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ISLAMIC BASED ECONOMIC DEVELOPMENT AND COMMUNITY ECONOMIC EMPOWERMENT IN IRAN

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ABSTRACT

This study examines Islamic-based economic development and community economic empowerment in Iran as a country that has implemented the Islamic Republic's system of government since 1979. Through a literature study approach, this study analyzes the concept of Islamic economic development, the sharia principles applied, and its implementation in Iran's economic policy. The findings show that Iran has successfully implemented a fully sharia-based banking system, encouraged a fairer redistribution of wealth, and strengthened the economic empowerment of communities through productive financing and community-based business development. However, external challenges such as international sanctions and adjustments to the global economic system are still affecting economic growth. The innovation of digitization of Islamic finance shows Iran's efforts to modernize the Islamic economic system. In conclusion, Islamic-based economic development that integrates the principles of social justice and community empowerment can be an effective model for achieving inclusive and sustainable economic growth.

INTRODUCTION

Economic development is one of the important aspects in improving the welfare of the people of a country. Each country seeks to design an economic development strategy that is able to create sustainable growth and equitable distribution of welfare for all levels of society. In the context of countries where the majority of the population is Muslim, the concept of economic development is not only oriented towards material growth, but also pays attention to moral, ethical, and social justice values derived from Islamic teachings. From an Islamic economic perspective, economic development is not only measured by the increase in national income, but also by the extent to which it is able to create fair and sustainable welfare for the community (et al., 2025).

Islamic economics emphasizes principles such as distributive justice, balance, and the optimal use of resources for the common good. In addition, economic development in Islam is also closely related to the concept of maqashid sharia, which is an effort to maintain and improve human welfare both materially and spiritually. Therefore, Islamic-based economic development does not only focus on economic growth, but also on empowering the community to be able to improve the quality of life and economic independence.

One of the countries that is interesting to study in the context of Islamic-based economic development is Iran. Iran is a country that has officially implemented the Islamic Republic's system of government since the Iranian Revolution in 1979. The change in the government system has an influence on the country's political, social, and economic policies. In this system, various economic policies try to be aligned with Islamic values, including in resource management, wealth distribution, and efforts to improve people's welfare (Wiroguno, n.d.).

As a country with large natural resources, especially in the oil and gas sector, Iran has significant economic potential. The Iranian government also seeks to encourage economic development through various strategies, such as strengthening the industrial sector, developing international trade, and economic cooperation with various countries and regional organizations to expand markets and increase national economic growth (Wiroguno, n.d.).

On the other hand, economic development is not only determined by the government's macro policies, but also by the ability of the community to actively participate in economic activities. Therefore, community economic empowerment is one of the important factors in creating inclusive and sustainable economic development. Community empowerment programs can be carried out through the development of small and medium enterprises, community skills improvement, and support for community-based economic activities.

METHODS

This research uses a library research approach by examining various relevant literature sources, including books, scientific journals, policy documents, and official publications related to Islamic economics and Iranian economic development. The data collected are qualitative and analyzed descriptive-analytically to understand the concept, implementation, and impact of Islamic-based economic development in Iran.

The data collection technique is carried out through identification, selection, and critical review of various literature sources that discuss the Islamic banking system, Iranian economic policy, and the concept of Islamic-based community empowerment. These sources are then systematically analyzed to produce a comprehensive understanding of the Islamic economic development model applied in Iran and its challenges and achievements.

RESULT AND ANALYSIS

Based on the literature review that has been conducted, various findings were obtained regarding the implementation of Islamic-based economic development in Iran, including the application of sharia principles in the financial system, the achievement of community economic empowerment, and the challenges faced in integrating the Islamic economic system with global economic dynamics. The findings are described systematically in the following sub-discussion.

1. Implementation of Islamic Economic Products and Services

The implementation of the Islamic economy in Iran is reflected in the various financing products and Islamic banking services. Profit-sharing-based financing products are one of the main forms of implementation of the Islamic economy in Iran, where financial institutions provide financing for business activities with a profit-sharing system in accordance with agreements between capital providers and capital users. The implementation of profit-sharing-based financing in Iran involves various Islamic financial institutions that operate in accordance with the standards and regulations set by the Central Bank of Iran.

Islamic banking services in Iran are run under the 1983 Unusury Banking Law, which states that all financial institutions in Iran must operate in accordance with Islamic economic principles. The implementation of Islamic banking services in Iran is supervised and regulated by the Central Bank of Iran as a monetary authority that ensures compliance with sharia principles in every financial transaction. In addition, sharia investment products are also developing as part of efforts to strengthen the Islamic economic system, with various investment institutions managing public funds in the form of stocks, sukuk, and other sharia investment instruments.

2. Achievements of Islamic-Based Economic Development

One of Iran's major achievements is its success in implementing a fully sharia-based banking system, where the practice of interest (riba) is abolished and replaced by a profit-sharing system as well as real asset-based financing. This policy began to be widely implemented after the changes in the economic system after the Iranian Revolution, so that almost all banking activities followed Islamic economic principles. This system encourages financing of productive sectors such as industry, trade, and small businesses so as to strengthen the domestic economy and increase the country's economic independence.

The implementation of Islamic economics in Iran also encourages community empowerment through the optimization of national resources, such as the management of the energy sector, domestic industry, and the development of productive businesses of the community. Despite facing various international economic pressures, Iran has been able to maintain its economic activities by utilizing the potential of its natural and human resources. This shows that an Islamic-based economic system can be a strategy to strengthen economic resilience and increase community participation in national economic activities.

3. Challenges of Islamic Economic Implementation

Despite its various achievements, the implementation of the Islamic economy in Iran also faces several challenges. One of the biggest challenges is external economic pressures such as international sanctions, which have an impact on exchange rate stability, inflation, and the country's economic growth. The sanctions affect Iran's international trade, investment, and access to the global financial system, slowing down the development of the national economy.

Another challenge is the adjustment of the Islamic economic system with the global economic system which is still dominated by the conventional interest-based system. This requires innovation in the development of Islamic financial instruments to remain competitive and able to integrate with the global market. In addition, the government also needs to maintain economic stability, such as controlling inflation and improving the efficiency of the Islamic banking system in order to provide real benefits for people's welfare.

4. Innovation and Digitalization of Islamic Finance

The innovation and digitalization of Islamic finance in Iran is growing in line with the government's efforts to strengthen a more modern and efficient Islamic economic system. One of the important innovations is the development of a digital banking and fintech system supported by government policies and national financial institutions. The Central Bank of Iran encourages cooperation with financial technology companies to create smarter banking services, such as e-banking, electronic payments, and technology-based financial systems. This innovation aims to improve the efficiency of financial services, expand public access to banking services, and increase transparency in the country's financial system.

Iran is also developing a national digital payment system that allows financial transactions to be carried out quickly and widely. One example is the electronic payment network managed by Shaparak that regulates card transactions, EDC (point of sale) machines, and online payments in various sectors of the economy. The system processes tens of billions of transactions every year, strengthening Iran's digital payments ecosystem and making it easier for people to make transactions without using cash.

Another innovation is the development of a national digital currency known as the Crypto Rial. This digital currency was launched by Iran's central bank as part of the transformation of the payment system towards a digital economy. The Rial crypto is designed to replace cash with a digital form that can be stored on mobile devices and used in a variety of domestic transactions. This initiative not only improves the security and efficiency of transactions, but also helps the government strengthen the national financial system as well as expand financial inclusion for the public.

5. Impact on the Iranian Economy

The application of Islamic economic principles in Iran such as the prohibition of usury, the profit-sharing system, and the emphasis on justice and equity (through zakat, waqf, and inclusive sharia financing) have encouraged the creation of a more equitable redistribution of wealth and strengthened social solidarity in society. This has the potential to improve people's welfare more evenly because economic resources are not only concentrated in the capitalist class but can also be accessed by small and medium-sized enterprises through non-burdensome sharia-based financing. The principles of maqashid sharia, which emphasize the welfare of the wider community, also help reduce inequality and minimize harmful economic practices (such as usury and speculation) thereby supporting social stability and strengthening the economic foundations of the people.

The Islamic-based economic culture encourages investment through mechanisms that are more oriented towards the real and productive sectors (through mudharabah contracts, mushararakah, and sukuk issuance). This has a crucial impact in the form of increasing the participation of the private sector and MSMEs in economic activities, developing the halal industry, and increasing employment in the productive sector. Thus, this system can strengthen economic resilience to crises because its economic base does not solely depend on the extractive sector or speculative activities. Although external challenges such as international sanctions and inflation still affect Iran's economic stability, Islamic economic principles still place community empowerment and social welfare as part of the country's economic development goals.

CONCLUSION

The development of an Islamic-based economy in Iran emphasizes the principles of sharia that underlie all economic activities, from the banking sector to the production and distribution of goods and services. This development model does not only focus on economic growth alone, but also on the equitable distribution of community welfare through local economic empowerment. Productive financing programs, support for entrepreneurs, and the development of domestic industries are the main pillars in encouraging economic independence and reducing social inequality.

The economic empowerment of communities in Iran is reflected through the involvement of financial institutions and governments in providing access to capital, training, and facilities for micro, small, and medium enterprises. The crucial impact of this approach is the creation of more sustainable economic stability, the increase of the productive capacity of the community, and the strengthening of the role of the local economy in national development. Thus, Islamic-based economic development that integrates the principles of social justice and community empowerment can be an effective model for achieving inclusive and sustainable economic growth.

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