

## OPPORTUNITIES AND CHALLENGES SHARIA BUSINESS INDUSTRY 5.0 IN INDONESIA

Eny Kustiyah<sup>1\*</sup>, Amir Junaidi<sup>2</sup>, Siti Nurlaela<sup>3</sup>

<sup>1\*</sup> Economic Faculty, University Islam Batik of Surakarta, Indonesia

<sup>2</sup> Law Faculty, University Islam Batik of Surakarta, Indonesia

<sup>3</sup> Economic Faculty, University Islam Batik of Surakarta, Indonesia

<sup>1\*</sup>Correspondence: [enykustiyah@gmail.com](mailto:enykustiyah@gmail.com)

**Abstract:** *This research is important because various complex dynamics have occurred in governance planning for the development of management resources in the bureaucratic apparatus in Industry 5.0, ready to face technological advances and also able to pay attention to aspects of changes in people's lives in a sustainable manner. This research aims to analyze how the implementation of Industry 5.0 affects the Indonesian economic sector and the challenges faced in adopting this technology. Research method A comprehensive literature review was carried out to understand the Opportunities and Challenges of Sharia Business in Industry 5.0 and then applied in the Indonesian context. The findings of this research provide an explanation of the current conditions regarding Opportunities, Sharia Business Challenges in Industry 5.0, aspects such as digital infrastructure, workforce skills, and government policies that support or hinder the development of Industry 5.0 in Indonesia. The results of this research can provide input for policy and stakeholders in understanding the contribution of sharia business in Industry 5.0 to the Indonesian economy and formulating appropriate strategies to encourage sustainable economic growth.*

**Keywords:** *Opportunities, Sharia Business Challenges in Industry 5.0*

### 1. Introduction

Economic globalization has actually been going on for a long time, during the spice trade, forced cultivation, and Dutch private capital during the colonial era with Indonesian laborers reaching Europe and America. Current economic globalization is a new form of development of capitalism as an international economic system (Cavusgil S. T., 1993; Cavusgil S. T., 1993); (Dodi Faedlulloh, 2020). In the 1950s, investment in overseas centers carried out activities to extract natural resources and raw materials for factories and manufacturing companies spread throughout the world. By operating distribution areas outside national borders, companies no longer produce all products in just one country (Breedon, 1993).

Management across continents, personnel assignments are No Longer bound by language, national borders and nationalities. Previously, international business only consisted of exports, imports and investment (Chirot, 1986). Now transactions are diverse and complicated, such as goods manufacturing contracts, franchises, return buys, "turnkey projects", technology, international strategic alliances, financial activities, and so on. Globalization causes interdependence of economic actors

Manufacturing, trade, investment cross national borders, and increase the intensity of competition. This phenomenon is accelerated by advances in communication and transportation technology (Fujii T. G., *A Consideration Of Service Strategy Of Japanese Electric Manufacturers to Realize Super Smart Society (Society 5.0)*, 2018). The impact of globalization is very complex, including liberalization in the world trade system, increased mobility of labor and capital, the formation of trading blocs and the socialization of technology and communications (Trubek, 1992). The most important impact of globalization is a shift in the appearance of the economic systems of various countries, towards an international economy, where production becomes global and capital and money move quickly and unavoidably, across national boundaries (Bahri, 2020).

Constitutional Foundation of Electronic Information and Transactions (ITE). The 1945 Constitution, when it was enacted on August 18 1945, did not yet contain the concepts and terms of science and technology, let alone digital transformation. However, in its development, the drafters of the four amendments to the 1945 Constitution firmly and visionarily included constitutional norms in Article 31 paragraph (5) of the 1945 Constitution as one of the real results of the fourth amendment to the 1945 Constitution. Apart from that, in the second amendment to the 1945 Constitution, utilization and development Science and technology have also been regulated as guarantees of human rights in Article 28C and Article 28F of the 1945 Constitution.

This research is important because various complex dynamics have occurred in Industry 5.0 which is increasingly rapid because it must align bureaucratic capabilities that are ready for technological advances and are also able to pay attention to aspects of changes in people's lives in a sustainable manner (Alekseev, 2021). Globalization that occurs in companies, markets and national laws, in certain cases can give rise to conflicts between national policies and international interests. The private sector in the international region is increasingly playing a significant role in determining economic policy at both national and global levels (Edward, Kwakwa, 2000).

The large flow of imports in developed countries, as well as the flow of foreign investment to these countries, has resulted in increased income inequality, job losses and low wages for workers with insufficient skills (Handayani, 2021).

Legal Issues in International Business Operations. Laws exist to ensure the order that the forces that control society want to implement (Wade, 1941); (Riswandi, Agus, Alfaqih, Wicaksono, 2023). Concern about the impact of economic globalization has triggered world activists to take action against economic globalization and trade liberalization, because it is feared that it will increase economic inequality, which will actually create a humanitarian disaster. Regulatory constraints, for example, can slow down the adaptation process due to gaps between Islamic Law and local legal frameworks. Meanwhile, market competition with non-shariah businesses also poses serious challenges that can affect the market share and profitability of sharia businesses (Talib, Paturochman, Ansyori, Al-Amin., 2024). The digitalization of the public sector is accelerating the transformation of public governance. Digitalization goes beyond the evolution of legal frameworks. There is a need to adapt guarantees of good administration into a collective dimension through broadening and expanding the tasks of good administration in the public sector by modifying the law (Sanchez Graells, Albert., 2024).

On the other hand, various parties also hope that the WTO, which has 147 member countries, will be able to safeguard the interests of its members from developing countries, making world trade more balanced by providing greater access to developing countries. Because if world trade is

unbalanced, trade liberalization will create an economic disaster for developing countries. The history of the sharia economic movement in Indonesia has actually been going on since 1911, namely since the founding of the Islamic Trading Company organization by businessmen and leaders of the current Muslim community. Even though we draw from history, far behind, long before 1911, the role and role of Santri (Muslims) in the world of trade was quite large (Neil, Robert Van. , 1964, ).

Many studies by historians and anthropologists have proven this, but Clifford Geertz, a leading American anthropologist, stated that in Java, reformist students worked as traders or entrepreneurs with a high entrepreneurial ethos (Schumpete, 1972). Meanwhile, in the book "The Religion of Java" (1960), Geertz wrote, Santri (Muslim) entrepreneurs are those who are influenced by the Islamic work ethic who live in the environment where they work. This fact is the result of Clifford Geertz's research, in an effort to investigate who among Muslims has an entrepreneurial ethos such as "Ethics Protestantism", as intended by Max Weber (Elson, 1984 ).

Geertz found that the ethos of the students generally had a work ethic and more of a high entrepreneurial ethic than the abangan who were influenced by elements of Hindu and Buddhist teachings (Fasseur, 1986). The development of sharia banking began to be felt since amendments were made to Law no. 7/1992 became Law no. 10/1998 which provides a clearer operational basis for sharia banks. Following up on this law, Bank Indonesia (BI) began to pay more serious attention to the development of sharia banking, namely forming a special work unit in April 1999. This special work unit handles research and development of sharia banking (Sharia Bank Research and Development Team in under the Directorate of Research and Banking Setup) which was first the Sharia Banking Bureau which was formed on May 31 2001, and has now officially become the Sharia Banking Directorate of Bank Indonesia since August 2003 ( (Jan, Lai, Tahir, 2021)).

## **2. Research Methods**

This research is a literature study with a descriptive qualitative type of research with library research which seeks to describe the relevance of industry 4.0 and society 5.0 in Indonesia. This research uses a type of library research or literature review, namely a series of research relating to library or research data collection methods whose research objects are explored through a variety of library information, including books, encyclopedias, scientific journals, newspapers, magazines., and documents (Agustian., et.al., 2023), The reason the author uses the library research research method is because it is in accordance with the problem being researched, namely reviewing and discovering various theories, laws, postulates, principles or ideas contained in the body of academic-oriented literature which are used to analyze and solve research questions which are formulated in the form of challenges and sharia economic opportunities in Industry 5.0.

The core of a literature review methodology is thematic analysis, which aims to spot patterns, themes, and insights across a body of literature. This analytical process is not just about gathering information but involves critical examination of the content to reveal fundamental themes, debates, and points of consensus in scientific discourse on Sharia Business in Indonesia. The culmination of a literature review is a synthesis that not only summarizes the main findings but also critically engages with the literature to offer a coherent and insightful narrative. This synthesis aims to highlight significant research trends, point out gaps in existing knowledge, and propose directions for future investigation. Through this reflective and evaluative discussion, this review aims to

contribute a scholarly and meaningful perspective to the ongoing dialogue regarding sharia principles in business management, enriching academic discourse and informing future research and practice in the field.

### **3. Results And Discussion**

#### **3.1 Industry 5.0 concept**

The Industry 5.0 concept allows us to use modern science-based knowledge to serve human needs. The aim of this concept itself is to create a society where the people in it truly enjoy life and feel comfortable (Agyapong, Kodua, 2021).

The concepts of revolution 4.0 and Industry 5.0 do not have much difference. It's just that the Industry 5.0 concept focuses more on human context. If the Industrial Revolution 4.0 uses AI and artificial intelligence which are the main components in making changes in the future. Meanwhile, Industry 5.0 uses modern technology but relies on humans as the main componen (Hartoyo, 2021).

Responding to the increasingly rapid industrial revolution 4.0, countries in the world are starting to take strategic steps. Japan, as one of the countries that has progressed in the field of technology, is proposing the industry 5.0 concept. The concept aims to strengthen the United Nations' sustainable development in its hope of ending poverty, protecting the planet, and ensuring prosperity for all humans (Shiroishi, Uchiyama, Suzuki, 2018). The term Industry 5.0 appeared for the first time since the declaration of Japanese prime minister Shinzo Abe on January 21 2019. This concept emerged as a review of the era of revolution 4.0 as a globalization trend that forms new innovations along with the times and also among ordinary people. The original aim of the industry 5.0 concept is to enable people to truly enjoy life and feel comfortable. This is the solution to the origin of the industrial revolution 4.0 which is feared will degrade humanity ( (Xu, X., Lu, Y., Vogel-Heuser, B., & Wang, L, 2021).

#### **3.2 Sharia Business Opportunities**

In recent years, the scope of research has expanded to include the broader implications of sharia compliance in various business sectors beyond finance. An important contribution from Hassan (2019) explores the application of Islamic principles in the marketing strategies of multinational corporations. Alternatively, in the context of a literature review, comparative analysis can take a different form, focusing on contrasting regions or sectors to gain insight into the effectiveness and acceptability of sharia principles. in various contexts (Hassan, M. K., Aliyu, S., 2019) . Things that sharia business needs to pay attention to in the Indonesian economy in Industry 5.0 include the following:

First, mastery of technology. According to economists, development technology is the most important part of the determining factors of economic development. Furthermore, Schumpeter revealed that; "Economic growth does not follow a gradual, historical and continuous process; it occurs through intermittent bursts in a dynamic world. Innovation facilitates this dynamism and discontinuous processes, leading to technological change. There are three things that must be considered in designing technological change from an Islamic perspective, namely: 1) Rasulullah SAW said, "Whoever innovates and finds something good will be rewarded and the person who takes it will benefit from it." 2) Islam calls for exploring what is in the heavens and on earth for the benefit of humans. In the Qur'an there are signs (S. Al Jaatsiyah (25): 13 "and He has subjected to you whatever is in the heavens and whatever is on earth, everything, (as a mercy) from Him.

Verily with in such a way that indeed there are signs (of Allah's power) for thinking humans." 3) Islam provides protection for every innovation intended for its kind. This is in accordance with the hadith: "Whoever is thorough and correct, he will receive two rewards, and if his ijihad is wrong, then he will receive one reward."

Second, development of sharia-based Small and Medium Enterprises. Small and Medium Enterprises in Islamic teachings pay great attention to the teachings of the interests of the weak race. In QS 59 verse 7, Allah SWT prohibits the circulation of assets (capital) only by rich people.

Based on this verse, we can learn the lesson that economic activities must involve active participation from the middle to lower class community groups, which are the majority in a country. It's not just dominated by elite groups. If we look at the reality, in general Islamic countries in the world are currently in the category of developing countries, where they have an excess quantity of labor, a lack of capital and means of exchange for foreign trade, as well as a lack of education and infrastructure for development. technology. Under these conditions, the choice to develop small and medium businesses is a very appropriate choice in order to reduce unemployment and absorb the existing workforce by opening new job opportunities.

In fact, according to Imam Hasan al-Bana, in discussions regarding economic reform in Islamic teachings, these small and medium businesses will be able to help provide productive employment opportunities for poor families, and will then minimize the existing poverty level. The development of small and medium enterprises as institutions to enable community participation must receive attention. If we look at the reality, in general Islamic countries in the world are currently in the category of developing countries, where they have an excess quantity of labor, a lack of capital and means of exchange for foreign trade, as well as a lack of education and infrastructure for development. technology. Under these conditions, the choice to develop small and medium businesses is a very appropriate choice in order to reduce unemployment and absorb the existing workforce by opening new job opportunities.

In fact, according to Imam Hasan al-Bana, in discussions regarding economic reform in Islamic teachings, these small and medium businesses will be able to help provide productive employment opportunities for poor families, and will then minimize the existing poverty level. Facts also prove that large-scale industrialization strategies have not been able to solve the problems of unemployment and poverty globally. In fact, research conducted by Michigan State University, United States, in a number of countries, confirmed that small and medium businesses have made a real, very valuable contribution in creating jobs and increasing income.

The two examples above very clearly illustrate that there is a significant role that can directly influence and at the same time change people's behavior and lifestyle, namely communication. Technology is hardware that is supported and run through applications. Both are a unit that must be mastered, but also require users to be able to present information that is easy to understand, attractive and able to influence people's behavior (Priyadi, Pratama, , 2021)

This approach involves a synthesis of findings from existing research and scientific work, highlighting the similarities and differences in the implementation and impact of Sharia compliance practices across different geographic locations or industry sectors. By juxtaposing diverse perspectives and experiences, researchers can offer a differentiated understanding of the factors influencing the adoption and adaptation of Sharia principles in different socio-economic and cultural environments.



## **5. Conclusion**

Alternatively, in the context of a literature review, comparative analysis could take a different form, focusing on contrasting regions or sectors to gain insight into the effectiveness and acceptability of sharia principles in different contexts. The legal profession is ready to advise companies on these and similar challenges. There is a greater role for legal professionals to play in responding to the concerns of business executives. The legal profession to proactively prepare companies to be better globally Legal regulatory reform efforts are needed, legally perspectives are integrated into managers' decision-making processes, international trade is appropriate to legal professionals.

One of the solutions offered as an alternative solution in industry 5.0 is the concept of sharia economics. Sharia economics as an alternative solution to overcome inflation has offered reforms to various monetary systems. The application of Sharia principles in business is not just a theoretical ideal but is a practical imperative that can be observed in various Islamic economies and increasingly, in the Western context (Kader, 2021).

The findings of this research provide an explanation of the current conditions regarding Opportunities. Sharia Business Challenges in Industry 5.0, aspects such as digital infrastructure, workforce skills, and government policies that support or hinder the development of Industry 5.0 in Indonesia. The results of this research can provide input for policy and stakeholders in understanding the contribution of sharia business in Industry 5.0 to the Indonesian economy and formulating appropriate strategies to encourage sustainable economic growth. Sharia economics in facing Indonesia's future in the era of globalization seems to need to prepare itself by paying attention to several factors, including mastery of technology; sharia-based SME development; and maintaining the superiority of sharia economics, namely the sharia economic system, and also the prohibition of usury

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