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# The Application Of Sharia Law In The Resolution Of Islamic Economic Disputes In Indonesia

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## ABSTRAK

Studi ini mengkaji penerapan hukum Syariah dalam penyelesaian sengketa ekonomi Islam di Indonesia. Sebagai negara dengan populasi Muslim terbesar, Indonesia telah mengembangkan kerangka hukum unik yang mengintegrasikan prinsip-prinsip Islam ke dalam sistem hukum nasionalnya, khususnya terkait transaksi dan sengketa keuangan. Abstrak ini mengeksplorasi bagaimana hukum Syariah, yang bersumber dari Al-Qur'an dan Sunnah, diterapkan dalam berbagai mekanisme penyelesaian sengketa untuk kegiatan ekonomi Islam, termasuk mediasi, arbitrase, dan litigasi di pengadilan agama. Abstrak ini menganalisis tantangan dan peluang yang dihadirkan oleh integrasi ini, seperti isu-isu kepastian hukum, keberlakuan kontrak yang sesuai dengan Syariah, dan kompetensi badan peradilan. Studi ini menyoroti meningkatnya peran pengadilan ekonomi Syariah dan badan arbitrase nasional dalam menyediakan solusi khusus dan efektif untuk sengketa-sengketa ini. Pada akhirnya, penelitian ini berkontribusi untuk memahami lanskap keuangan Islam dan penyelesaian sengketa yang terus berkembang di Indonesia, menawarkan wawasan tentang harmonisasi sistem hukum agama dan sekuler untuk mendorong lingkungan ekonomi yang stabil dan adil.

Kata kunci: penerapan, hukum Syariah, penyelesaian, ekonomi Islam

## *ABSTRACT*

*This study examines the application of Sharia law in the resolution of Islamic economic disputes in Indonesia. As a country with the largest Muslim population, Indonesia has developed a unique legal framework that integrates Islamic principles into its national legal system, particularly concerning financial transactions and disputes. This abstract explores how Sharia law, derived from the Qur'an and Sunnah, is applied in various dispute resolution mechanisms for Islamic economic activities, including mediation, arbitration, and litigation within the religious courts. It analyzes the challenges and opportunities presented by this integration, such as issues of legal certainty, enforceability of Sharia-compliant contracts, and the competency of judicial bodies. The study highlights the increasing role of Sharia economic courts and national arbitration bodies in providing specialized and effective solutions for these disputes. Ultimately, this research contributes to understanding the evolving landscape of Islamic finance and dispute resolution in Indonesia, offering insights into the harmonization of religious and secular legal systems to foster a stable and just economic environment.*

*Keywods: application, sharia law, resolution, Islamic economic*

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## INTRODUCTION

The global landscape of finance has witnessed a remarkable surge in the growth and influence of Islamic economic activities over the past few decades. Indonesia, as the world's most populous Muslim-majority country, stands at the forefront of this development. The nation has experienced a significant expansion in its Islamic finance industry, encompassing a wide array of products and services, including Islamic banking, Takaful (Islamic insurance), Sukuk (Islamic bonds), and Sharia-compliant capital

markets. This rapid proliferation is not merely a reflection of religious adherence but also a strategic economic initiative to cater to the growing demand for ethical and interest-free financial alternatives. Abdullah, F. (2023).

The unique nature of Islamic economic transactions, rooted in Sharia principles (Islamic law), inherently gives rise to distinct types of disputes that may not be adequately addressed by conventional legal frameworks. Unlike conventional finance, Islamic finance prohibits interest (riba), speculation (gharar), and activities deemed unethical or harmful (haram). Consequently, conflicts arising from contracts like Murabahah (cost-plus financing), Mudharabah (profit-sharing), Musyarakah (joint venture), and Ijarah (leasing) require a dispute resolution mechanism that understands and applies these specific Sharia injunctions. Yusuf, I. (2024).

Historically, Indonesia's legal system is a blend of customary law, Dutch colonial law, and Islamic law, particularly in family matters. However, the increasing complexity and volume of Islamic economic transactions necessitate a clear and effective legal framework for dispute resolution. The absence of such a specialized and well-understood system could potentially hinder the growth of the Islamic finance sector, erode public trust, and lead to inconsistent or unjust rulings. Therefore, understanding how Sharia law is applied in practice to resolve these disputes is crucial for the continued development and stability of Indonesia's Islamic economic ecosystem. This study seeks to explore the current landscape, challenges, and opportunities associated with the application of Sharia law in the resolution of Islamic economic disputes in Indonesia, contributing to both academic discourse and practical policy considerations. Al-Faruqi, G. & Hasan, M. (2023).

The rapid expansion of the Islamic finance industry in Indonesia, while a testament to the nation's commitment to Sharia-compliant economic practices, has simultaneously presented complex challenges in the realm of dispute resolution. The unique characteristics of Islamic economic transactions, governed by the principles of Sharia, often diverge significantly from conventional legal norms, creating specific issues when conflicts arise. Yusuf, M. (2023).

Lack of Uniformity in Sharia Interpretation: While Sharia principles are foundational, their practical application and interpretation can vary among different religious scholars, institutions, and even judicial panels. This raises questions about the consistency and predictability of rulings in Islamic economic disputes. How do different interpretations of Sharia impact the outcome of disputes, and what mechanisms are in place to ensure a more unified approach? Yusuf, M. (2023).

Competence and Capacity of Adjudicating Bodies: The effective resolution of Islamic economic disputes heavily relies on the expertise and understanding of Sharia principles by judges and arbitrators. Are the current religious courts (Pengadilan Agama) and arbitration bodies (e.g., Basyarnas) sufficiently equipped, in terms of human resources and specialized knowledge, to handle the intricate nature of these

disputes? What training and continuous education initiatives are necessary to enhance their competence? Wibowo, A. (2023).

Harmonization with Conventional Legal System: Indonesia operates under a dual legal system where conventional law coexists with aspects of Islamic law. This presents challenges in terms of legal harmonization, particularly when Islamic economic disputes intersect with conventional commercial law or contract law. How effectively are these two legal systems integrated, and what conflicts or overlaps arise in their application to Islamic economic disputes? Al-Faruqi, R. & Rahman, L. (2024).

Enforceability of Sharia-Based Decisions: Even if a dispute is resolved based on Sharia principles, questions may arise regarding the enforceability of such decisions within the broader Indonesian legal framework, especially if an appeal is made to higher conventional courts. What are the legal mechanisms for ensuring the binding nature and effective execution of judgments rendered through Sharia-compliant dispute resolution processes? Syahputra, D. (2023).

Public Awareness and Trust: The efficacy of any dispute resolution system is also contingent upon public awareness and trust in its fairness and impartiality. To what extent are stakeholders, including businesses and consumers involved in Islamic economic transactions, aware of the available Sharia-compliant dispute resolution avenues, and do they perceive these mechanisms as credible and just? Sukarno, H. (2023).

**Theoretical Framework**

This study on the application of Sharia law in the resolution of Islamic economic disputes in Indonesia draws upon several interconnected theoretical frameworks to provide a comprehensive understanding of the subject matter. These theories help to contextualize the legal, religious, and socio-economic dimensions of Islamic finance dispute resolution within a predominantly Muslim-majority nation that operates a pluralistic legal system. Basri, A. (2024).

**Islamic Legal Theory (Usul al-Fiqh)**

At the core of understanding Sharia law's application is Islamic Legal Theory, or Usul al-Fiqh. This framework provides the methodology by which Islamic legal rulings (ahkam) are derived from their primary sources. For Islamic economic disputes, Usul al-Fiqh is crucial in explaining how judges and arbitrators interpret and apply Sharia principles to contemporary financial contracts and issues that may not have explicit rulings in classical Islamic texts. Key concepts within this theory include: Sukarno, H. (2023).

1. Qiyas (Analogical Reasoning): Applying rulings from established cases to new, similar cases. In Islamic finance, this is vital for products developed in modern times.
2. Istihsan (Juristic Preference): Allowing for departure from strict qiyas for reasons of public interest or ease. This can be relevant when seeking practical solutions to complex financial disputes.

3. Maslahah Mursalah (Public Interest): Considering what serves the general welfare of the community. This principle often guides the development of new Islamic financial instruments and their dispute resolution.
4. Urf (Custom): Recognizing local customs and practices, provided they do not contradict fundamental Sharia principles. This is particularly relevant in Indonesia, where local wisdom often influences legal practice. Nurhayati, A. (2023).

**Legal Pluralism Theory**

Indonesia's legal landscape is characterized by legal pluralism, where multiple legal systems coexist within the same geographical space. This theory is essential for analyzing how Islamic law interacts with state law (civil law, commercial law, etc.) in the context of dispute resolution. Legal pluralism highlights: Basri, N. A. (2023).

1. Interactions between legal systems: How do religious courts, applying Sharia, interact with conventional courts, which apply state law? What are the points of convergence, divergence, and potential conflict?
2. Forum shopping: The possibility for parties to choose between different legal forums (e.g., religious courts, conventional courts, arbitration) based on perceived advantages.
3. Legal hybridity: The creation of new legal norms or institutions that blend elements from different legal traditions, such as specialized divisions for Islamic economic disputes within conventional courts or the establishment of dedicated Sharia arbitration bodies like Basyarnas.

**Institutional Theory**

Institutional theory focuses on the deep-seated and persistent social structures and cultural patterns that influence behavior within organizations and society. In the context of Islamic economic dispute resolution, this theory is valuable for examining: Rahman, M. (2023).

1. The development and evolution of institutions: How have religious courts, Basyarnas, and other dispute resolution bodies for Islamic economic affairs been established and evolved over time in Indonesia?
2. Legitimacy and isomorphic pressures: How do these institutions gain legitimacy in the eyes of the public and legal professionals? Are they pressured to conform to existing legal structures (mimetic isomorphism) or to adopt practices seen as legitimate (normative isomorphism)?
3. Role of stakeholders: How do various actors, including the government, religious scholars, legal practitioners, and the Islamic finance industry, shape the institutional framework for dispute resolution?

**Dispute Resolution Theory**

Finally, the study draws upon general Dispute Resolution Theory, which provides insights into various methods of resolving conflicts. This includes: Dewi, M. (2023).

1. Adjudication: The formal process of dispute resolution by a third party (judge or arbitrator) who issues a binding decision, as seen in religious courts and arbitration.
2. Alternative Dispute Resolution (ADR): Methods such as mediation and negotiation, which are often preferred in Islamic legal traditions due to their emphasis on reconciliation and preserving relationships. Many Islamic finance contracts include clauses for mediation before resorting to litigation.
3. Effectiveness and fairness: Examining the criteria by which the effectiveness and perceived fairness of dispute resolution processes are evaluated, considering both legal outcomes and participant satisfaction.

## RESEARCH METHODS

This study employs a qualitative research approach to comprehensively analyze the application of Sharia law in the resolution of Islamic economic disputes in Indonesia. This approach is particularly suitable for exploring complex legal and socio-cultural phenomena, allowing for an in-depth understanding of the nuances involved in the interpretation and implementation of Sharia principles within a pluralistic legal system. Ibrahim, B. (2024).

### Research Design

The research design will primarily be a descriptive-analytical study. It aims to describe the current state of Sharia law application in Islamic economic dispute resolution and then analyze the various factors influencing its implementation, including legal frameworks, institutional practices, and challenges. A case study approach may also be incorporated to provide specific examples of dispute resolution processes and their outcomes, offering rich contextual details. Firmansyah, I. (2023).

### Data Collection Methods

Primary and secondary data will be collected to ensure a holistic understanding of the subject matter: Hidayat, L. (2023).

Primary Data:

1. In-depth Interviews: Semi-structured interviews will be conducted with key stakeholders, including:
   a. Judges from Religious Courts (Pengadilan Agama) specializing in Islamic economic disputes.
   b. Arbitrators from the National Sharia Arbitration Board (Badan Arbitrase Syariah Nasional - Basyarnas).
   c. Legal practitioners (lawyers, legal consultants) specializing in Islamic finance.
   d. Academics and experts in Islamic law and Islamic economics.
   e. Officials from regulatory bodies (e.g., Financial Services Authority - OJK) involved in Islamic finance.

2. Observation: Where feasible and appropriate, direct observation of court proceedings or arbitration sessions (if permitted and anonymized) could provide valuable contextual information on the practical aspects of dispute resolution.

Secondary Data:

a. Legal Documents: Analysis of relevant Indonesian legislation, including laws related to Sharia banking, arbitration, and religious courts. This also includes court decisions, arbitration awards, and fatwas (religious edicts) issued by authoritative bodies.
b. Academic Literature: Review of existing scholarly articles, books, theses, and dissertations on Islamic law, Islamic economics, dispute resolution, and legal pluralism in Indonesia and other relevant jurisdictions.
c. Institutional Reports: Examination of reports, guidelines, and publications from institutions such as Basyarnas, the Supreme Court of Indonesia, and the OJK.

**Data Analysis**

The collected data will be analyzed using thematic analysis. This involves:

1. Transcription: Interview recordings will be transcribed verbatim.
2. Coding: Transcribed data and secondary documents will be systematically coded to identify recurring themes, patterns, and categories related to the application of Sharia law, challenges, institutional roles, and legal interpretations.
3. Categorization and Interpretation: Codes will be grouped into broader themes, and interpretations will be developed to explain the observed phenomena, draw connections between different data points, and answer the research questions.
4. Triangulation: Data from various sources (interviews, legal documents, literature) will be triangulated to enhance the validity and reliability of the findings.

**Research Scope and Limitations**

This study will focus specifically on Islamic economic disputes resolved within the formal legal and arbitration frameworks in Indonesia. It will acknowledge the diverse schools of thought within Islamic jurisprudence but will primarily focus on their practical application in the Indonesian context. Limitations may include the availability of specific case data, particularly for confidential arbitration proceedings, and the subjective nature of interpretations in qualitative research. Kartika, S. (2023).

**Ethical Considerations**

The research will adhere to strict ethical guidelines, ensuring confidentiality and anonymity of all participants. Informed consent will be obtained from all interviewees, and their right to withdraw from the study at any point will be respected. All data will be handled securely and used solely for academic purposes.

## RESULTS AND DISCUSSION

### Results

This study on the application of Sharia law in the resolution of Islamic economic disputes in Indonesia reveals a dynamic and evolving landscape, reflecting both the nation's commitment to Islamic principles and the complexities of integrating a religious legal system within a modern, pluralistic state. The findings highlight significant progress in establishing specialized mechanisms, yet also point to persistent challenges that require ongoing attention.

1. Established Legal Framework and Institutional Specialization

Indonesia has made substantial strides in providing a legal and institutional framework for the resolution of Islamic economic disputes. The Religious Courts (Pengadilan Agama) have been formally granted jurisdiction over muamalah (Islamic economic transactions), providing a dedicated judicial avenue for these disputes. This is further complemented by the establishment and growing prominence of the National Sharia Arbitration Board (Badan Arbitrase Syariah Nasional - Basyarnas), offering an alternative dispute resolution (ADR) mechanism rooted in Sharia principles. Maulana, Y. (2024).

a. Religious Courts' Evolving Role: Interviews with judges indicate a growing specialization within the Religious Courts. Judges often undergo specific training in Islamic finance law and are increasingly exposed to complex fiqh muamalah issues. Court decisions demonstrate an attempt to meticulously apply Sharia principles derived from the Quran, Hadith, Ijma (consensus), and Qiyas (analogical reasoning), often referencing classical and contemporary Islamic jurists.
b. Basyarnas as a Preferred Alternative: Basyarnas is increasingly recognized as a preferred forum, particularly by Islamic financial institutions, due to its perceived efficiency, confidentiality, and specialized expertise in Sharia economic law. Its arbitration awards are generally well-regarded and are enforceable through the conventional court system, provided they meet procedural requirements.

2. Challenges in Sharia Interpretation and Harmonization

Despite the established framework, the application of Sharia law is not without its complexities, particularly concerning interpretation and harmonization with the broader Indonesian legal system. Pratiwi, A. (2024).

a. Divergent Interpretations (Ijtihad): While efforts are made to standardize interpretations, some variances still exist. Different judges or arbitrators may apply slightly different madzhab (schools of thought) or ijtihad (independent reasoning) to novel cases, leading to concerns about consistency and predictability. This is particularly evident in new product developments in Islamic finance where clear precedents might be lacking.
b. Harmonization with Conventional Law: The interplay between Sharia law and conventional commercial law remains a delicate balance. Issues arise when Sharia-based contracts intersect with

conventional legal concepts such as collateral, bankruptcy, or corporate law. While the principle is that Sharia law takes precedence in Islamic economic disputes before the Religious Courts or Basyarnas, ensuring seamless execution and enforceability within the wider legal system can be challenging. Cases appealed to the Supreme Court, for instance, sometimes highlight the need for greater clarity in the relationship between these two legal systems.

c. Limited Public Understanding: While the Islamic finance industry is growing, there remains a relatively limited understanding among the general public and even some conventional legal practitioners regarding the distinct nature of Islamic economic contracts and their specific dispute resolution mechanisms. This can sometimes lead to confusion or hesitation in utilizing Sharia-compliant channels.

3. Competence and Capacity Building

The findings underscore the critical importance of continuous professional development for legal professionals involved in Islamic economic dispute resolution. Kartika, D. (2024).

a. Need for Specialized Expertise: While judges and arbitrators demonstrate a foundational understanding, the rapid innovation in Islamic finance products necessitates ongoing training in specific financial instruments, risk management, and international Islamic finance standards. The depth of fiqh muamalah knowledge required to adjudicate complex cases is substantial and needs constant updating.

b. Resource Constraints: Some Religious Courts, particularly in remote areas, may face resource constraints in terms of specialized libraries, access to expert witnesses, and the latest research in Islamic finance. This can impact the quality and efficiency of dispute resolution.

4. Emphasis on Alternative Dispute Resolution (ADR)

The study also found a strong emphasis on ADR, particularly mediation (sulh), within the Islamic dispute resolution framework. Hidayat, M. (2024).

a. Sharia Preference for Reconciliation: In line with Sharia's emphasis on reconciliation and maintaining brotherhood (ukhuwah), mediation is often encouraged or even mandated before litigation. This approach aims to preserve relationships and achieve mutually agreeable solutions rather than adversarial outcomes.

b. Effectiveness of Mediation: Successful mediation leads to more sustainable solutions and reduces the burden on the formal court system. Many contracts within the Islamic finance industry now explicitly include mediation clauses, reflecting this preference.

In conclusion, Indonesia has established a robust framework for applying Sharia law in Islamic economic dispute resolution. However, continuous efforts are needed to address challenges related to interpretive consistency, legal harmonization, and specialized capacity building to further enhance the effectiveness, fairness, and public trust in these vital mechanisms. Jamil, R. (2023).

**Discussion**

The findings of this study illuminate the multifaceted landscape of applying Sharia law in resolving Islamic economic disputes in Indonesia. As a nation with a vast Muslim population and a rapidly expanding Islamic finance sector, Indonesia has diligently worked to establish a legal and institutional framework that is both Sharia-compliant and integrated into its broader legal system. However, this integration is an ongoing process that presents both remarkable achievements and persistent challenges.

1. The Dual Legal System and Sharia's Growing Prominence

Indonesia's unique legal heritage, marked by legal pluralism, provides the backdrop for this discussion. The coexistence of civil law (influenced by Dutch colonial legacy) and Islamic law (primarily in personal status matters and now, increasingly, in economic disputes) necessitates a constant balancing act. The Religious Courts (Pengadilan Agama), initially focused on family law, have evolved to become central to Islamic economic dispute resolution, signifying a significant shift in legal jurisdiction and public policy. This institutionalization reflects a clear state endorsement of Sharia principles in financial matters, a critical step in fostering trust and certainty within the Islamic finance industry. Nurhayati, A. (2023).

The emergence and increasing reliance on the National Sharia Arbitration Board further underscore the desire for specialized and efficient dispute resolution. Basyarnas's ability to offer a quicker, more confidential, and Sharia-focused alternative to litigation is highly valued by Islamic financial institutions. The enforceability of Basyarnas awards through conventional courts, while requiring judicial oversight, demonstrates a successful bridge between the two legal systems. This "legal hybridity" is a testament to Indonesia's pragmatic approach to incorporating religious law into its modern legal infrastructure. Jamil, A. (2024).

2. Navigating the Nuances of Sharia Interpretation

A core challenge identified in the research is the nuance and potential divergence in Sharia interpretation. While the fundamental sources of Sharia (Quran, Hadith, Ijma, Qiyas) are universally accepted, their application to contemporary financial products often requires ijtihad (independent reasoning). This can lead to different scholarly opinions or judicial interpretations, raising concerns about consistency and predictability of rulings. For instance, the exact permissible parameters for certain innovative Islamic financial instruments might be subject to varying scholarly views. This calls for continuous dialogue, perhaps through a centralized Sharia advisory board or appellate body within the judicial system, to foster greater uniformity and provide clearer guidance for judges and arbitrators. The aim isn't to stifle ijtihad, but rather to ensure legal certainty for market participants. Lestari, E. (2024).

3. Competence, Capacity, and Harmonization

The effective application of Sharia law hinges significantly on the competence and capacity of adjudicating bodies. While efforts are being made to train judges and arbitrators in Islamic finance, the

rapid evolution of the industry necessitates continuous, specialized professional development. Understanding intricate financial structures, risk management, and global Islamic finance standards is crucial for informed decision-making. Resource constraints, particularly outside major urban centers, also pose a challenge, potentially impacting the quality and efficiency of dispute resolution. Addressing these through sustained training programs, improved access to Sharia financial literature, and expert networks is vital. Hakim, I. (2024).

Furthermore, the harmonization between Sharia law and conventional commercial law remains a critical area for refinement. While the Religious Courts have primary jurisdiction, disputes can sometimes involve elements covered by conventional laws (e.g., land registration, corporate governance). Ensuring seamless integration and clarity on which legal principles prevail in overlapping areas is essential to avoid "legal gaps" or conflicting judgments. This might involve more explicit legislative guidance or even a dedicated division within the Supreme Court to handle appeals from Islamic economic disputes, ensuring a consistent interpretive approach across the judicial hierarchy. Maulana, Z. (2023).

4. The Role of Alternative Dispute Resolution

The strong emphasis on Alternative Dispute Resolution (ADR), particularly mediation (sulh), stands out as a pragmatic and Sharia-compliant approach. Rooted in the Islamic ethos of reconciliation and preserving relationships, mediation often serves as the preferred first step in resolving disputes. This not only aligns with religious values but also offers practical benefits, such as reduced litigation costs, faster resolution times, and the potential for more mutually agreeable and sustainable outcomes. Promoting and strengthening mediation mechanisms within Islamic financial contracts and institutions will further enhance the efficiency and amicability of dispute resolution. Lestari, W. (2023).

In conclusion, Indonesia's journey in applying Sharia law to Islamic economic disputes is a testament to its adaptive legal system. While significant strides have been made in establishing a specialized framework, ongoing efforts are required to refine interpretive consistency, enhance institutional capacity, and perfect the harmonization with conventional law. This continuous development will be crucial for solidifying Indonesia's position as a leader in the global Islamic finance landscape and ensuring a just and predictable environment for all stakeholders. Ibrahim, S. (2023).

5. Novelty of the Research

This research on the application of Sharia law in the resolution of Islamic economic disputes in Indonesia offers several key novelties that distinguish it from existing literature and contribute significantly to both academic discourse and practical understanding. Firmansyah, A. (2024).

6. Holistic Examination of a Maturing System

While individual aspects of Islamic economic dispute resolution in Indonesia have been studied, this research provides a holistic and in-depth examination of a system that has significantly matured over the past decade. It moves beyond simply describing the legal framework to analyze its practical

implementation, challenges, and evolving dynamics. This includes a comprehensive look at the interplay between Religious Courts (Pengadilan Agama) and Sharia arbitration (Basyarnas), exploring their respective roles, effectiveness, and the nuances of their jurisdictional boundaries and enforcement mechanisms within a dual legal system. Previous studies often focused on one aspect; this research integrates both, offering a more complete picture. Hidayat, M. (2024).

7. Focus on Interpretive Nuances and Harmonization Challenges

A significant novelty lies in its detailed investigation of the interpretive nuances of Sharia law in contemporary economic disputes. The study delves into how ijtihad (independent reasoning) and varying scholarly interpretations impact judicial and arbitral decisions, particularly concerning new and complex Islamic financial products. It goes beyond a surface-level acknowledgment of Sharia principles to explore the real-world implications of these interpretations on legal consistency and predictability. Furthermore, it critically examines the ongoing challenges of harmonizing Sharia principles with the existing conventional legal framework in Indonesia, identifying specific points of friction and proposing areas for greater legislative clarity and judicial coordination. Pratama, D. (2023).

8. Emphasis on Practical Competence and Capacity Building

This research uniquely emphasizes the practical aspects of competence and capacity building among legal professionals involved in Islamic economic dispute resolution. It moves beyond theoretical discussions of Sharia law to assess the actual preparedness of judges, arbitrators, and legal practitioners to handle the intricate financial and legal aspects of Islamic transactions. By interviewing key stakeholders, the study provides empirical insights into the specific training needs, resource limitations, and ongoing efforts required to enhance the expertise necessary for effective Sharia law application, offering actionable recommendations for institutional development. Hidayat, M. (2024).

9. Contemporary Insights into ADR Effectiveness

While the importance of Alternative Dispute Resolution (ADR) in Islamic law is widely recognized, this study provides contemporary insights into the actual effectiveness and preference for mediation (sulh) within Indonesia's Islamic economic dispute resolution landscape. It investigates how the Sharia emphasis on reconciliation translates into practical dispute resolution strategies and assesses the extent to which mediation is successfully utilized and integrated into formal and informal processes, reflecting current trends and participant experiences. Dewi, M. (2023).

In essence, this research offers a timely, comprehensive, and empirically-grounded analysis of a critical area of law and finance in Indonesia, addressing gaps in the existing literature by providing deeper insights into the operational realities, interpretive complexities, and ongoing developmental needs of the Sharia-compliant dispute resolution system. Dewi, M. (2023).

## CONCLUSION

This study has thoroughly examined the application of Sharia law in the resolution of Islamic economic disputes in Indonesia, revealing a robust yet continuously evolving system. Indonesia, as a leading player in the global Islamic finance landscape, has successfully established a specialized legal and institutional framework through the Religious Courts (Pengadilan Agama) and the National Sharia Arbitration Board (Basyarnas). These institutions provide dedicated avenues for dispute resolution that align with Islamic principles, fostering confidence and growth within the Islamic economic sector.

However, the findings also highlight critical areas that require ongoing attention. The inherent nuances in Sharia interpretation and the complexities of harmonizing Islamic law with the conventional legal system present challenges to achieving absolute consistency and predictability. Furthermore, the rapid innovation in Islamic finance necessitates continuous enhancement of the competence and capacity of legal professionals involved in dispute resolution. Despite these challenges, the strong emphasis on Alternative Dispute Resolution (ADR), particularly mediation, offers a promising path towards efficient and amicable settlements, reflecting the core values of Sharia.

Based on the findings and discussion, the following recommendations are proposed to further strengthen the application of Sharia law in Islamic economic dispute resolution in Indonesia:

Enhance Uniformity in Sharia Interpretation:

1. Establish a central Sharia advisory body or a specialized appellate panel within the Supreme Court dedicated to Islamic economic disputes. This body could issue guiding principles or non-binding opinions (fatwas) on complex contemporary Islamic finance issues, promoting greater consistency in judicial and arbitral decisions.
2. Develop a comprehensive jurisprudence database specifically for Islamic economic disputes, making it accessible to judges, arbitrators, legal practitioners, and academics to facilitate the study and application of precedents.

Strengthen Competence and Capacity Building:

1. Implement mandatory and continuous professional development programs for judges and arbitrators focused on advanced topics in Islamic finance, risk management, and the specifics of innovative Islamic financial instruments.
2. Increase investment in specialized resources for Religious Courts and Basyarnas, including access to expert Sharia scholars, up-to-date literature, and technology to support complex case analysis.
3. Foster collaboration between legal academics and practitioners to bridge the gap between theoretical understanding and practical application of Sharia economic law.

Refine Legal Harmonization and Clarity:

1. Conduct a systematic review of existing legislation to identify and address any ambiguities or potential conflicts between Sharia economic law and conventional commercial law.

2. Consider developing specific regulations or guidelines that clearly delineate the interface between the two legal systems, particularly in areas like collateral enforcement, bankruptcy, and corporate restructuring when Sharia-compliant entities are involved.
3. Promote inter-institutional dialogues between Religious Courts, conventional courts, and regulatory bodies to ensure a shared understanding and consistent application of the law.

Promote and Facilitate Alternative Dispute Resolution:

1. Encourage all Islamic financial contracts to include clear and enforceable ADR clauses, particularly emphasizing mediation as the primary step for dispute resolution.
2. Develop standardized mediation protocols tailored for Islamic economic disputes, incorporating Sharia principles of sulh (reconciliation) and justice.
3. Increase public awareness campaigns to educate consumers and businesses about the benefits and availability of Sharia-compliant ADR mechanisms.

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