

## Digital Era: Review Of The Phenomenon Of Islamic Economic & Business Transformation

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**Abstract**-This research examines the transformation of the business economy in the digital era from an Islamic economics perspective. A qualitative approach with content analysis is used to analyze how Islamic economic principles are applied in digital business. The findings reveal growing interest in this area and highlight the importance of integrating Islamic economic principles with digital technologies. The research concludes that Islamic economics can be a valuable guide for businesses facing the challenges of the digital era and emphasizes the need for ethical considerations in adopting new technologies.

**Keywords:** Digital; Phenomenon; Islamic; Economic; Business; Transformation.

### INTRODUCTION

Changes in economic sectors in the digital era have become a major highlight in the context of the global economy (Jabbour, 2020). Advances in information and communication technology have forced the creation of businesses that are more efficient, innovative and digitally integrated (Saarikko, 2020). The way of doing business

has evolved following current phenomena, but this condition has also changed the economic paradigm as a whole (Wibowo, 2023). In this context, Islamic economics has significant relevance, because its principles which include fairness, sustainability and blessings can be a guide in facing the challenges of

today's global business economic transformation.

One of the key aspects of the transformation of the business economy in the digital era is the adoption of digital technology, such as e-commerce, big data and blockchain. Adoption of this technology allows companies to increase operational efficiency, create new products and services, and reach global markets more effectively. However, in the context of Islamic economics, it is necessary to consider how this technology can be implemented by taking into account Islamic values, such as justice, transparency and blessing (Jaharuddin & Sutrisno, 2019).

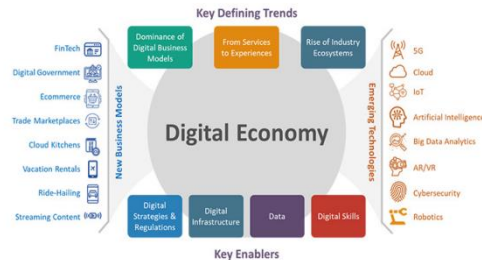


Image: Digital Economy and its Key Enablers and Key Defining Trends (2021)

Apart from that, the transformation of the business economy in the digital era also has significant social and economic impacts. Changes in consumption patterns, market structure, and human capital are some examples of impacts that can be observed. In

this context, it is important to consider how Islamic economics can play a role in mitigating the negative impacts of this transformation and promoting inclusive economic sustainability (Jaharuddin, 2020).

Furthermore, the big challenge faced in integrating Islamic economic principles in the context of the digital business economy is the lack of understanding and awareness of these principles among entrepreneurs, regulators and consumers, especially the younger generation. Therefore, this research aims to analyze Islamic business and economic strategies that can be used to face these challenges, as well as identify policies that support the integration of Islamic economic principles in a digital context. Thus, it is hoped that this research can make a significant contribution in expanding understanding of the relationship between the digital business economy and the Islamic economy, as well as developing a framework that can guide more sustainable and blessed business practices in this digital era.

## LITERATURE REVIEW

Islamic economic theory is the main basis for understanding the transformation of business economics in the digital era. This theory emphasizes principles such

as justice, blessing, and sustainability, which have great relevance in the context of digital business. Islamic economic concepts also include the principles of risk management, legal ownership, and clear transactions, which can help guide business practices in facing challenges and opportunities in the digital era.(Elasrag, 2017)

Several previous studies have revealed the importance of integrating Islamic economic principles in the context of digital business. For example, research Muzakki (2023)on integration in the Society 5.0 era reflects the relevance of the importance of understanding business economic transformation in the digital era, in line with the focus of this research. In addition, Nor Firman (2023)identifying aspects of isomorphism in the digitalization of the Islamic economy provides insights that can complement the understanding of how digital technology can influence structures and processes in the Islamic economy.

Asri & Rahmat (2022)further explains the digitalization of Islamic banking in the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) era which is also relevant to this research because it highlights the importance of innovation and customer service in

facing complex economic challenges. Innovative approaches and effective services in the context of the Islamic economy can be an important part of a business's economic transformation strategy in the digital era.

Meanwhile, Maadi (2018)the focus is on analyzing the digitalization of management of Islamic education and Sharia Economics in higher education which explains that digital technology can be used in the context of Islamic economic education, which can also be relevant in understanding the transformation of business economics in the digital era. In this context, it is important to consider how Islamic economics education can be adapted to developments in digital technology to create a workforce that is ready to face the challenges of the digital economy.

Nugroho & Nugraha (2020)explained that E-commerce can expand Islamic banking's capabilities in improving SME businesses, as well as increasing the need of society, especially SME entrepreneurs, for digital technology that facilitates online business transactions. Norvadewi et al. (2022)found that MSME entrepreneurs in East Kalimantan use various forms of digital marketing, such as Facebook, WhatsApp, Instagram, Gojek, Grab,

and Shopee. They also apply Islamic marketing ethics by being friendly to buyers, honest about products, and there is no fraud in product delivery. This shows that the application of Islamic marketing ethics in digital marketing can increase a business' competitive advantage by increasing sales, relationships and competitiveness.

The digital economy has become a major driving force in global transformation, changing the way we interact, work and do business. In the midst of the complexity of global challenges, especially in the context of the Ummah, the implementation of Islamic principles in the digital economy can make a significant contribution in building sustainability and prosperity for Muslim communities globally. One aspect that receives special attention is the Islamic Digital Economy (IDE) concept, which combines sharia principles with digital technology to create a fair, inclusive and sustainable economic ecosystem. Through IDE, Ummah has a great opportunity to strengthen its economic and social sustainability, and play a more active role in the global economy.

A number of studies have been conducted to explore the potential of IDE in opening up new opportunities for the Ummah's sustainable development. For

example, Ishak (2022) outlines the multifaceted dimensions of IDE and its potential impact on the Ummah's sustainability. These findings show that IDE can be a motor for economic growth, financial inclusion and social development, in line with Islamic ethical and sharia principles. On the other hand, Afif et al. (2023) it highlights the importance of digipreneurship as an effort to strengthen the digitalization of the Islamic economy in Indonesia. Through sharia e-commerce platforms and sharia fintech innovation, digipreneurship facilitates easier and faster access to Islamic products and services, promotes innovation, and encourages inclusive economic growth.

Not only that, Wibowo (2023) also emphasized the importance of strengthening the economic climate through the digital economy as a green economic stimulus in the global polycrisis era. In this context, Indonesia has great potential to lead in decarbonization, especially with the government's commitment to reach net zero by 2060 or earlier. The application of green and digital economic principles in the context of the Islamic economy is an important step in creating an innovative, ethical and sustainable economic paradigm for the Ummah. In addition, the

harmonization of Islamic economics with artificial intelligence (AI), as studied N. Ishak (2023), also offers great potential for creating a more ethical and innovative economic paradigm.

Through searching this literature, we can see that the integration of Islamic principles with digital technology, especially in an economic context, provides a great opportunity for the Ummah to develop its economy in a sustainable and inclusive manner. By utilizing IDE, the Ummah can reach its full potential in today's digital era, while still upholding Islamic moral values and principles. Therefore, in the context of this research, we will explore more deeply the literature related to strategies for reducing defective products in the automotive components industry by linking it to the IDE concept and Islamic principles to provide insight into the sustainability of the Ummah.

Several studies above have shown that Muslim entrepreneurs tend to integrate Islamic values in their business, including in the use of digital technology. However, this research also shows that there are still challenges in applying these principles consistently and effectively in a digital business context.

Although there are studies that have revealed the importance of

integrating Islamic economic principles in digital business, there is still a lack in the literature on how concrete strategies can be used to achieve this integration. Research also has not discussed many relevant policy implications in this context, one that has discussed it is that Zaenardi (2016) the development of Islamic business and Islamic Digital Startups in the digital economy era requires effective strategies. Indonesia has great potential in developing the digital economy, especially in e-commerce, with predictions that the value of e-commerce businesses will increase 15-20 times in the next five to 10 years (Lisa et al., 2022). Intensive use of digital technology such as mobile phones and the internet is also the potential of Indonesia's digital economy. To increase the integration of Islamic business with the digital economy, Islamic business actors need to develop business ideas and innovations that use technology and take advantage of government programs in developing digital startups. Apart from that, the government needs to facilitate the development of a digital startup community as a place to tell stories, share, innovate and collaborate in developing startups.

The research Lubis (2021) also addresses the integration of sharia finance, especially in the sharia

insurance sector by linking it with digital instruments. According to him, digitalization can make it easier to manage sharia financial institutions, but this research only focuses on analyzing the governance of sharia insurance brokers and does not discuss other aspects such as data security and digital system security. used. Another weakness of this research is that it is only based on secondary data and did not conduct a direct survey of sharia insurance brokers, so the results may not be completely accurate.

The role of the younger generation in developing the Islamic digital economy in Indonesia as heirs to the development legacy is non-negotiable. The younger generation is the holder of the most relevant rights, especially in Islamic economics (Jaharuddin & Asmita, 2018). One focus of overcoming economic inequality is maintaining the balance of social welfare from a surplus economy to a deficit economy. The younger generation as the heirs of the nation are required to be more active in entrepreneurial activities such as e-commerce which contributes to strong financial growth so that it can have a significant impact on the Islamic trade ecosystem in the future and directly impact global prosperity.

The conceptual framework above is the line of thinking that underlies research to understand the principles of Islamic economics and analyze the transformation of business economics in the digital era, starting with identifying appropriate business strategies and supporting policies. Islamic economic concepts can be integrated into business strategies that pay attention to values such as justice, blessings and sustainability, thereby creating businesses that are not only financially successful but also provide positive social and environmental benefits. In this context, supporting policies could include incentives for businesses that adopt Islamic economic principles, as well as regulations that ensure transparency and fairness in digital business practices.

## **RESEARCH METHODS**

This research uses a qualitative approach with content analysis to gain an in-depth understanding of the transformation of the business economy in the digital era from an Islamic economics perspective. A qualitative approach was chosen because it allows researchers to gain in-depth insight into complex and multifaceted phenomena. Content analysis is used to extract

information from real cases about how Islamic economic principles are implemented in the context of digital business and analyze policy documents and related literature to understand the regulatory framework that supports the integration of Islamic economics in digital business.

Data will be collected through literature studies, looking at the opinions of Islamic economic experts and digital business practitioners in scientific articles, as well as analysis of related policy documents (Nuryana et al., 2019; Wekke, 2020). Literature study will be used to identify key theories and concepts in Islamic economics and digital business transformation. Digital business analysis was carried out to obtain expert views on the integration of Islamic economic principles in digital business and the challenges faced in implementing these principles. Policy document analysis will be used to identify policies that support or hinder the integration of Islamic economics in digital business.

Research steps include problem identification, literature review to understand the state of knowledge, data collection through literature study, and analysis of policy documents, data analysis to identify main findings, and preparation of recommendations for the

development of Islamic economic theory and practice in the context of business economic transformation in digital era.

## **DISCUSSION AND ANALYSIS**

After reviewing journals relevant to the theme of Business Economic Transformation in the Digital Era and the integration of Islamic and digital economics in the Publish and Perish application with search criteria in reputable articles from Scopus, it was found that data related to this theme was still very minimal.

The number of publications tends to increase from year to year, indicating growing interest in these topics. This may also indicate that issues related to digitalization in the Islamic economy have become increasingly relevant and important in recent years. Although there was only one publication in 2016 and 2017, the increasing trend in the number of publications in recent years indicates a growth in the academic literature on this topic.

The distribution of citations per year on research related to the theme of digital economic transformation and integration varies. Several studies, such as Al Shehab & Hamdan (2021) those on artificial intelligence and women empowerment in Bahrain, received a high number of citations, with a

total of 18 citations. On the other hand, research M. N. Ishak & Mohamed (2023) in *Beyond fintech: Technology applications for the Islamic economy* received relatively low citations, with a total of 0.75 citations.

The high or low impact factor of a study can be influenced by several factors. First, the relevance of the topic to issues that are currently relevant and important in the field of study concerned can increase the possibility of the research being cited by other researchers. Second, strong and innovative research methods tend to get more attention and have the potential to make a greater contribution to the existing literature, thereby increasing the impact factor. Finally, research contributions to existing literature, for example by developing new theories, providing strong empirical evidence, or offering new approaches to solving existing problems, can also increase the impact factor of a study. On the other hand, if the research topic is less relevant, the research method is less strong, or the contribution to the literature is less significant, then the impact factor of the research tends to be lower.

### **Content Analysis**

Content analysis is a useful method for investigating and understanding the content of various information sources. This analysis stage begins with setting clear objectives, selecting relevant data sources, and collecting information from these sources. Next, the data is classified into appropriate categories or themes to facilitate analysis. Analysis is then conducted to identify patterns, trends, or relationships between the information collected, which is then interpreted to produce useful findings.

The advantages of content analysis include its ability to provide deep insight into a specific subject, reveal trends or patterns that may not be immediately apparent, and provide a solid basis for making better decisions. However, this method also has disadvantages, such as the potential for bias in the interpretation of data by researchers, limitations in the generalization of findings due to the focus on specific data, and the complexity and time required to carry out careful and comprehensive analysis.

From the results of the content analysis, it can be observed Abdusamat Ugli Dadabaev et al. (2021) that the focus is on Uzbekistan's integration in global financial services with takaful, fintech adoption and bank stability



in the GCC (Khan et al., 2023), as well as the use of blockchain technology in the Islamic economy. Meanwhile, other research, Gherbi (2020), focuses more on the role of Bancatakāful in the Islamic finance industry and the influence of artificial intelligence on women's empowerment in Bahrain.

The advantages of these studies are their focus which is relevant to the latest developments in Islamic economics and Islamic finance, as well as the use of strong empirical and analytical approaches. However, some research, such as that conducted by (Maadi, 2018), does not make a significant contribution to the existing literature, especially in providing in-depth understanding or concrete solutions to the problems raised. There are also studies that have not been widely cited by other researchers, such as Nor Firman (2023) and Zuhriatusobah & Rahayu (2022), the authors conclude that it is only a matter of time and lack of exposure or impact given to the same research field.

Cumulatively, these studies provide diverse contributions to the understanding of Islamic economics and digitalization in the context of Islamic economics. However, there is potential to increase the relevance and impact of research by further exploring under-researched themes, as well as

by using research methods that are more innovative and effective in contributing to the existing literature.

In the end, the research question came to the finding that Islamic business and economic strategies in facing digital economy challenges prioritize the adoption of fintech, blockchain technology, and Islamic marketing ethics.

Meanwhile, research highlighting the importance of technology in increasing global financial integration and bank stability in GCC countries is not widely cited, so the author strongly recommends that research on this be encouraged again because there is still ample space for exploration. In conclusion, Islamic business and economic strategies must be proactive in adopting technology and ethical values to face the challenges of the digital economy.

## CONCLUSION

In the context of the transformation of the business economy in the digital era, the integration of Islamic economic principles with digital technology is becoming increasingly important. Digital technologies, such as e-commerce, big data, and blockchain, have fundamentally changed the way business is done, enabling companies to become more efficient, innovative, and

digitally integrated. The principles of Islamic economics, which include fairness, sustainability and blessings, can be a valuable guide in facing the challenges of today's global economic transformation. However, to integrate these principles effectively, it is necessary to consider how digital technology can be implemented while taking into account Islamic values, such as justice, transparency and blessing.

On the other hand, the transformation of the business economy in the digital era also has significant social and economic impacts. Changes in consumption patterns, market structure, and human capital are some examples of impacts that can be observed. In this context, it is important to consider the role of Islamic economics in mitigating the negative impacts of this transformation and promoting inclusive economic sustainability.

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