



Economic Growth In Islamic Perspective: A Comparison Study Between Indonesia And Malaysia

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Abstract: Economic policies cannot be avoided by political systems and legal certainty in a country. Islamic economic development is strongly influenced by state policies in determining the direction, form, and substance of the law. The most significant factor in a country's legal politics is in terms of institutional roles of government and regulatory products. The paper's purpose is to analyze the political implications of Islamic economic law in terms of institutions and legislation between Indonesia and Malaysia. The method of this research is qualitative descriptive with in-depth observation. The analysis makes tabulation, code, and categorization of several concepts, then concluded by inductive methods. As for the results of legal politics are very influential in the significant progress of Islamic economics in Indonesia and Malaysia. Indonesian Bank has made many infrastructure regulations and blueprints in the development of Islamic economics. Supervision through DSN and DPS, they have established rules, fatwas in the operations of financial institutions. On the side of the legislation, many laws have been issued in the development of Islamic economics. In Indonesia, some communities clash with the principles of the Pancasila state. Although they are not contradictory. The legalization of Islamic economic regulations is an effort to positively enforce Islamic law from the jurisprudence of Islamic madhhab in the context of Indonesia. Malaysia is more advanced in its Islamic economic development than Indonesia, even in the world. One of the progress was influenced by the Hadhari Islamic movement. He further built the infrastructure of Islamic economists, so that the private sector has more role in the institutional company. In terms of supervision, he established a committee Sharia and control in his field called the Sharia Advisory Council (SAC). Both of them collaborated with the Central bank Act or Bank Negara Malaysia with comprehensive legislation.

Keywords: Politics; law; Islamic Economics; Indonesia; Malaysia.

Abstrak: Dasar ekonomi tidak dapat dielakkan dari dasar politik dan kepastian undang-undang di negara. Pembangunan ekonomi Islam sangat dipengaruhi oleh dasar negara dalam menentukan arah, bentuk, substansi undang-undang. Faktor terbesar dalam politik undang-undang negara adalah dari segi peranan institusi kerajaan dan produk pengawalseliaan. Tujuan kajian ini adalah untuk menganalisis implikasi politik undang-undang ekonomi Islam dari segi institusi dan undang-undang mengenai pembangunan ekonomi Islam di Indonesia dan Malaysia. Kaedah kajian ini adalah deskriptif kualitatif dengan pemerhatian mendalam. Analisis membuat tabulasi beberapa konsep, pengkodan, dan pengkategorian, kemudian disimpulkan oleh kaedah induktif. Mengenai keputusan politik perundangan yang sangat berpengaruh dalam kemajuan ekonomi Islam di Indonesia dan Malaysia. Indonesia, pemerintah dengan BI telah membuat banyak peraturan infrastruktur, cetak biru dalam pengembangan ekonomi Islam. Dalam penyeliaan melalui DSN dan DPS, beliau telah membuat peraturan, fatwa dalam operasi institusi kewangan. Di sisi undang-undang, banyak undang-undang telah dikeluarkan dalam pembangunan ekonomi Islam. Di Indonesia, beberapa komuniti bertembung dengan prinsip-prinsip negara Pancasila. Walaupun sebenarnya mereka tidak bercanggah. Pembubaran peraturan ekonomi Islam adalah usaha untuk menguatkuasakan hukum Islam dari fiqh madzhab Islam dalam konteks Indonesia. Malaysia lebih maju dalam pembangunan ekonomi Islam daripada Indonesia dan bahkan di dunia. Salah satu perkembangan telah dipengaruhi oleh pergerakan Islam Hadhari. Dia terus membina

Naskah Masuk: 29 September 2025

Revisi: 10 Desember 2025

Diterima: 20 Februari 2026

Terbit: 2 Maret 2026

Ver. Skrg.: 2 Maret 2026



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infrastruktur ekonomi Islam, supaya sektor swasta mempunyai lebih banyak peranan dalam syarikat institusi. Dari segi penyeliaan, beliau menubuhkan sebuah jawatankuasa Syariah dan pengawasan di bidangnya yang dinamakan Majlis Penasihat Syariah (SAC). Kedua-dua mereka bekerjasama dengan Akta Bank Pusat atau Bank Negara Malaysia dengan undang-undang lengkap.

Kata kunci: Politik; undang-undang; Ekonomi Islam; Indonesia; Malaysia.

1. Pendahuluan

The development of Islamic economics is inseparable from legal politics in a country, especially from the role of government, institutions, and legislation. In legal politics, two major factors that determine the institutions and regulations. The institution is very closely related to government intervention, while the regulation is a link between the executive, the judiciary, and the legislature. Economic growth cannot be separated from political stability and legal certainty in a country. The facts in the field show that the development of the real sector cannot be followed by legal developments. Until now, not yet fully Islamic economic regulations can be developed, such as the absence of Islamic insurance law and Islamic microfinance. Whereas in various studies on legal relations and economic development, economic development will not succeed without legal reform. Strengthening legal institutions is a prerequisite for economic progress and tools of social change [1]. Islamic economic development can be seen from institutions such as banking, *waitul wal wattamwil*, pawnshops, and others.

Implementation of Islamic economics in Indonesia was started since 1991. Recently, the total number of Islamic bank customers in Indonesia is still less than 10 million people. In January 2019, there were 22 Islamic business units, 163 Islamic Credit Banks, 13 Sharia Commercial Banks, and 2.950 office networks. The total assets of Islamic Commercial Banks and Sharia Business Units are IDR 316.691 trillion, financing IDR. 196.491 trillion and Sharia banking deposit collection up to IDR. 207.121 trillion. The market share of Islamic banking in Indonesia has always risen, although the growth is not too large. The Islamic Bank's market share is 5.9% of total bank assets nationally. So, the growth of Islamic banking in Indonesia can be said to be increasing but not significant.

Meanwhile, Islamic finance started to grow in Malaysia approximately in the end of 1980s and early 1990s. Islamic banking assets in Malaysia accounted for 27 percent of the total banking system in 2016. Until now, Malaysian Islamic banking assets have reached USD 173.9 billion, and the average growth rate is 18-20% per year. Malaysian Islamic banking accounts for 22% of the total Islamic banking shares in six Muslim countries: Qatar, Indonesia, Saudi Arabia, Malaysia, the United Arab Emirates, and Turkey. Islamic banking assets in Malaysia constitute 8% of the global share of the Islamic banking system in the world [2]. In Malaysia, the growth of the Islamic financial and banking market is the largest in the world, also the largest issuer of Sukuk in the world. Consequently, Malaysia was ranked second in terms of the development potential of the world Islamic finance industry, according to the 2011 Global Islamic Financial Report (GIFR) assessment.

Malaysia, at the beginning of the development of the Islamic economy, had established banks and Islamic insurance then the Islamic capital market was developed. Precisely in 1990, an Islamic debt securities market was created to facilitate the creation and exchange of Sukuk. In 1994 the Islamic Interbank Money Market was established to facilitate the provision of short-term capital between Islamic Banks [3]. Not only building a broad Islamic banking network by collaborating with conventional banks. In 1993, after being felt strong, it introduced a bank free of interest [4]. Malaysia carried out the stages of growth of the Islamic economy slowly, but all sectors of the Islamic economy had been built. The development has covered Islamic banking, capital markets, money markets, financial institutions, and other sectors.

The politics of economic law in Malaysia is certainly very closely related to the policies of the Malaysian government. In Malaysia, institutions and regulations are controlled by the government with a ministry under the prime minister. Because Malaysia is a country based on the Islamic empire, all rules are also characterized by Islam. Laws in the economic field are also inseparable from the influence of Islam. Especially the influence of Islam Hadhari.

Because in it, there are aspects of economic development [5]. This approach is one of them then used as an approach in economic development in Malaysia.

On the other hand, Indonesia and Malaysia have many similarities because of similar groups of races, nations, and languages. However, in terms of politics, society, and culture, there are some fundamental differences, one of which is in the field of economic law politics. While in the field of politics, Indonesia is growing more rapidly in a different democracy from Malaysia, which is still strong in its empire system. However, in the economic field, Malaysia is more developed in social-economic welfare. Therefore, this research will examine how the relationship between product laws, institutions, and the government towards economic, legal politics in Indonesia & Malaysia. In-depth, examine the influence and implications for the development of Islamic economics in the two countries.

2. Preliminaries or Related Work or Literature Review

According to Bellfroid, legal politics is a process of building positive legal laws that will and must be determined in meeting the changing needs of society. He is also often associated with public policy, which means what the government does to match what it does [6]. Legal politics is the study of the endogenous role of ethics, economic relations between government, and deep ecological systems. In another part, the study of interactive relations between government (shura) and ecological order (with market subsystems) [7].

Politics law is a policy in the country that is based on determining the direction, form, and content of the law [8]. It is the policy of a country through several competent bodies in setting rules, directives to express something from the community in achieving dreams [9]. More specifically, it is a pre or post-implementation legal policy by the government. Politics law can also be said that politics influences the law by looking at the configuration in making and enforcing the law. Other researchers define that legal politics of positive Islamic economic law can be said as a way, direction, and government policy in its efforts to promote laws relating to Islamic economics [1].

Islam is a term from a political economy based on Islam. the dimensions of spiritual, moral, ideological, social, economic education, jihad, and political Islam are defined as the religion of perfection in Islam [10]. Alam Choudhury defines the Islamic political economy as the study of relations between government and market sub-systems [7]. Politics of Islamic economics is an interactive approach. This interaction is carried out to build a human understanding of the institutions of acceptance and social jurisprudence in the behavior of human life [11]. This definition can also be interpreted. It is a combination of economic philosophy and Islamic political philosophy that involves sociopolitical influences, human resources, public interest, and conflict management. Everything is done from the concepts of justice and prosperity, the indications of the nahi munkar, ubudiyah and uluhiyah.

3. Proposed Method

This study deploys a qualitative research by elaborating on the results of library literature. It is supported by a comparison of the results of previous studies that have been conducted. This research is descriptive by describing globally the results of observations. Observations are carried out by researchers by conducting direct observations in both countries. Observations of events that occur in natural settings are sometimes extended through contextual inquiry. These observations can be naturalistic or participant when researchers are involved in observed activities [12].

By definition, field research is a methodological approach to observe the behavior of natural material conditions. Traditionally, it contrasts with research conducted in laboratories or academic settings, or independent research relies on the trust of secondary data [13]. However, the results of the research are real facts in the field because they directly make observations in the field. The data collection method uses secondary data because it concludes library research. The data collection method is a library study, documentation, and direct observation. This research is economical and legal research, so it is appropriate to use the field method. Research in this field often conducts short field research visits to understand the social and economic context of the location where data is collected [13].

Qualitative data analysis is a variety of processes and procedures derived from qualitative data that has been collected into several forms of explanation, understanding or interpretation of people and research situations [14]. In analyzing the data, this research will elaborate on several sources of literature both from books, research results, and scientific journals related to this research topic. Because of many sources, researchers conducted primary research sources. Then make a tabulation in concepts, give the code the source and make a category of data. The conclusion is inductive because the final result will be generated from the amount of data.

4. Results and Discussion

Many factors influence the development of Islamic economics in any country in the world. These factors cannot be influenced by only one factor, especially from economic factors. Although the field is Islamic economics, external factors are very influential. One of them is political and legal factors. These parts are interrelated, mutually reinforcing, and even debilitating.

From these factors, legal politics is one of the most important factors in the development of Islamic economics. The role of legal politics has a significant role in legal legislation in the history of legal governance in Indonesia [9]. The role of law will be the basic foundation in operation and implementation of the economy in the field. While political factors will be a driver and reinforcement in providing greater economic and legal freedom. The rapid economic growth of Islam demands a strong legal instrument [15].

4.1. Politics of Islamic Economic Law in Indonesia

The development of Islamic economics in Indonesia continues to develop well until now. The development of Islamic economics has begun long ago since the beginning of the development of Islam in Indonesia, such as zakat institutions, infaq, and alms [16]. Although in 1991-1998 experienced a slowdown. The developments are in a positive direction and continue to improve. Although this is not proportional to the population, the title of the largest Muslim population in the world. However, its development has not decreased; it continues to increase even though not significant. It is inversely proportional to the slow development of pre-reforms. Even previous research [1] said that its growth was arguably in contrast to growth in other Islamic countries such as Malaysia, Morocco, and others.

Researchers assume the slowdown in development, one of which is caused by several communities clashing with the principles of the Indonesian state of Pancasila. Islamic economics is considered a hard-line economy, as is the law of rajam, cutting hands, qishos in Islamic law. This problem is reflected in the replacement of the use of Islamic banks replaced with the word sharia. Even though according to [17] the two systems are not conflicting. Moreover, banging the Pancasila economic constitution and the Islamic economy are wrong and unrelated conflicts. Both have the same basic principles and goals that are philosophically the same. One economist Dawam Rahardjo argues that the Pancasila economic system is an Islamic economic system in the Indonesian context. One of the major obstacles to the development of the Islamic economy in Indonesia is the factor of conflict/contrast with the Pancasila economy. Many groups of people are still sensitive to the word Islam even though it is associated with economic concepts. Just as the history of Islamic banks was replaced by the term Islamic bank because of the sensitivity of legal politics in Indonesia.

4.2. Institutional and Government Roles

The government is the main and first pillar in the development of Islamic economic law politics. Because he has big and strong authority in making regulations and planning. The development and growth of Islamic economic practices in Indonesia is very rapid after receiving government support. Although from one side, many programs and policies have been made, although not as expected. According to [1] this development was evidenced by the growth in the field of Islamic economics such as banks, insurance, Sukuk, capital markets, public finance, and others. This evidence shows that the government's legal politics have been very positive and have a big influence. An important factor in the growth of Islamic economics is the systematic efforts of institutions that have Islamic economic

interests to develop in Indonesia [15]. Ideally, there is a cooperation between the executive, legislative, and judiciary in building an Islamic economy in Indonesia.

The government has institutions that have a certain authority. In the financial and monetary fields, Bank Indonesia has full authority with its regulations. Bank Indonesia (BI) is one of the most influential institutions in the development of Islamic economics in Indonesia. He is the most powerful institution in making regulations, especially banking regulations. Besides that, it also makes Islamic banking have a landlord and can stand alone, which was previously only a separate sub-sector. Research results from [18] BI with an independent legal entity is a strong institution that cannot be intervened by other parties in making its own legal rules. On the other hand, BI made many rules from Islamic banking that were created and benefited Islamic banking. Although not a legislative institution, BI regulation has a large impact on the development of Islamic economics. He was very responsive in guarding, especially the regulation of Islamic economic law.

BI has many tasks, authorities, and functions. In Islamic economics, the main task is to develop Islamic banks according to the characteristics of Islamic banks. From this assignment, it reinforces the obligation of BI in preparing and preparing its infrastructure. He has an important role in the blue sprint of the development of Islamic banking. He has responsibility for the regulation and supervision of the national banking system, including in Islamic banks and Islamic People's Credit Banks, namely Act No. 23 of 1999 [15]. From this Act, the birth of the Islamic Banking Bureau in 2001, which in 2004 became the Directorate of Islamic Banking. A big and broad achievement in the leap of development in Islamic economics.

From BI regulations, Islamic financial products and instruments were also multiplying. BI introduced the first Islamic monetary instrument, namely the Indonesian bank wadiah certificate in 1999. In the money market, BI launched an interbank money market based on sharia principles. The role of BI is increasingly strengthened from Act No 23 1999 into Act No 3 the year 2004 [19]. On the network side, BI also issued a comprehensive policy in developing Islamic economic networks. Through the Bank Indonesia regulation No 8/3 / PBI in 2006, it launched the Office channeling sharia policy (sharia service). The mechanism of cooperation is regulated in raising funds between the branch offices of conventional banks and Islamic banks [19]. With the issuance of this rule, the financial exchange between Islamic banks that have been a spin-off from the parent bank has clear rules.

The National Sharia Council (DSN) is an institution that has strong authority in the determination and supervision of sharia rules under the Indonesian Scholar Council (MUI). Because it is related to sharia, the DSN is filled by competent scholars and experts [15]. He will oversee all technical implementation rules in the field according to sharia principles. In the technical rules, there is a Sharia Supervisory Board (DPS) tasked with overseeing the implementation of DSN decisions in Islamic financial institutions [20]. Its position is quite strong and strategic in legal politics because it is under the coordination of the MUI as a combination of formal and legal scholars from the government. Its authority is substantial, in addition to supervising the DSN, it can also provide recommendations and provide warnings to Islamic financial institutions from fraud. Even BI cannot make rules that contradict sharia principles because they are limited in human resources. So that BI can only be guided by the MUI's fatwa in making BI regulations concerning Islamic economics in Indonesia [21]. Also, the fatwa of the DSN has become the legitimacy of Indonesian Islamic banks. It has become a value and morality desired by all Islamic financial institutions [21]. Islamic economics is not only in the form of formal legal rules, but it is ethical-moral.

DSN has a wide range of studies and fields. Because of its extensive and flexible Islamic economic field, the DSN has issued many fatwas. Technical rules supported by the demands of the times and technology, DSN has issued many fatwas. It was recorded that until 2016 the DSN had issued 100 fatwas [15] and until 2019 had issued 129 fatwas. DSN has a wide influence in the world in terms of politics and law. Many countries adopt and adhere to the references of their fatwa. It was proven that the fatwa had been translated into English and Arabic as well as being the subject of studies and references from several foreign countries [22]. The encouragement and the proposed regulations in the economic development of Islam were more effective, productive, and contributed.

Islamic economic growth is getting stronger if financial institutions have strict legal and regulatory rules. According to research results [1] because it has the support of the government in terms of regulation, causing the development of the Islamic economy to be more rapid. Ulama cooperation (DSN) and government (BI) make acceleration in the growth of Islamic economics. The form of his work is realized with a memorandum of understanding (MOU), especially in guidance and supervision [15]. So that the main task of BI in the development of Islamic banks is greatly helped by cooperation with DSN.

The development of Islamic economic institutions in Indonesia at the beginning was more focused on Islamic banking. Slightly different compared to Malaysia, he has established several institutions characterized by Islamic economics such as tabung hajj and sukuk. According to [23] firstly, the Islamic economy in Malaysia had developed and supported by legal instruments from the beginning. For example, the new Islamic Banking Act was issued after 15 years of its existence. So that institutional development in Malaysia is more significant than Indonesia. If Islamic banking in Malaysia has been supported with strong legal instruments from the beginning, the new law on Islamic banking in Indonesia has only been published more than 15 years after Islamic banking began operating in Indonesia.

4.3. Product of constitution

The results of a legal institution, one of which is law or regulation. Although the existence of these regulations is a demand for state ideology. Islam is the most significant population in Indonesia. So the need for a law that regulates Islamic teaching-based economics is a necessity. With the existence of the Act, the substance of the law can be used as a guideline and foundation. The real manifestation of regulations born from the Islamic economy in Indonesia are as follows:

- a. Act No. 38 of 1999 concerning zakat. As the 3rd pillar of Islam, zakat has enormous financial potential in the Islamic economy. So that it can increase the receipt of zakat and become a source of order in the Amil zakat institution.
- b. Act No. 41 of 2004 concerning Waqf, supplemented by Government Regulation No. 42 of 2006. Ministerial Decree No. 4 of 2009 concerning Administration of Money Endowments. So that waqf has become one of the Islamic economic instruments with legality apparent and binding law.
- c. Act No 21 concerning Islamic Banking, which was passed on June 17, 2008. This law is the most important because Islamic economics is the most significant factor in Islamic banking. Bank Muamalat Indonesia, as an Islamic bank, was first born in 1991, received legal regulations in 2008, meaning that 17 years of Islamic banking are still not legally secure.
- d. Act No. 19 of 2008 concerning State Sharia Securities (SBSN), the law has become a legal rule for issuing Sukuk or Islamic bonds to attract funds from investors. So the Islamic investment sector from the money market has been fully recognized as an investment in Indonesia (Anshori, 2008).
- e. Act No. 3 of 2006 concerning Religious Courts deals with the settlement of Islamic economic cases. It makes the Religious Courts have strong guidelines in deciding disputes on the first level.

The background of this law is the demand of the majority of the Indonesian majority Muslim community [24]. Some of them want Islamic law to become the principle of the state and to be incorporated into the economic legal system. So, some of the laws were born from the efforts of Islamic economic positivity into the national legal system. That argument strengthens the positive theory of Islamic law into the national legal system.

Different from research [25] the transformation is not related to the struggle of the Islamic state or the basis of an Islamic state. He has a positive contribution to the commitment of Muslims to the country's legal system. The accommodation process does not have to be a concern because the process is from the strength of cultural Islam. Besides that, all legislation in the process must refer to Pancasila and the 1945 Constitution.

The process of forming the law takes a long time and process. There are a lot of group interests and politics because there are many specific goals. The issuance of the Islamic Banking Law is one of the most significant moment. Politically according to [26] President Soeharto needed the voice of Muslims because of reduced military support. There was political accommodation towards the interests of Muslims, namely by the establishment of Islamic banks. Even though this is not always true, because the situation and conditions of Islamic banking are indeed stable and robust. Strengthened bank interest fatwa more or less made the influence of the people using Islamic banks

All laws can be positive law. The legal source in a country can come from any source with certain conditions. According to [27] these conditions can be expressed from the principle of certainty, justice, and wisdom. Law must have a synergic meeting point, especially in the economic sector [1]. So that the implications will have a broad impact on all aspects of life both from theoretical-practical, institutional, personal aspects, especially the Islamic economic sector [24]. As a real example, there is legal certainty for investors and depositors regarding the existence of Islamic banks. The most significant implication is creating an investment that ultimately enhances the welfare of society as a whole.

The product of legislation produced in Islamic economics is the Compilation of Sharia Economic Law (KHES). His background originated from the absence of legal sources from religious court judges in deciding Islamic economic cases. Like the previous Compilation of Islamic law, which regulates the marriage law in Indonesia. Research [28] KHES is a response in the development of Muamalat's law in Islamic economic practices through Islamic financial institutions that require legal clarity. He is one part of the effort to constitute Muamalat's law positively and guaranteed by the formal legal constitution. So according to [1], KHES is part of efforts to promote Islamic civil law into a national legal system positively. In the process of KHES, it takes time, energy, especially the big legal politics. Many interested parties, especially the government, the House of Representatives, Islamic financial institutions, especially Muslims in all. Implicitly, KHES reflects the politics of Islam in the field of Islamic economics in Indonesia and has been realized and accommodated.

Legal sources in Indonesia come from rules, norms, cultural in Indonesia. In Islamic law, there are also legal sources that originate from the cultural customs of the people or the 'Adat Muhakkamah. KHES is a product of Indonesian fiqh thinking in the economic field. KHES compilation is a medium of reflection on the fiqh of the school and the methodology of Islamic law for the Indonesian context [28]. When it becomes positive, it ties to every Muslim in Indonesia. So that it can be said that KHES is a part of the law to Indonesia and not merely Islamic law.

4.4. Politics of Islamic economic law in Malaysia

a. Institutional and Government Roles

Legal development is positively proportional to economic growth. The Malaysian government is a powerful support in the development of the Islamic economy. Many government policies, especially financial programs, are directed to the Islamic economic sector. Supported by the government and the people, they highly uphold culture to Islam. Many Islamic values are prioritized, especially in the economic sector. One example, people like using Islamic clothing culture, nuanced to Islam so that it impacts on the fashion sector in the Islamic economy. Especially when Malaysia proclaimed an Islamic state that incorporated cultural elements into the Islamic government [29]. For example, many elements of Islam are included in the framework of conventional economic development, such as in Islamic banking [5].

Malaysia has become one of the countries with progress in the field of Islamic economics in the world. Malaysian government policies are very supportive and concentrated in the development of Islamic economics, especially in terms of institutions. Government commitment to support the Islamic finance industry. Malaysia has established a policy of placing state-owned funds and Hajj funds in Islamic banking for a long time. He built several Islamic economic institutions specifically, such as hajj business with Tabung Hajj and Sukuk institutions with his Sukuk institutions. He created an infrastructure in facilitating transnational Islamic financial systems. So that the private sector is more expansive in building operations, while the state facilitates in legislation and research as well as its Islamic economic education

institutions [30]. With complete infrastructure and legislation, investors make investments in Malaysia. So that Malaysia becomes one of the countries with the biggest development of the Islamic economy in the world.

In terms of institutional politics, Malaysia has built many institutions, especially its institutional infrastructure. Whereas in practice in the field, there are more private sector roles. Malaysia builds Islamic bank institutions alongside conventional banks. Added [20] Malaysia has a Dual Banking System between Islamic banks and conventional banks. It means that it requires separating funds and activities between the two banks. In terms of effectiveness, to be effective, at the beginning of the establishment of Islamic banks, there was minimal capital and human resources. Islamic banks need a parent first to grow flowers. When it is strong, Islamic banks do spin off into a separate company.

Every Islamic bank in the world must have a supervisory institution. He will become an institution that moves the process to fit the Islamic corridor. As in Indonesia, which has DSN and DPS, Malaysia also has a supervisory institution. Malaysia has a supervisory institution; the first level is called the Sharia Committee (SC), while the field supervisor is called the Sharia Advisory Board (SAC) [23]. The duties and authority of the two institutions are almost the same in both countries. Even if it is different, not too significant. The difference is if the DPS is under the command of the MUI, but SAC is supervised by the Central Bank Act (CBA) or Bank Negara Malaysia (BNM). To strengthen its institutions, BNM introduced guidelines for sharia governance frameworks with an emphasis on the independence of sharia committees. Reinforced with the Islamic Financial Services Act in 2013 in the enforcement of sharia compliance with financial institutions [31]. So that in terms of supervision, the legal politics of the two countries is almost no different. The difference is more about the organizational command line, but it is not significant.

b. Product of constitution

Malaysia has regulations that have long been started. It has been started since 1958, Indonesia has been very far behind. Beginning with the establishment of the Sharia Advisory Council (SAC). After the supervisory board was formed, Islamic bank was established in 1965 with the promulgated companies Act. Complete details, in 1983, the Islamic Banking Act (IBA) was promulgated, which contained Licensing, Supervision, Management, and Establishment of the Sharia advisory board. It was further strengthened by the 1989 Banking and Financial Institutions Act (BAFIA). The regulation contained the principles of Islamic teachings in Islamic banking, namely definitions, conditions for obtaining licenses and operational principles of Islamic banking. In 1993 promulgated Guidelines on Banking Skim (SPTF) in Products from the Islamic Banking business and the Terms and Procedures for Establishing Islamic Banking Unit [32]. Furthermore, in 2004, the Guidelines on the Governance of the Sharia Committee for the Islamic Financial Institutions emerged, which regulated the Duties and Responsibilities of members of the Sharia Committee [23].

To make regulations in the institutional sector, Malaysia also develops regulations in the field of banking products. He makes the regulations in SAC. Islamic banking products in Malaysia must follow general contract theory in Muamalat Fiqh. Malaysia regulates in SPTF 1993 related to Islamic banking products (sharia). Many research stated that the products offered are by contract theory in general in Muamalat Fiqh. The definitions have also been given, in Malaysia in the 1993 SPTF published by the State Bank Sharia Advisory Council Resolution (Central Bank of Malaysia Shariah Resolutions in Islamic Finance) [23]. Malaysia has stressed its obligations to sharia principles both in the products and operations of Islamic banks. So that the private sector feels sufficient in terms of legal legality when investing in making Islamic banks. Because in terms of investment, especially in the Islamic economic sector, it requires strong juridical support [15]. Especially the banking world, a business based on trust so that strong law is a necessity.

If in terms of age and product legislation, Indonesia is far behind Malaysia. The development of the Islamic economy in Indonesia, especially banking, was not fast, especially in the era before the reformation in 1998. Political law held an essential point in the progress of the development of a field, especially in the field of Islamic economics. The availability of a legal institution in the economic field is a mandatory matter. A concrete example is that Islamic banking in Malaysia has been supported by Malaysian government regulations, the

Islamic Banking Act of 1983, which is very clear and strong. If we look at Indonesia, Islamic banking in Indonesia was established in 1992 with the Bank Muamalat Indonesia (BMI) but with very few adequate regulations. The reinforcement is only with the enactment of Act No. 10 of 1998 concerning Amendment to Act No. 7 of 1992 concerning Banking. Unlike Malaysia, the infrastructure and regulations that are complete and supported by the government make Malaysia the appeal of Islamic Finance in the world. In these factors, Malaysia's Islamic banking market share has provided 24% in the past 30 years [20].

In addition to the above, it is clear that the two countries have similarities in terms of the legal consequences of non-compliance of Islamic banking (sharia) towards sharia principles. Such non-compliance means a violation of the existing regulatory framework, where penalties will be given. These penalties range from administrative ones such as warning letters to revoking licenses. Criminal penalties can also be imposed on the person responsible for managing the business. The penalties was evidenced by an error in the form of violation of the principles of sharia.

5. Comparison

Perbandingan dengan teknologi terkini merupakan bagian penting. Bagian ini dapat memberikan ilustrasi yang lebih terukur mengenai kontribusi penelitian Anda. Bagian ini juga dapat disertai dengan pembahasan singkat. Jika dirasa kurang memadai atau tidak sesuai untuk dijadikan bagian terpisah, penulis dapat mengintegrasikannya dengan Bagian 4 (Hasil dan Pembahasan).

6. Kesimpulan

The politics of law has a significant influence on the economic progress of Islam in Indonesia and Malaysia. Law will be the basic foundation in operational implementation, while politics becomes a driver and reinforcement in Economic freedom. In Indonesia, the slowdown in the development of the Islamic economy was partly because some communities clashed with the principles of the Indonesian state of Pancasila even though they were not contradictory. In terms of institutions, the government with BI has made many infrastructure regulations, blueprint in the development of Islamic economics. While in supervision, the government through DSN and DPS has made rules and fatwas in the operations of financial institutions. In legislation, many laws have been issued in the development of Islamic economics. The law includes matters concerning zakat, waqf, Islamic banking, sharia securities, Islamic Economic disputes in the Religious Courts, Compilation of Sharia Economic Law, and others. The law is an effort to positively enforce Islamic law from fiqh Islamic madzhab in the context of Indonesia.

Islamic economic development in Malaysia is more advanced than Indonesia, even in the world. One of the developments was influenced by the Hadhari Islamic movement. In institutions, he has built many institutions in the Islamic economy. He further built the infrastructure of Islamic economists, so that the private sector has more role in the institutional company. In terms of supervision, he established a sharia committee and supervision in his field called the Sharia Advisory Council (SAC). Both are collaborating with the Central bank Act or Bank Negara Malaysia. In his legislation, he has long issued a law since 1958 until now. Some of the products of the Act are the Sharia Advisory Council, companies Act Islamic Banking Act, Banking and Financial Institutions Act, Guidelines on Skim Banking without Benefits of Guidelines on the Governance of Sharia Committee for the Islamic Financial Institutions etc.

Author Contributions: The author solely undertook the entire research process and is fully responsible for all components of this study. This includes the development of the research idea and objectives, literature review, methodological design, data collection and comparative analysis between Indonesia and Malaysia from an Islamic economic perspective. The author also carried out the interpretation of results, drafting of the manuscript, critical revisions, and final proofreading. Every stage of the research from conceptualization to publication readiness was conducted independently by the author without external assistance.

Funding: The research was entirely self-funded. No financial support was received from any government agency, academic institution, research grant, or private organization. All costs associated with the development of the research idea, literature review, data collection, analysis, and manuscript preparation were personally borne by the author.

Data Availability Statement: All data generated or analyzed during this study entitled "Economic Growth in Islamic Perspective: A Comparison Study Between Indonesia and Malaysia" are included in this published article. No additional datasets were generated or used during the study. Further inquiries can be directed to the author.

Acknowledgments: The author would like to express sincere gratitude to all individuals and institutions who indirectly contributed to the completion of this research. Special thanks are extended to academic mentors and peers for their valuable insights and constructive feedback throughout the research process. The author also acknowledges the use of publicly available data from official statistical agencies in Indonesia and Malaysia, which served as the basis for the comparative analysis. Although this research was conducted independently, the encouragement and support from colleagues and family are deeply appreciated.

Conflicts of Interest: The author declares that there are no financial, personal, or professional conflicts of interest that could have influenced the research outcomes or the interpretation of data presented in this study. The research was conducted independently, without any external pressure or bias from funding bodies, institutions, or other stakeholders. The author affirms full transparency and objectivity throughout the entire research process.

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