crimes. By updating the penal code, criminal law can become more responsive to contemporary challenges and the evolving needs of society (Sari, 2021).

In addition, the Supreme Court plays a crucial role in legal reform through its rulings, which help fill gaps in civil procedural law. By establishing jurisprudence and issuing Supreme Court regulations, these legal voids can be addressed, ensuring legal certainty and justice for society (Santoso, 2022).

The renewal of material legal sources must also take into account the legal pluralism in Indonesia, including customary law and Islamic law. This ensures that the legal framework reflects justice and the diversity within Indonesian society.

Overall, the urgency of updating material legal sources in Indonesia cannot be overlooked. Strategic and collaborative efforts between the government, judiciary, academics, and society are essential to developing a legal system that is adaptive, responsive, and just, in line with contemporary developments (Fitrianingsih, 2022).

Thus, updating material legal sources in Islamic economics is of utmost importance in addressing the evolving times and the dynamics of the global economy. Updating material legal sources in Islamic economics ensures that economic regulations reflect Islamic values, including justice, integrity, transparency, and sustainability, which serve as the foundation of Islamic economic principles.

The global economy is rapidly evolving due to technological advancements, globalization, and shifting economic policies. Updating legal sources enables Islamic economics to adapt to these changes, ensuring its continued relevance and effectiveness.

Updating legal sources can drive innovation in financial products and services that align with Islamic economic principles. This creates opportunities for the development of more diverse financial instruments that cater to market demands. Islamic economics also aims to empower the Muslim community. Updating legal sources ensures the implementation of policies that support economic empowerment by involving more people in economic activities that adhere to Sharia principles. Updating legal sources

can also help establish a stronger foundation for economic sustainability and stability. Policies aligned with Islamic economic principles provide a solid basis for long-term and sustainable economic growth.

Updating legal sources provides legal certainty for economic actors. This is crucial for increasing investor confidence, fostering the growth of the Islamic financial sector, and facilitating the development of the Islamic capital market. By continuously updating legal frameworks, Islamic economics can remain a relevant solution aligned with Islamic principles in addressing global economic changes and complexities.

The increasing complexity and dynamics of Sharia economic practices in Indonesia require the formulation of new, adaptive legal regulations. In this regard, the author proposes the renewal and codification of material legal sources in Sharia economics through a comprehensive and binding legal instrument. This renewal is essential to provide legal certainty, accommodate technological and financial innovations, and ensure that Sharia economic practices remain aligned with Islamic values such as justice, transparency, and sustainability.

To implement this regulatory reform, several institutions hold strategic roles:

1. The People's Representative Council (DPR RI) and the President, as the main legislative bodies, are responsible for initiating and enacting new laws or amending existing ones, including legislation that governs Sharia economic practices.
2. The Supreme Court (Mahkamah Agung) has the authority to issue Supreme Court Regulations (Peraturan Mahkamah Agung or PERMA) and to establish jurisprudence that can serve as interim legal guidance in the absence of clear regulations. The role of the Supreme Court is particularly vital in standardizing judicial practice in Sharia economic disputes through instruments like the Compilation of Sharia Economic Law (KHES).
3. The Ministry of Law and Human Rights (Kemenkumham) plays a critical role in harmonizing new legal drafts, ensuring that proposed regulations are in line with the broader national legal system.
4. The National Sharia Council of the Indonesian Ulema Council (DSN-MUI), although its fatwas are not legally binding, serves as a doctrinal source and can collaborate with legislative institutions to translate Sharia principles into positive law.
5. Bank Indonesia and the Financial Services Authority (OJK) also play key roles in regulating and supervising Islamic financial institutions. Their regulatory framework can help shape technical rules for Sharia financial operations in line with new material laws.

In conclusion, the author argues that collaborative efforts between the legislative, judicial, and regulatory institutions are crucial to formulating comprehensive and responsive material legal sources for Sharia economics. Such reforms will not only enhance legal certainty but also empower the Islamic financial sector to thrive in a rapidly evolving global economic environment.

CONCLUSION

The material sources of law in Islamic economics play a crucial role as the foundation for regulating various economic activities in accordance with Islamic principles. The Qur'an and Hadith serve as the primary sources, supported by *Ijma'* and *Qiyas*, ensuring legal flexibility in addressing contemporary issues. The Compilation of Islamic Economic Law (KHES) also contributes significantly as a legal reference in Indonesia, although it still faces challenges regarding its legal authority and implementation.

The dynamics of Islamic economic law in Indonesia reflect positive developments, marked by the increasing number of Islamic financial institutions and regulatory support from the government. However, challenges persist, including limitations in the legal framework, the integration of Islamic law with the national legal system, and the low level of public literacy regarding Islamic economics.

Additionally, the rising number of Sharia economic disputes submitted to Religious Courts highlights the need for stronger legal structures and institutional capacity. While the Religious Courts hold the authority to adjudicate such disputes, the absence of a fully codified and binding legal framework often leads to varied judicial interpretations and reliance on individual *ijtihad*, which may affect legal certainty and consistency.

Updating material sources of law has therefore become an urgent necessity to ensure that Islamic economic law can accommodate modern developments, including digitalization and globalization. The influence of technology has also created new forms of financial products and services that require adequate legal regulation to remain aligned with Sharia principles. Legal reform must not only address gaps in existing regulation but also anticipate emerging economic phenomena driven by innovation and digital transformation.

A comprehensive and binding legal codification is needed to provide legal certainty and support the sustainable growth of Islamic economics. Collaborative efforts between the government, judiciary (particularly the Supreme Court), financial regulators such as OJK and Bank Indonesia, academics, and society at large are essential to developing a legal system

that is adaptive, responsive, and rooted in Islamic values such as justice, transparency, and public welfare.

Ultimately, legal reform in Islamic economics must be directed not only at harmonizing Sharia principles with national law but also at empowering the Muslim community, strengthening institutional competence, and fostering a regulatory environment that supports innovation while ensuring compliance with core Islamic legal doctrines.

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