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POLITICAL ECONOMY OF THE EMERGENCE OF ISLAMIC FINANCE: A GROUNDED THEORY APPROACH TO NEGOTIATING THE INSTITUTIONALISATION OF ISLAMIC FINANCE IN INDONESIA

Banjaran Surya Indrastomo

A Doctoral Thesis Submitted in Fulfilment of the Requirements for the Award of the Degree of Doctor of Philosophy at Durham University

Durham Centre for Islamic Economics and Finance
Durham University Business School
Durham University

December 2018

ABSTRACT

Political Economy of the Emergence of Islamic Finance: A Grounded Theory Approach to Negotiating the Institutionalisation of Islamic Finance in Indonesia

by

Banjaran Surya Indrastomo

Albeit of its recognised presence and admired development, the understanding on the nature and process leading to the emergence of Islamic banking and finance received limited interest. In the absence of such in-depth understanding, over-generalisation pattern in essentialising the presence of Islamic finance is often recorded. This situation reduced the initial value substantiation, disengaging the discussion from the earlier emergence of Islamic economics. Such view can potentially misread and dislocate the phenomena of Islamic finance from its original nature. This arising problem has greater adverse impact on the phenomenon of Islamic finance emergence, which portrayed a narrative of struggle in articulating value disposition of Islam in financial sphere, such as Indonesia, to accentuate its novel base. Misinterpretation of the nature of emergence of Indonesian Islamic finance, which reflect a bottom-up process of Islamic banking and financial industrial formation, causes ignorance to the authentic base of this initiative, resulting in mistreatment that not only hinder development but also rise existential question. This study, thus, aims to examine the nature and process leading to the emergence of Indonesian Islamic finance institutionalisation with the objective of providing a critical and theoretical approach to its novel essentialisation. In so doing, narrative and understanding of elites of Islamic economic activism is extracted through interview process to identify values-norms substantiation and its point of references, and to make sense of Islamic finance institutional emergence through the occurring negotiation and events of change. The information is assessed and analysed in grounded manner following social constructivist grounded theory analytical strategy of developing theory and methodological approach of emergence phenomenon.

In responding to the challenge of locating and comprehending Islamic finance in its pre-supposed nature, this research embarks into a journey of searching for particular view in assessing the phenomenon within its true and natural setting. For this, the lens of 'emergence' is employed as a philosophical and theoretical position in deconstructing the form and the process of Islamic finance's institutional emergence through the Islamic economics movement. In particular, it follows an emergence in the evolutionary context that emphasises novelty and irreducibility in the form of emergence. Being a theoretically discursive study, it attempts to reinstate the connection between Islamic finance institutional emergence and earlier Islamic economic emergence, informing that Islamic finance is a socially constructed product of negotiation through the articulation of the values-norms accentuation of Islamic economics theory and movement. This position is versatile in locating its original epitome and point of departure without disregarding that any realised formed in social reality realm is a contested one.

Drawing on Indonesian Islamic economics experience with Islamic finance institutional emergence that pose an element of civility, activism, and heterogeneity in its articulative attempt, emergence reflection on the institutionalisation process of cultural element of Islamic economics suggest that it only fulfils an element of novelty in a reducible manner resulting into a distorted novelty. A close theoretical reading accounts such a situation to variables related to roles transformation and disappearance that trigger value displacement at the course of increasing interaction between cultural bearer of Islamic economic epitomes with elites of financial structure as well as due to the presence of dominant neoclassical logic and imposed effect of the capitalist structure toward othering finance. Over the course of its emergence, the trajectory of realisation aiming towards an authentic Islamic finance institution from its hybrid orientation has gradually shifted toward structurally fitted realisation of Islamic finance institutionalisation.

This research, therefore, argues that emergence within the institutionalisation of finance is bounded by its existential condition set by the dominant logic of finance. In addition, imposed effect of the existing capitalist structure is increasingly relevant within the presence and expanding arena of financial structure, limiting the independency for any cause of othering 'alternative' financing structures and forms, such as Islamic finance. These two represent cultural hegemony of conventional financial structure towards a case of emergence in finance, which also distorts the original trajectory of Islamic economic activism in deriving value-based Islamic financial institutional setting and form. Unless continuous experimentation outside the existing conventional financial structure is reserved as its strategic action, Islamic economic activism pursuance for substance-oriented institution of Islamic finance, left along its authentic form, is deemed to pass pre-condition and structural filtering mechanism in order for its normative essentialisation to be considered for expanding the institution from within the substantivist Islamic economics theoretical and policy framework. The theoretical explorations in this study suggests that the emerging political economy in Indonesia favouring Islamic financial development may not contribute to the expected novelty as enunciated by Islamic economics movement in its essential aspiration.

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LIST OF ABBREVIATIONS

BI	Bank Indonesia (Indonesian Central Bank)
BMT	*Baitul Maal wa Tamwil* (Islamic Cooperative-Acting-Microfinance Institution)
BPRS	*Bank Pembiayaan Rakyat Syariah* (Islamic Rural Bank)
BU	Budi Utomo
CSR	Corporate Social Responsibility
CU	Credit Union
DU	Dompet Dhuafa (Islamic Philantrophy Organisation)
ICMI	Ikatan Cendekiawan Muslim Indonesia (Indonesian Association of Muslim Intellectuals)
IPB	*Institut Pertanian Bogor* (Bogor Agricultural Institute)
IsDB	Islamic Development Bank
IRTI-IDB	Islamic Research Training Institute - Islamic Development Bank
BAZNAS	*Badan Amil Zakat Nasional* (National Zakat Board)
BWI	*Badan Waqf Indonesia* (Indonesian *Waqf* Board)
DSN	*Dewan Syari'ah Nasional* (National *Shari'ah* Board)
KSP	*Koperasi Simpan Pinjam* (Saving and Credit Cooperative).
MES	*Masyarakat Ekonomi Syari'ah* (Shari'ah Economic Community)
MFIs	Microfinance Institutions
MSMEs	Micro, Small and Medium-sized Enterprises
MUI	*Majelis Ulama Indonesia* (Indonesian Ulama Council)
NU	*Nahdatul Ulama*
OIC	The Organisation of Islamic Cooperation
OJK	*Otoritas Jasa Keuangan* (Financial Service Authority)
PBMT	Perhimpunan BMT Indonesia (Indonesian Association of BMT)
pbuh	peace be upon Him
PIN-BUK	*Pusat Inkubasi Bisnis dan Usaha Kecil* (Centre for Business and Small Enterprises Incubation)
PNI	*Partai Nasional Indonesia* (Indonesian National Party)
SDI	*Sarekat Dagang Islam* (Islamic Trading Union)
SI	*Sarekat Islam* (Islamic Union)
SMEs	Small Medium Enterprises
SRI	Socially Responsible Investment

LIST OF SPECIFIC TERMS

The following has been adapted from Oxford Dictionary of Islam, Muhammad Ayub, Sr, J.D. book of 'Islamic Banking and Finance: Theory and Practices, Asutay Working Paper in 2018 and Bedau and Humphreys book on "Emergence: Contemporary Reading in Philosophy and Science."

Akhirah	The Hereafter
Al-'Adl	Justice (Literal Meaning)
Al-kharaj	Tax Collection institution in mideval Islamic world
Allah	The God
al-maslahat al-'ammah	General Welfare or Interest
Al-Qur'an	That sacred (holy) book of Islam. Muslims believe the Qur'an is God's Final Message to All of Mankind
Al-Wujud	Being *(literal Meaning*)
Amanah	Trust (*Literal Meaning)*
Aqidah	Islamic creed or articles of faith
At-Tajdid	Renewal Orientation within the context of modern Islamic Movement
At-Tamkin	Empowerment Orientation
At-Tenmih	Developmental Purpose
Daruriyah	State of Emergency, especially in seeking Public Interest
Dzalim	Act of injustice
Falah	A condition suggesting a success in this wolrd and hereafter
Fard	Mandatory responsibility defining one obligation
Fiqh	Methodological attempt or jurisprudence to divine law of Islam (*Shari'ah*)
Fiqhi	a *Fiqh* orientation
Gharar	Condition arouse as one enter into a contract in absolute risk or uncertainty about the ultimate result of the contract and th nature and/or quality and specifications of the subject matter or the rights and obligations of the other parties
Hakiki	Substantially True
Heteropathic	Variation in operation and effect
Hijab	Veil complying with Islamic tradition covering Muslim women's hair and other part of head and body
Hijrah	Migration that refer to and aspired by Propher Muhammad and his companion's travel from Mecca to Medina
Hisbah	Institution that safeguard community moral by preserving law, order, and market dealings
Homoeconomicus	Economic Man
HomoIslamicus	Islamic-oriented Individual
Homosocialus	Socially-oriented individual
Ibadah	Ritual of worshipping the God
Ihsan	An in-depth internalisation and awareness of worshiping God as if God sees him, suggesting a promotion of Beneficience and equilibrium
Ihsanul Muslimin	Excellent Muslim
Ijtihad	Independent reasoning that often go against limitation
Ikhtiyar	Independency as determined by free choice

Ikhwan	An embodiment of another Muslim person as brother
Infaq	Structured giving that essentialise individuals belonging to the community
Islah	A Triumph of reformation
Istishab	A term describing a presupposition of continuity or going concern until otherwise voided due to opposing condition and rule
Jamaah	Muslim grouping as an essential element of Muslim society
Kaffah	refers to the totality in subscribing to Islam
Khilafah	Vicegerency or stewardship of of human
Manfaah	Benefit
Maqasid Al-Shari'ah	Objective of *Shari'ah*
Maslaha	Essential public interest determined by its necessity
Mudharat	Entitling the quality that can harm phsycal and mental surrounding
Mudarabah	Form of partnership where one party provides the funds while the other provide expertise and management. Any profits accrued are shared between the two parties on a preagreed basis, while loss is borne by the provider(s) of the capital.
Musharakah	Form of partnership conducted with join capital of the partners over which profit and loss shared in accordance to agreed proportion
Pesantren	Traditional Islamic Boarding School
Rahmatan Lil Alamin	Blessing for the Universe
Riba	An Increase aroused over the principle of loan as a result of credit transaction, especially without any underlying transfer or involvement of goods or assets
Rububiyah	Divine arrangement suggesting developmental Path for Perfection
Sahaba	Prophet's Companion
Shahih	Authentic, hence, leading to an authoritative claim
Santri	Pupil of traditional Islamic boarding school
Shari'ah	Divine Law of Islam as determined by the will of God
Sukuk	Notes that represent financial obligation instigating by trade and other commercially related activities, hence, a claim of return or benefit due to claim of ownership on asset utilised in investment activity or project
Sunnah	Tradition of the Prophet
Surau	Prayer Room within *Melayu* tradition
Supervenience	Pressumption that suggest a presence of connection between mental and physical properties, eveh without the recognition of its properties
Tab'ay	A reflection of obedient individual
Tawhid	Oneness of God, leading to complementarity
Tazkiyah	Growth in Harmony essentialising the concept of development
Ukhuwwah	Brotherhood
Waqf	Islamic Endowment Fund
Zakat	Obligatory Almsgiving in Islam

DECLARATION

I hereby declare that no portion of the work that appears in this study has been used in support of an application of another degree in qualification to this or any other university or institutions of learning

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ACKNOWLEDGEMENTS

In the Name of Allah, The Most Beneficent, The Most Merciful l

Praise to Allah for enlightening the entire Ph.D. journey of His servant into guided path, which is indeed the most mind and soul transforming experience. Acknowledgment should be directed to the sponsor of this Ph.D. research, namely Indonesia Endowment Fund for Education (*LPDP*) through their generous scholarship that this Ph.D. journey has become possible.

This thesis is a product of contemplation, which is drawn by contributions of various accounts mentioning of whose names would fill several pages. Regardless of this limitation, the completion of this work is indebted by their inspiration, aspiration, and kind words.

The most gratitude is directed to my supervisor, Professor Mehmet Asutay, who has gone beyond the defined supervisory task and ushered his disciple to the sphere beyond orthodoxy of popular culture in academia, exploring an area of subsistence. This thesis, hence, professes on its own on the presence of Guru behind the author.

An appreciation to the support of Dr. Tahani Coolen-Maturi as a second supervisor in comforting and encouraging student to persevere is undeniably impactful in ensuring the completion of this work. At the same time, I am also deeply thankful to Professor Habib Ahmed in facilitating constructive comment and conducive environment for high-level research through his role as a reviewer of my Ph.D. progress. Dr Riham Rizk's comments in the initial review is also appreciated.

This thesis has evolved through academic scrutinisation in various workshops and conferences, including Durham-Kyoto International Workshop in Islamic Economics at Kyoto University in 2015, in 2016 at Durham University and in 2017 at Kyoto University again; SASE (Society for the Advancement in Social Economy) Conferences in 2016 at University of Berkeley in California and in 2017 at Universite Claude Bernard, Lyon 1, France; as well as Aberdeen Political Economy Group Conference in October 2017. Through all these conferences and workshops, comments and recommendations have been drawn from the participants in developing the research presented in this thesis. Through such contributions, this thesis has made progress and was refined by taking into consideration the feedback received.

The entire Ph.D. journey at the Durham Centre for Islamic Economics and Finance at the Durham University Business School was a memorable one thanks to the friendship and kindness of those that can be considered as an extended Durham family. In particular, the entire Durham Islamic Ph.D. students, among others, including Hajar, Hakim, Isa, Harun, Erhan, and Turgay, and the Durham Indonesian community, including Ikram, Yodi, Sherly, Nur Dhani, Ebi, Hassan, Tevy, Amar, Gumi and Ijul, who have been important part of the Ph.D. journey. A special mention to my best friend, Aizudin Daut and Amirul Hakim, whose friendship is more like a brotherhood from which I have learnt about the meaning of life.

At last, the most profound gratitude and appreciation is directed to my family for the love and prayer showering me, especially in the time of difficulty. For my parents, Agus Fuad and Dwi Asih Surjandari, I dedicate this work as a testament of their compassion in nurturing me. For my brother, Adrian Surya Muhammad Hatta, whose attention is not drawn through words, and my sister in law, whose kind words have always been calming, i am blessed for having role model. For Mayniar Ayu Rahmadianti, who has become best friend for the last ten year and many years to come, this work is also dedicated to you.

Banjaran S. Indrastromo
Durham
December 2018.

Chapter 1

INTRODUCTION

1.1 INTRODUCTION

Islamic finance became a global phenomenon within five decades of the founding of Mit Ghamr, the first Islamic rural bank established in Egypt during 1963. By 2017, the industry had accumulated $2.43 trillion in global assets while continuing to grow at a promising rate (GIFR, 2018). In most Muslim countries, as well as, many non-Muslim states, Islamic banks, both commercial and rural, have played significant roles in the financial system and contributed to the development of the economy through financing activities.

Globally, Islamic finance as an industry expanded further with the emergence of takaful, Islamic mutual funds, Islamic capital markets, Islamic microfinances and others Islamic instruments and institutions, strengthening the presence of the industry in the 21st century as growth and development projects. As global financial turmoil erupted during 2008, Islamic finance demonstrated strong resistance to financial meltdown maintaining a solid performance with considerably low rates of failure (Ahmed *et al*., 2014). All these developments result from a firm commitment to negotiation processes between various stakeholders allowing the entrenchment of Islamic finance in global and local forums.

Indonesia is no exception to global Islamic finance development. As the largest Muslim economy in the world and containing the largest Muslim population on the planet, with 88% of its population adhering to Islam, Indonesia provides a favourable environment for Islamic finance to progress. Indonesia has an established presence of Islamic finance housing 13 fully-fledged Islamic commercial banks, 21 Islamic windows, 167 Islamic rural banks, around 3,500 Islamic financing houses or BMTs, alongside takaful and other forms of Islamic financial intermediaries (Otoritas Jasa Keuangan, 2017).

Uniquely, the solid presence of Islamic finance in modern Indonesia was not a product of a political regime desiring to create and promote Islamic financial institutions and an Islamic economic system. Instead, the development of Islamic economic project is attributed to bottom-up initiatives propelled by Muslim activism, securing demand and supply for the advancement of the sector as a search for Islamic identity (*see* among others: Tripp, 2006: Utvik, 2006: Atzori, 2013). In particular, such activism is ominously identified after the demise of Suharto's thirty-two-year rule in 1998 and Indonesia's subsequent transition towards democracy leading to an outstanding expansion of financial institutions, from one Islamic commercial bank, 70 Islamic rural banks, and around 3,000 BMTs to the levels highlighted earlier. With recent increases in democratisation and participatory democracy, the state has become a major stakeholder in the development of the Islamic finance industry.

The initial peripheral nature of the emergence of Islamic finance in Indonesia highlights the constructive evolvement process of Islamic finance in Indonesia. The establishment of *Baitul Tamwil* in 1983 as the first experiment with Islamic finance in Indonesia might lead institutional economics to indicate the inexistence of regulatory frameworks underpinning the development of Islamic financial institutions. Nevertheless, beyond such policies responding to the emergence of Islamic finance, there is an internalised construction process convincing and shifting attitudes within the socio-politico and socio-economic environment culminating in the establishment of the first Indonesian Islamic bank nine years after the first experiment. The Indonesian experience of Islamic finance departing from an emerging peripheral construct, earned approval from the regime in the later development, and enjoyed conducive autonomy in civil society, demonstrating a case in which Islamic finance managed to blossom out of different environmental structures. In particular, the bottom-up and peripheral process of the insurrection of Islamic finance advises a narrative of multiple modernity within which modernism blends Islamic aspirations with a market economy, attaching a specific habitus of Indonesian society.

This study, therefore, attempts to deconstruct the process of emergence of Islamic economic and finance in the case of Indonesia with the objective of rendering a theoretical framework to understand its emergence process. In so doing, this chapter commences with an exploration of literature relevant to the context of Muslim activism. This includes the processes related to the production of meaning and structure along with Islamic economic and finance projects, as social construction processes of mobilisation frameworks, through both formal and informal

structures. It therefore argues that Islamic economics and finance movement relates to the internal dynamics of civil society and its tacit negotiations with the political centre. Therefore, it is argued that until recent times, the emergence is marked with a bottom up process in the sense of periphery defining the economic and financial realm in the periphery. The aims and objectives of the research are subsequently identified, which are then used to tailor research questions.

1.2 BACKGROUND

As modernisation advanced, the world witnessed the emergence of capitalism as a new trend of globalisation set around the preservation of property rights and individual freedom, which places forward capital accumulation as the end of a development agenda (Fukayama, 1992; Wood, 1995: 29). Consequently, 'other means of doing things' in terms of modes of production, knowledge development and attributed meaning are secondary to material-oriented paradigms of capitalism and attendant theoretical foundations of neo-classical economics, including religion. By contrast, Islamic holistic views entail Muslim communities to account for religious wisdom and consideration in all spheres of life (Siddiqi, 1981), resulting in the denunciation of capitalism in its original form in the sense of an 'un-regulated market economy' (Polanyi, 1957). This aspires the emergence of an Islamic system of economy with its own modes of production and organisation of resources and opportunities, while as a realist school became dominant in the Islamic sphere, efforts have resulted in the emergence of an Islamic version of capitalism, by which resource accumulation is altered to Islamic values and norms. Islamic finance, as it is mostly known, set objectives and operational principles in accordance to canonical texts of Islam (Warde, 2010: 5) without questioning the existing modes of production and conducting the movement of capital and capital accumulation with Islamic metaphors (Asutay, 2018). As the main objection of Islam to conventional finance rests on the practice of interest, Islamic finance proposals to replace interest bearing practices with financial arrangements of Islamic-based contracts reflects particularity in approach (El-Gamal, 2006).

Islamic finance as a project is undeniably a modernist product. From the selection criteria to the point of references for framework and practices, modernist views on the interpretation of Islamic law have been predominantly used in constructing the model of Islamic finance in line with the market economy (Elshurafa, 2012). This view expands scriptural interpretation of *Shari'ah* law in the contemporary era and offers other means of legitimacy for Islamic finance

to grow. Furthermore, Islamic finance's adoption of western finance institutional and regulatory arrangements substantiates further the modernist track in the creation of Islamic finance (Warde, 2010: 37: Atzori, 2012: 7) leading to multiple modernities of Islam and modernity together constructing Islamic finance (Asutay, 2009).

Albeit a modernist trajectory of Islamic finance, the emergence of Islamic finance is attributed to a process of collective action by the middle classes, which utilised their increasing economic power to constitute demand for Islamic financial products (Nasr, 2009; 2010a; 2010b; Malley, 2004), as Islamic finance mainly remained as a financing proposition for high-net-worth individuals. Therefore, Islamic finance as part of an Islamic capitalism project constitutes modernist Muslims' contributions toward resolving contemporary capitalist problems and encompasses middle-class modern identity expressions in its development. Taking this into account, the emergence of Islamic finance illustrates Muslim activism, both on the supply side and via demand for the Islamisation of finance that aims to establish a current Muslim identity in a fast-changing world (Atzori, 2012: 54).

Evidence from the rise of Islamic finance across the Muslim world also adds to the narrative of modernist Muslim activism leading to Islamic capitalism within different contexts. In regime-dominated settings, the role of Muslim activism in the development of Islamic finance portrays two contrasting pictures: in regime-repressive settings, Muslim activism in Islamic finance development was contained by limited opportunities provided by the regime as a result of regime oppressive approaches toward Islam-attached activities, and, as such, the growth of Islamic finance was rather limited (Parks, 2004; Soliman, 2004). Tunisia, Turkey and Egypt are among countries where Muslim activism was partial in Islamic economic and financial projects. In a contrasting situation, Muslim activism in the development of Islamic finance under a regime-supportive setting has positively contributed to further entrenchment of Islamic economic and financial agendas through the establishment of a new power coalition comprising regime, ulama, and Muslim individual and institutional businesses (Kahf, 2004: 22; Stiansen, 2004; Smith, 2004). This has been the case in countries like Bahrain, Kuwait, Malaysia and Sudan.

While the outcomes have been varied in regime-dominated settings, Islamic finance also arose via an environment where the structure of space distribution reflects a freely contested market (Baskan, 2004; Malley, 2004). Muslim activism within Islamic finance in Jordan experienced a situation where such initiatives established new coalitions and coalitional power in securing

the interests of an Islamic economics' movement and accommodated the expansion of Islamic finance (Atzori, 2012).

Such three different narratives on the emergence of Islamic finance across the Muslim world suggest that the development of this altered capitalist framework and culture are inseparable from the political economy of the environmental setting where it emerges and, at the same time, entails a unique characteristic of an emergence that is specific to the polity, sources and process of internalisation of Islamic values and norms into economic and financial practices.

As for Indonesia, the early emergence of Islamic finance in Indonesia undeniably benefited by the rise of middle-class modernist Muslim activism which had taken place since the early 1980s. Even though the crossing line of the discourse can be traced back as early as 1927 when a traditional Muslim organisation, namely, *Nahdatul Ulama* or NU, raised the issue of *riba* practices (Hefner, 1996; Choiruzzad and Nugroho, 2013), the emergence of the movement in an institutional and structural sense could only be seriously considered following the First National Conference of Islamic Economy in Bandung in 1983, organised by Muslim intellectuals that later led to the establishment of the first Islamic financial institution in Indonesia, Baitul Tamwil Teknosa, in 1984, which is a civil society-based initiative centred on the provision of informal financing for sub-prime members of society.

The reception of neo-interpretations of *Shari'ah* and the formation of a Muslim middle-class have successfully extended the aspirations of an Islamic economic movement, leading to the establishment of Bank Muamalat as the first Islamic bank in Indonesia in 1992, through *Ikatan Cendekiawan Muslim Indonesia* (Indonesian Association of Muslim Intellectuals)/ICMI and *Majelis Ulama Indonesia* (Indonesian Ulama Council)/MUI (Choiruzzad, 2013; Choiruzzad and Nugroho, 2013). This later development highlights another driver of the rise of Islamic finance in Indonesia, which is the change of environmental setting, resulting from the shifting attitude of the regime toward Islamic financial system.

This development enabled Islamic finance to expand further, allowing the establishment of the first Islamic Insurance and Islamic Mutual Fund in 1994 and 1997, respectively. Another round of development in the environmental setting took place in the light of the democratisation of Indonesia in 1998. Since then, the institutional emergence of Islamic finance has taken place rapidly within various forms of institutions, from Islamic banks to Islamic rural banks, Islamic windows, to thousands of BMTs, demonstrating a vitality and heterogeneity to Indonesian

Islamic financial institutional emergence. This would suggest that the shift of environmental setting in Indonesia toward a more-open society has positively contributed to the development of Islamic financial practices and industry in Indonesia.

The influence of middle-class Muslims and changes within the environmental setting in the social construction process of Islamic finance in Indonesia highlights another story of distribution of spaces and opportunity. The transformation of the civil society as a result of modernisation and industrialisation has contributed to the shifting attitude of the superstructure in the distribution of spaces and opportunities in a socio-economic development agenda (*see* among others: Aspinal, 2005; Azra, 2006). While the interest-based practices and speculative conduct of conventional finances have been the sources of objection within society towards conventional finance, the emergence of Islamic finance is inseparable from wider social phenomena of society rejecting the secularisation of economic life (Haniffa, 2010). The birth of a market society as a result of modernisation and industrialisation has forced the traditional institutions and constructs to change, resulting in the imposition of market institutions and constructs unsuited to the society's natural order (Tekdemir, 2013). As a consequence, the long-standing rule of 'kinship' in the economy that circles around reciprocity and redistribution diminished and replaced by a sole market mechanism, which is considered by Polanyi (1957: 33) as a process of social mutation, where, in the end, liberalism imposes its worldview onto the society.

A Polanyian (1957) concept of 'embeddedness-disembeddedness' helps to the understand this phenomenon through the lens of society-market relations, whereby liberalisation and industrialisation dismantle the market from society, leaving the insubordination of markets from politics, religion, and social relations. This change pushes the base structure to reorganise their point of references, exchange mechanism, and working order in regard to economic matter. The rise of haute finance is a clear case of the trend of disembeddedness of the market from the real economic transaction (Polanyi, 1957: 15). While haute finance began financialisation of everyday financing, Islamic finance, in contrast, arises from the spirit of 'definancialising' the everyday economic and financial practices. In other words, Islamic finance being an embedded financial construct requires an involvement and a transfer of assets in its transaction, converging real and financial sectors (Asutay, 2013, 2018). Indeed, there is a construction process taking place when Islamic finance is considered as a modern social construct. As Islamic finance emerges through the shadow of modern conventional finance,

Islamic finance can be regarded as what Polanyi suggests as a 'counter-movement' (Polanyi, 1957), in an attempt to re-embed values, norms, and traditions of religion to financial and economic practices. Thus, Islamic finance attempts to reinstate principles and injunctions of the society into the market by connecting real and financial sectors.

As a counter hegemonic response, hence, the peripheral nature of the emergence of Islamic finance in Indonesia that can be dated back as early as 1983, suggests that Islamic finance in Indonesia developed out of the consent to the centre and followed a reverse engineering structuralising the society in an accommodative position towards an interest system and its unsuited framework of economic and financing practices. This particular characteristic of the development of Islamic finance is important as it portrays the negotiation process of the making of Islamic finance that has taken place in civil society rather than in the political structure of relationships. As such, the Indonesian narrative fits into the Gramscian (1971) understanding of a superstructure-based structural relationship.

In Gramcian terms, society is divided into two, political society and civil society. The two societies constitute the determinant ideology, characteristic, and operational procedure of the society built around a dominant framework of ideas and mechanisms receiving societal consent, or what Gramsci termed, hegemony. Levy and Egan (2003: 803) argue that civil society is an open contested space where the hegemonic structure is maintained, as well as, contested. In an environment where civil society gains and exercises autonomy, civil society becomes an influential sphere for a battle for spaces between systems of knowledge and practices. In this regard, Islamic finance in Indonesia grew out societal consent, working as a contesting structure of the hegemonic power of conventional finance. This entails Islamic finance in Indonesia with a unique and alternative view of structuring and conducting economic and financial practices, which represents an Indonesian bottom-up story of earning and exercising legitimising spheres.

Wiktorowitz (2001) suggests that social movement of Muslim activism can take place when notion or value triggers collective action to follow. Following active involvement of Muslims peripheral in the development of Islamic finance, the interest-free financing concept of Islamic finance triggered Muslim activism, which came from a middle-class background and aspired by a holistic view of an Islamic way of life, to embark on the Islamisation of the economy and the market project.

This research, hence, aims to explore, examine and deconstruct the Islamic economic and finance movement in Indonesia with the objective of identifying its constituents and actors with a goal of rendering a theoretical understanding, as expressed through social constructivism, Polanyian and Gramscian world views.

1.3. AIMS AND OBJECTIVES

Islamic finance initiatives in Indonesia is characterised by its civil association, where Muslim activism in the periphery led the initiative in mounting the presence of Islamic expression and articulation in the market (Indrastomo, 2016). This is achieved under the government's passive engagement in the Islamisation of the economy project, whose direct contribution through the enactment of a regulatory act can only be located in 2008, after 16 years of the establishment of the first Islamic bank in Indonesia, when the first act facilitating Islamic banking and *sukuk* is enacted (Ismal, 2011). Thus, it can be argued that the rise of Islamisation of economic and financial realms within Indonesia is accelerated by a systemic peripheral push in the absence of government take-up in the emergence process.

This study, thus, aims to explore and examine the behavioural norms essentialised and practiced in the everyday life of Muslim agents, in their collective social action to propose new paradigms of norms, values, and set of practices in the economy, and to legitimise the adoption of Islamic values and norms into the market, symbolically, through Islamic finance as part of an identity search. In doing so, this study observes principles, views, vision, and articulation of those values offered and recognised by agents, in the form of an Islamic social movement in the economic and financial world, in terms of their attempt to institutionalise Islamic economics and finance in the country by deconstructing the constructs, actors and discourses of the stakeholders in the negotiation process leading to the emergence and substantiation of an Islamic finance movement.

In addition, the study also aims to explore opportunity spaces facilitated by the existing (Islamic) civil society-political relationship. The success of Muslim activism in facilitating the penetration of Islamic finance in Indonesia is attributed to the relaxing environment of Indonesian socio-politico spheres after the democratisation process, creating what Azra (2006) called as 'accommodative and aspirational' environment. Nevertheless, this does not imply that this movement is immune to other forces within society.

Beside the contribution of Muslim activism, government pro-industrial policies, law, and regulation and coalitional power can improve a level playing field for Islamic finance in Indonesia. Hence, the investigation of various agents' interests in the superstructure of relationships and network polity in shaping the expansion of the Islamisation of economy and markets, through Islamic finance.

This study argues that the emergence of an Islamic economic and finance movement is a product of social constructivism among the civil society leading to the institutionalisation of Islamic finance through negotiation between various agents and stakeholders. In addition, in response to such movements, the role of hegemony between state and civil society is also explored as the second layer of a negotiation process in the making of Islamic finance.

The following objectives are identified in relation to the defined aims:

(i) to develop a critical understanding of the political economy of Islamic financial development and an Islamic economic movement in Indonesia, by locating it within the relevant theoretical frames;

(ii) to map and locate the nature, the actors, and the settings that inspired particular social movements to institutionalise Islamic economics and finance in the country;

(iii) to identify the role of institutions, such as Islamic financial and social institutions, in generating and facilitating the production of meaning in the realm of Islamic finance;

(iv) to identify the engagement of civil society with the hegemonic power of the state in making Islamic finance possible in Indonesia;

(v) to identify the particularities of the implicit negotiations have taken place between various stake holders in various periods of Islamic financing institutionalisation in Indonesia.

1.4. RESEARCH QUESTIONS

As identified by the aims and objectives developed, this study analyses the role of Muslim activism within a state-civil society framework in the construction of an Islamic economic and financial system, through which Muslim activism is considered as a modern socio-politico and

socio-economic conquest to re-instate Islamic norms, values and principles to drive an embedded social formation. Thus, this study argues that the emergence of Islamic economics and finance is a function of a set of historical factors, a social, political, cultural and economic environment and on-going social transformational process in the society.

Recognising the aims and objectives of the study, it seeks to address the following research questions:

(i) What are the behavioural norms and local practices essentialised by activists of Islamic economics that shape and constitute Islamic economics' articulation and the emergence of Islamic finance?

(ii) What are the dynamics of environmental settings that shape and streamline the concept and the form of Islamic economic articulation within institution of Islamic finance?

(iii) What is the nature of political and social relationships between members of socio-politico and socio-economic communities, and whether such a nature aids or impedes the articulation of Islamic economic norms and practices through Islamic finance?

(iv) What is the nature of the negotiation and hegemonic interaction between state and civil society in paving the way for the emergence and later development of Islamic finance institutionalisation?

(v) To what extent can emergence, social movement and social constructivism theoretical frames explain the emergence of Islamic economic and finance movement in Indonesia?

In responding to research question (i), Chapter 6 investigates the novelty of an Indonesian Islamic economic movement leading to Islamic finance institution emergence, while Chapter 7 is structured to address research questions (ii) and (iii). Chapter 8, on the other hand, presents the findings in relation to research question (iv). The outcome of the entire investigation in Chapter 8 assists in offering perspectives to answer enquiries raised in research question (v).

1.5. THEORETICAL DEPARTURE

This research embraces a political economy approach and social constructivism frames in deconstructing and contextualising the emergence of a bottom-up development process of Islamic financial institutions and Islamic economic and financial practices in Indonesia.

Political economy is adopted as the main theme of the study as it helps to locate Islamic economics and finance in Indonesia within a constellation of opportunity and interest in the post-democratisation of Indonesia in the interaction of individual-state-and-society relationships. Democracy has opened an opportunity space for a greater civil involvement when involving, shaping and forming norms, customs, and practices of institutions of the market (Aswicahyono *et al*., 2008; Sato, 2005; Basri, 2013). The increasing role of civil society in a post-democratisation of socio-politico life has shifted political economy of opportunity and interests, allowing Islamic economics and finance to expand through the Islamisation of norms and institutions of the market and to acquire legitimacy and bargaining positions in relation to the power of the centre, which fills the dominant conventional economic and financial practices. Thus, a political economy approach toward the emergence and the development of Islamic economy and finance offers insight into the negotiation process of the positional power and praxis of Islamic economics and finance, within a broader public space.

In complementing the political economy of the emergence of Islamic financial institutions and economic practices, a social constructivism framework is used to essentialise the bottom-up process of emergence and the development of this system of structure and norms in Indonesia. Social constructivism considers social reality as a product of interplay between culture and social reality, which comprises a set of various modes of sources, and contexts, which locate the situation in which matter becomes a reality (Derry, 1999). In other words, it is argued that social reality is not naturally given; instead, it is an outcome reliant on human integral exchanges of meaning as part of the production of reality (Mertens, 2005: 32). This social construction lens of social constructivism enables this framework to observe the process of emergence of Islamic financial institutions and Islamic economic practices as a peripheral Muslim Indonesian project, that push forward internalisation of customs and practices of the living presence of religion in the economy, through the presence of modified structures of modern economic and financial constructs, hence, as a social movement. Thus, the emergence of Islamic economics and finance in Indonesia is considered as a work in progress of Muslim Indonesia in making reality of the progressive interpretation and articulation of religious injunctions and teachings in economy that suit the needs and challenges of a contemporary world, representing an aspiration for an alternate modernity.

In the light of an intertwining political economy approach and social constructivism approach, this research conjugates Gramcian (1971) ‘hegemonic theory’ and Berger and Luckman’s

(1967) ‘social construction of reality concept’ in depicting the formation process of Islamic economic and financial institutions and practices as a socially constructed phenomena of the reality, as well as, the negotiation process in the superstructure of power and opportunity distribution for allowing alternate modes of financing, economic practices, and modernity.

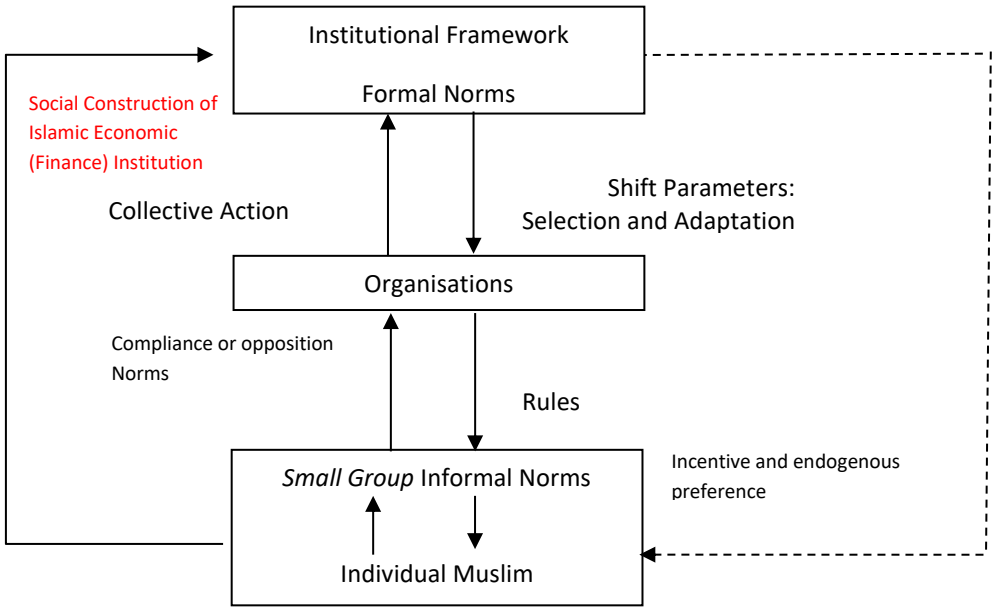
Gramscian hegemony theory frames the presence of Islamic financial institutions and Islamic economic practices as a form of counter-hegemony to the hegemonic conventional financial institutions and economic practices in the construct of post-modern democratic Indonesian economic society. In the Indonesian context, the separation between ‘war of manoeuvre’ and ‘war of position’ as Gramsci suggested is substantially material in the negotiation of spaces between conventional and its alternative Islamic version. The rise of an Islamic economic movement through the patronage of influential figures central to power, which was then followed by the emergence of Islamic economic and financial institutions facilitated by the new coalitional power between Islamic scholars and the central bankers, picture the ‘war of manoeuvre’ image in the early Islamisation of institutions, market and practices. When the agenda of the centre meets the aspirations of the periphery, the superstructure, and the base structure conjoint and act as a historical bloc that earn hegemonic space for the realisation of Islamic economics and finance in Indonesia (*see* among others: Rupert, 2005; Tekdemir, 2013). This situation changes in the post-democratisation process of Indonesia in terms of the emerging new shape of the public space.

This transformation affected political economy of opportunity and negotiation space, whereby the patronage of the centre no longer possesses absolute hegemonic claims over the distribution of opportunity. Henceforward, the negotiation setting has been transformed into relaxed and open contestation fields, where civil society as an occupier of the base structure has a significant role in determining the legitimacy of the hegemony, substituting centralised legitimising power structures of the pre-democratic regime. The shifting environmental setting of power and opportunity distribution changes the rule of the game. As new opportunity space emerges, paving the way for other forces and interests (Yavuz, 2003), the social construction process of Islamic economics and finance discourse and framework cannot undermine the existence of strong grassroot support. In this regard, the historical bloc of the Islamisation of economic and financial norms, institutions and practices has shifted to the bases, whereby, the deep cultural transformation or ‘war of position’ takes place and replaces the game of power or ‘war of manoeuvre’. Therefore, the presence and the expansion of Islamic financial

institutions and Islamic economic practices echoes 'passive revolution' travelling into the centre through further internalisation and adoption of the norms and customs of interpretation of Islam in an economic sphere.

When the civil society's role is subjugated to the influential power of the centre, the notion of social constructivism supplement and essentialises further the negotiation process of the political economy of Islamic financial institutions and Islamic economic practices. Berger and Luckman's (1967) notion of 'social reality' aids the discourse of peripheral take-up in bringing into reality the Islamisation of institutions, markets, and practices. What is central to Berger and Luckman's conception of social construction, which is important to internalisation and transformation of norms and practices of institutions and markets, through Islamic economics and finance, are the concept of 'institutionalisation' and 'legitimation'. The idea of institutionalisation suggests that the internalisation of norms and practices takes places over 'habitualisation' or a formalisation and codification of norms and customs in the social space of reality. When the superstructure has no absolute legitimising authority, 'legitimisation' issues will raise under circumstances where the superstructure reflection of reality conflicts with civil society perceptions of reality. Therefore, the institutionalisation of ideas and practices in the base structure provides a mode of legitimisation for civil society to extend their position in the field of contestation of space.

Figure 1.1: Institutionalisation of Islamic Economics and Finance



Source: Modified from Williamson (1995); Nee and Ingram (1998)

Figure 1.1 depicts the dynamic relationship between social groups' informal institutions and formal institutions and the linkage between the two within the process of formalisation of non-formal norms through collective actions of actors in the social sphere.

As can be seen, in the case of civil-based Islamic economic movements in Indonesia, the institutionalisation of an informal-formal institution takes places within a social sphere. The process started at societal level, where an individual Muslim interchanges a projection of reality with the social construct of an informal institution of reality of Muslim society. Later, the formal institution of society comprised of codified customs and acts, rules of engagement, and an organisational framework is exposed and embraced by informal institutions of Muslim society through collective action. In the everyday practices of collective action, the notion of social movement is an important mechanism that enables the formalisation of informal institutions. The collective identities held by social movements aid the creation of the construct on the formal institutional side and assist in the formation of tailored characteristics of an institution, differentiating from another "codes, ideologies, worldviews, values, symbols, and tradition" (Smith, 1996: 17). Therefore, the emergence of Islamic financial institutions and Islamic economic practices are made possible due to this collective uplift of Muslim society through a social movement.

Indeed, the process of institutionalisation and the acquirement of legitimation is not a tipping point process in isolation. Berger and Luckman (1967: 25) acknowledges the situation where the institution of reality is confronted by another institution of reality. Thus, social construction is generated out of the interaction between factors and relations in the production process (Lukacs, 1971: 58). It should be noted that the force driving institutionalisation is rooted from the embeddedness of socio-religious principles in society, shaping economic rationale and choices of individual and institutional agents within a disembedded construct. In order to earn social acceptance, the proposed concept embraces a social ruling system by coaxing dominant ruling forces to assent to the embedded rules and norms of the model (Joll, 1977: 8). Hence, exploring formalisation of informal institutions of Islamic economics and finance has to be essentialised within a political economy paradigm.

Social construction views on the formalisation of informal institutions fit perfectly with a Gramscian hegemonic concept. In fact, social construction is embedded within the concept of a counter hegemony relationship. Atzori (2012) outlines that Gramscian hegemonic construction involving three stages of process: social thought, social construction, and social

movement. The process is initiated by a commonality of norms, values, and vision shared within a counterhegemonic movement. This is then followed by the formation of socially constructed values and norms that become the ground for social movement. Gramsci's hegemonic theory, in this regard, substantiates a social construction process by introducing the concept of an 'organic intellectual' in the formation of collective action. Organic intellectuals, thus, are member of social groups that act as catalyst for collective action demanding accommodation (Tekdemir, 2013: 65). Thus, the important role of an organic intellectual is rather to organise social forces leading to collective action. Then, what it takes to propel the formation of values and norms into action sees Gramsci propose a hegemony and counter-hegemony approach. Therefore, embedding social construction of Islamic financial institutions and Islamic economic practices within Gramscian hegemonic-counter-hegemonic theory helps to depict the construction process of Islamic economics and financial institution and practices.

In sum, depending on the period and the nature of the negotiation process, this study utilises particular theories for the corresponding period where a particular type of negotiation process with particular behavioural norms and strategies of the actors interplayed. Thus, the nature of the period together with the specifics of activism, actors and strategies necessitate the use of multiple theoretical models to effectively capture the operation of an Islamic economics and finance movement in Indonesia. In other words, the particular dynamics of each period requires a particular frame to capture such dynamism in each period.

1.6. RESEARCH PHILOSOPHY, DESIGN, AND PROCESS AT GLANCE

In line with the identified research aims, objectives and research questions, along with the identified theoretical frames, this study adopted qualitative methodology to address the questions raised in this research. This approach suits the purpose of the research that focuses on the process of the internalisation of norms and practices in the institutions of Islamic finance and the market, alongside the negotiation process of spaces within the domination of a hegemonic conventional economic and financial framework and practices. Hence, the major construct of the study aims to respond to the 'how' question of the institutionalisation process of norms and practices of Islam in the society and in the formal institutions taking place and 'how' the construct negotiates its position among the dominant and mainstream economic and financial practices.

In addition, the exploration of the social construction process within the political economy setting that sits as the main theme of the study requires in-depth understanding of civil society's views, beliefs and behaviour over the meaning that society places on the construction of reality through social interaction, as well as, individual and institutional actor's responses and positions toward the emergence and the development of Islamic economics and finance through the Islamisation of institutions and market practices. Qualitative methodology offers the tools to fulfil such purposes by allowing the extraction of detailed information within the required context. Here, contextualisation is an important determinant of the analysis that is entrenched within qualitative methodology.

The social constructivist's worldview of this research and its political economy mode of connecting ties between the dots shapes the interest of the research toward the process of emergence and development of Islamic economic movements among civil society facilitating the institutionalisation process of formal institution of Islamic economics and finance. Thus, this research is more interested towards an interpretative nature of the issue rather than imposing a positivist stance towards the issue. Specifically, this research follows a post-structuralist interpretative tradition, placing forward post-modernism attitudes towards the issue under discussion. This paradigm enables the research to be conducted in a contextual manner by locating it in its 'social context,' that is Indonesia and the makers of an Indonesian Islamic economic and financial movement.

As the research aims to be both theoretically informed and contextually attached, the research is inductively focused in identifying the views, belief, and practices from the perspectives of the subject of study. The concept of *verstehen* is cardinal to this research as it allows the research to study the perspectives, belief, and experiences of the subject under study along with their specific social and historical situation (Snape and Spencer, 2008: 7). This exposes the research to the emic or society perspective of the meaning emphasised in the institutionalisation of both informal and formal institutions. In this regard, the presence of interpersonal reflexivity is integrated within the extraction of subject reflection towards the issue of interests to assure that the process of obtaining the relevant information takes into account the difference between researcher and its subjects of research's social and historical setting in framing the situation under study (Hesse-Biber and Leavy, 2006: 146).

An ethnomethodological research approach is applied within this research to gain insight into the socio-cultural process of internalisation of customs and practices into informal and formal

institutions. Spradley (1980: 3) considers this method as the "hallmark of cultural and social anthropology" that seeks the understanding of the world from the subject under study. Hence, it fits smoothly into the framework of the research that places emphasis on the understanding of social reality of the world from an insider's point of view. For this purpose, in-depth interviews with organic intellectuals and leaders of the group were conducted to observe the development of social thought of Islamic economics and finance in Indonesia to determine the nature of Islamic financial development in the country. In this stage of data analysis, the identification of the group along with organic intellectuals are crucial as solid sampling determines the quality of the work alongside the in-depth nature of the extracted information (Tekdemir, 2013: 65). Therefore, this research collects inputs from various sources to select the most conducive and representative groups of the sample.

In so doing, further in-depth interviews focus upon elites from intellectual, bureaucratic, policy-making, industrial, and civil society backgrounds to picture the essentialisation and contribution of these individual and institutional actors, and the negotiation process of space in the light of emergence and development of Islamic financial institutions and Islamic economic practices. As an interview is often regarded as a knowledge and meaning production dialogue (Hesse-Biber and Leavy, 2006: 128), this data collection method is expected to map the imagination of these individual and institutional leaders, and their positional power and praxis in civil society and institutions of Islamic economics and finance, against the domination of conventional economics and finance in a social sphere, as suggested by a Gramscian hegemony-counter hegemony framework, through meaning and perceived understanding of the interviewee that defines their reality. In addition, as the research is interested to observe whether the transformation and institutionalisation of values and norms of Islam has taken place in the greater socio-economic arena and to what extent it has positioned itself within the hegemonic construct, in-depth interviews allow the research to access the story from the side of the interviewee, given that interview's purpose is to narrate their experience live within their subjectivity and context (Wengraf, 2001).

Lastly, in helping the political economy analysis of the negotiation of spaces and opportunity, secondary data are also used to capture the broader sense of the process, which will include past publications, media release, and other relevant coverage on the issue of political economy of Islamic economics and finance in Indonesia. Thus, the chapter on the development of social thought on Islamic finance is supplemented by results from the interviews of organic

intellectuals, while the chapter which analyses the social construction process of Islamic finance is sourced from the result of the observation, as well as interviews. The final political economy analysis chapter is again backed by empirical results from the interview analysis with influential stakeholders.

1.7. RESEARCH RATIONALE AND SIGNIFICANCE

The specificity on the emergence case of Islamic finance in Indonesia suggests a unique stream of process entailing to the phenomenon. Albeit such a predicament, little to no interest has been drawn on reading the emergence of Indonesian Islamic finance in its natural setting. While the recognition of Islamic finance's potential and its fitness to an Indonesian background as a Muslim majority country are hailed as the underlying rationale for the presence of Islamic finance in Indonesia, the absence of an understanding on the particularity of the Indonesian case can potentially lead to a misreading, mistreatment, and mislocation of the phenomena from the function and the contribution it aims to fulfil.

The dynamics that an Indonesian narrative of emergence depicted suggests a picture of civil initiative channelling an aspiration for a specific motive, relationship, and order in situating the economy within the available space of articulation. Such initiative resembled a social movement enterprise within a civil sphere, whereby, the contribution and articulation of activists of Islamic economics determines the extent to which its imagination and expectations prevail. Hence, independency and aspirational characteristics imbued Islamic economic movements in Indonesia, as well as, the process of emergence and evolvement of Islamic finance in Indonesia.

Albeit such a pattern observed above, the recent growing interest of the government and business sector towards Islamic finance centre on the extent to which Islamic economic products contribute to the interest of each party goals. Furthermore, the enlarging number of involved activists from different backgrounds influenced the articulation of Islamic economic imagination within the country. These two emerging situations eventually affected the pursuance of aspirations in a manner that undermines the main rationale on the presence of Islamic finance, which relates to unique paradigms and articulation driven forward by Islamic economic activism.

As the country's regime develop an increasing interest and involvement in Islamic economic projects within the Islamic finance articulation, the initially civil-oriented case that reflected

upon the purpose of democratising finance from the dominancy of oligarchy due to the commodification of capital, has turned into a tool for the regime to redeem economic development, for example through financing current account deficits. Eventually, the intended function that aims at liberating access to finance has curbed and turned into a mechanism for the agglomeration of capital. On the other hand, an unawareness of the *raison d'etre* of Islamic finance emergence in Indonesia, which is related to earlier Islamic economic aspiration, resulted in divergence on the trajectory of Islamic finance from its original purpose. A differing agenda would harm further the independency of the initiative, shifting its form from a civil negotiation into a hegemonic product. Eventually, Islamic finance experience is mistreated while its intention is misread. The effect has been a mislocation of Islamic finance from its initial dynamic.

Acknowledging the need to avoid mistreatment, misreading, and mislocation of Islamic finance, this study embraced the nature and the process of emergence of Islamic finance in Indonesia to explore its aspirational grounds and to map out the interaction and distortion that Islamic economic activism experienced in pursuing its initial aspiration.

1.8. SIGNIFICANT CONTRIBUTION OF THE STUDY

This study is a pioneering investigation on relations to the emergence of Islamic finance, not on the basis of a pre-ordained setting suggesting a hypothesis of a particular condition of emergence, but recognising the specificity of each case of emergence, hence, inductively developing a set-up reflecting its natural order.

As the nature and the process of its emergence remained unknown, this case is embraced through the lens of 'emergence' as a philosophical position, whereby, the emergence of Islamic finance's institutional formation is assessed according to the rules and depiction of what an emergence case is. Therefore, this research is considered to be the first pioneering study of emergence in the case of Islamic finance.

The consequence of utilising 'emergence' as the theoretical base of the study implies a methodological account that requires the research to be theoretically sensitive, contextually informed, and methodologically relative. The requirement for theoretical sensitivity on the study of emergence leads to a theoretical exploration on the basis of a snapshot on the potential source and process of emergence, which, in this regard related, to Islamic economics as its basis, institutional spectrum as its arena, and social construction as its mechanical process of

coming-into existence. Thus, this study promotes an integral process of observing Islamic finance, whereby Islamic finance is associated with an Islamic economic activism base and considered within its arena of exploration. The reflection obtained from the theoretical exploration is then comingled with its context, which in this case refers to an Indonesian political economy setting. Therefore, this study also promotes a study on Islamic finance that recognised the context of its emergence.

Ultimately, this information is used to operationalise empirical investigations in the sense of locating which methods and approaches are developed out of a preposition derived from the concept of 'emergence, which recognises the natural setting for Indonesian Islamic economic activism. This constitutes a unique methodological account tailored to the interests of the study, which therefore, develops and introduces an 'emergence' methodology as a potential frame investigating the emergence of Islamic finance in general, and in Indonesia, in an empirical sense.

1.9. STRUCTURE OF THE RESEARCH

This study comprises of nine chapters. Following the introduction, *Chapter Two* narrates the story of emergence of Islamic financial institutions and Islamic economic practices and highlights several key factors and events that shade the light to the process of emergence, utilising emergence philosophical positioning and foundation as the base.

Chapter Three contextualises the process of emergence by examining the transformation of a socio-economic base using a Polanyian political economy approach in an Indonesian case by examining the emergence of self-regulated liberal markets and society, the 'great transformation' event, double movement theory, and post-democratic change within the political economy of the nation.

Chapter Four details the methodology of the study to address research questions and therefore provides an extensive understanding of the research philosophy, design, and process. The data analysis is embedded within the empirical chapters following research methodology, supplemented by data analysis detailed in grounded theory appendix II and III to help in deconstructing the process.

In *Chapter Five*, Indonesian political economy is discussed further to glean perspectives on this phenomenon in a contextual setting, aiding interjection into the process of emergence of

Islamic economics and finance in the country.*Chapter Six* is the main empirical chapter, which aims to delve into the case of Islamic economic and finance emergence by locating the novelty of Islamic economics as the basis of Islamic finance emergence. The extraction from this Chapter is utilised as the point of reference on the reflection of Islamic finance as an emergence of Islamic economics as to whether it holds the novelty in the process.

The processes of emergence of Islamic economic and finance's institutions and practices is further explored in *Chapter Seven* to acquire interactional understandings on the negotiation process taking place in pushing for emergence. In that, it predominantly aims to address the third research question on understanding social construction with a partial investigation into the environmental setting leading to the emergence.

In *Chapter Eight*, the analysis on the process is elaborated and essentialised in the light of the dynamicity of an environmental setting as the main theme of investigation, mainly, through framing the emergence and the development of Islamic financial institutions and Islamic economic practices as one that explores opportunity space by recognising the presence of hegemony-counter-hegemony in seeking for the negotiation process of spaces and opportunity between the dominant construct and the peripheral proposal. This is expected to address the last research question on studying the nature of negotiation and hegemonic interaction between the centre and periphery in Islamic financial development.

The overall findings and conceptualisations are summarised in *Chapter Nine* which aims to elucidate discussion and highlight the contribution of current research, including outlining limitations, and subsequent possibilities for its future direction.

Chapter 2

THE 'EMERGENCE' OF ISLAMIC ECONOMICS AND FINANCE

2.1. INTRODUCTION

The concept of Islamic economics emerged as a discourse in a South-Asian context when several Muslim intellects explored what constitutes an economy when the paradigm of Islam is closely entangled with the management of resources and opportunity in the socio-economic sphere. Inspiring these intellectuals was a belief that developmental failure within the Muslim world arose from an incompatibility of a developmental prescription deduced from capitalism or socialism to produce prosperity within a just and equitable spirit as suggested by the teachings of Islam (Mawdudi, 2011; Chapra, 2000). This concern fostered the rise of an Islamic economic tradition, which placed revealed knowledge of Islam as a reference to construct an Islamic alternative for opportunity and resource distribution as part of a counterhegemonic movement to rescue human beings, land, labour, and capital in the sense of a Polanyian moral economy.

The mid-twentieth century witnessed the birth of this economic school when research on the concept of Islamic economics began discussions on the implications of an induced-Islamic value system to the theory and the practice of the economy. Islamic institutions, such as *zakat* and *waqf*, gained increasing popularity as intellectuals following this tradition proposed a reform in the economic system incorporating the two institutions into the economy. Albeit such development, the work of this school is exclusively extended and commonly disregarded due to its unpopular substantiative approach, in the sense of bringing moral substance to theory making, resulting in a growing distance between Islamic and modern economic constructs.

Nevertheless, this situation gradually changed in the early 1970s amidst the development of Islamic finance. This religiously structured financial alternative took finance to another level by infusing the modern management of investment with Islamic values and norms, such as, the

prohibition of interest and speculative gaining derived from revealed knowledge (Asutay, 2013). This idea led to the establishment of Islamic banks and other Islamic financial institutions as an attempt to provide a framework for Muslim individuals to essentialise the value of Islam in their economic and financial conduct providing an institutional form. Prior to this gradual transformation, Islamic financing practices existed in the periphery of the Muslim world (Hanna, 2002). The emergence of Islamic finance was taking Islamic economists to new paradigms of discourse amalgamating modern economics, financial concepts and constructs with Islamic values and injunctions, rather than forming a system of Islamic economics. In this sense, Islamic economists entered into a new sphere, where the tradition of their school negotiated and blended with a neo-classical tradition which propelled the policy makers and regulators to devise a modified or hybrid model of economy and finance within an acceptable religious framework.

The inosculation of Islamic thinking with modern constructs in Islamic finance inevitably raised concern over the extent to which this emerging institution could produce an expected outcome that Islamic economic tradition advocated. Indeed, this concern has been realised with the growing criticism over the practices of Islamic finance that arguably gradually loosened its legitimacy due to a deviating process and related outcomes of Islamic finance (Asutay, 2007b; 2012; El Gamal, 2007). The criticism over deviation of the practices of Islamic finance from its initial aspirations is often extended as a disparagement of Islamic economists (El Gamal, 2007). The proponents of this tradition are often blamed for such deviation resulting in a questioning of the school's legitimacy.

Nevertheless, such criticism alluded to above, disregards the fact that Islamic finance emerged as a hybrid modern framework, which adopted the meaning and institution of a neo-classical paradigm, as well as, an Islamic filtering mechanism over financing practices to assure that interest and excessive speculations are avoided with the product offered and investment managed (Asutay, 2015; Ayub, 2007). Islamic finance, thereby, provides an alternative framework and alternative product range without changing the modes of production of the society in accordance with the Islamic doctrine of equity-based economy and risk sharing. Therefore, Islamic finance is not an authentic institution of Islamic economics, yet, its presence is possible as a concession resultant of an implicit negotiation between the Islamic economic tradition and neo-classical modern economic tradition, whereby, the Islamic economic school

amended and filtered the process, while the modern construct provides the base and the operational procedure.

In approaching the emerging phenomena of Islamic economics and Islamic finance, the concept of 'emergence' is embraced and explored to study the nature of order in the economic system and the process of change in an economic order. Emergence is a classical concept that initially appeared in the late 1890s and in the beginning of the 1910s, introduced by British emergentism dedicated to observing a new phenomenon distinct from an overall understanding of order and patterns. This concept assumes that emergent phenomena is somewhat material and aroused in the 'whole' even when complete knowledge of the property of the parts are identified and understood (Bedau and Humphreys, 2008: 213). Thus, the emergence approach offers insight toward the emergence of Islamic economics, which is unlike other economic schools, espouses a different paradigm, value system, operational procedures, and institutions, and the emergence of Islamic finance, which is unlike the operational procedures and institutions of Islamic economic tradition, and reflects more of the modern economic institutions of the neo-classical tradition.

The following discussion initially begins with the exploration of the concept of 'emergence', as the theoretical frame of this study, from its early inception until recent developments. Then, the discussion will touch upon discourse considered as an emergent case. This is followed by developing critical discourse analysis on the emergence of Islamic economics as science to argue that the emergence of Islamic economics is indeed a case of emergence. Subsequently, the discussion is extended to scrutinise the emergent phenomena of Islamic finance to reason that its appearance is not an emergence case. In the end, the discourse elaborates further the meaning and implications of the entire discussion in considering Islamic economics as a distinct science of economy, while Islamic finance represents a modern economic concept with an Islamic dressing furthering the development of this unique economic construct.

2.2. THE CONCEPT OF 'EMERGENCE'

While emergence is defined as "phenomena that arise from and depend on some more basic phenomena yet are simultaneously autonomous from that base" (Bedau and Humphreys, 2008:1), the earliest inception of the term 'emergence' can be located in the work of Lewes (1875) in his *Problem of Life and Mind*, where he draws a distinction between resultant and emergent in a process and as a result of a process. He underlined the potential nature and

mechanics of sensing interaction between parts and their impact towards the sum beyond traditional means, inspired by *heteropathic* causation and mechanic causation concepts which were developed by Mill (1843) in his seminal work, *A System of Logic*. This initial work in the area of emergence marked the rise of British Emergentists, a term that McLaughlin (1992) used to describe a group of British philosophers at the end of the 19th century and early 20th century with a tradition located between the debate of mechanists and vitalists. At that time, philosophers were divided into two poles: while mechanists suggested that a living organism could be understood and characterised by the course of their interaction, as opposed to vitalists who argued that an organic phenomenon could not be properly read without engaging with the non-physical substances characterising a living being. It is Broad, one of the early British Emergentists, who offers the concept of emergence as a situation where "… the characteristic properties of whole … cannot, even in theory, be deduced from the most complete knowledge of the properties … in isolation or in other wholes which are not of the form…" (Broad, 1925: 61). This generally accepted definition and approach of British Emergentism has aspired Beckermann (2000) to consider the theory of emergence as an alternative position bridging the difference between the two sides.

Although the work of British Emergentists at that time posit heterogeneous views on the conception of 'emergence', McLaughlin (1992) argues that similar characteristics appeal to these philosophers when offering their views that the property of the sum differs from the property of the parts, even when these parts-property are combined. The first characteristic of British Emergentists was based on the claim that "… everything is made of matter" (McLaughlin, 1992: 19). Hence, emergence in this tradition is viewed as a visible and tangible process and product. They also asserted in their argument that, in emergence, multilevel and multilayers of substance and features, or what Mclaughlin (1992: 20) described as "hierarchy of levels of organisational complexity of material particles" existed, where each level or layer of substance possessed a determining causality effect. Even though a causal power condition remained within the emergent phenomena, British Emergentists also maintained the belief that the features of emergence do not necessary stem from first order level and layer. Within these shared values of the British Emergentists, one can distinguish emergentism from a mechanism by the independent and irreducible causal power of the property and, at the same time, segregate discrete emergentism from a vitalist position through its loosened commitment to the metaphysic substances (Taylor, 2012).

The sustenance of a British Emergentist view did not last long following several developments and findings in the course of science. McLaughlin (1992: 23-25) argued that the advancement of the science and its empirical methodology contributed to the downfall and delegitimating of this view. This decline could be seen not long after Broad published *The Mind and its Place in Nature* in 1925, when the theory of quantum mechanics was revealed, enlightening the mystery of chemical bonding and enabling further development of science, especially, in the field of chemistry and biology. The emergentist view that chemical substances possess autonomous and irreducible causal power was considered a fallacy of the concept of emergence (Taylor, 2012). The further understanding of the chemical binding also gave birth to the concept of DNA, which undermined the claimed presence of emergent properties as improbable (Eronen, 2012). This unfavourable progress in relation to the presence of emergent theory has decreased the popularity of the concept afterwards. Through another account, Kim (1999) attempted to rationalise the decline of British Emergentism and suggested that it was due to the shifting paradigms of discourse in the philosophy, which undermined the existence of the metaphysical and emphasised heavily on pragmatic evidential-based reasoning for a case of emergence. The surreal realm that others labelled to British Emergentists, remove its presence from the body of science.

Albeit such reasoning in the decline of British Emergentism, none of these logical explanations has proven the philosophical error behind the theorisation of emergent phenomena. McLaughlin (1992: 23) elaborates such a position by arguing that when the idea of quantum mechanics was introduced and changed the course of British Emergentism, the idea of non-relativistic quantum mechanics was not yet recognised. It would have produced a different outcome to the early conception of emergentism if this non-relativity quantum mechanics had prevailed earlier. Quantum mechanics are maintained under a specific configuration of elements and disregard the fact that there might be other relational power which belong to interactions between elements that prevent a fundamental power exercising its law. This predetermined assumption over the law constituting a particular pattern and behaviour, which is influenced by the doctrine of physics, is shaping the substance of interest of particular science. Hence, the unexpected motion within this rule would not be considered as a potential explanation of a particular phenomenon.

On another account, if the British Emergentist's position on what is considered as special science holds, it would imply that even the fundamental rule of physics is also concerned with

other ‘unrecognised’ elements of properties of science (Nagel, 1979). The development of non-relativity quantum mechanics became a late credit to the stand of emergence that there is a degree on unpredictability in particular order that possibly was due to the non-binding fundamental law that the early quantum mechanics assumed. Therefore, the more recent development of science has allowed the concept of emergence to retain its logical order that each layer of constituting parts perform a pattern on the basis of the specificity of its order or else considered as the rule of ‘the property of whole differing from the property of its constituting parts’.

During the aftermath of the decline of British Emergentism, the world of science entered an era of a reductionist mindset. Science and its philosophy embraced a new law of analysis, where wider phenomenon is explained only by a ‘relevance’ law of occurrences that can be empirically proven. As consequence, a generalisation rule applied as a major approach of science and positivism began to expand its influence in its non-traditional field. However, there were several emergentists that continued to work on the topic, among others were Bunge (1977), Nagel (1979), and Poper and Eccles (1984). Nagel (1979) in his *The Structure of Science* offers an alternative view towards the theory of emergence, where he suggested that emergence as a concept can suit multiple theoretical paradigms, when it is treated as a predicator of matters of uncertain attributes. He reasoned that only schematic order can be presumed. When a phenomenon shows a sign of reduced and imposed property, informed and contextual understanding of the setting guides and provides a better reflection of the phenomena.

The attempt that Nagel (1979) aimed to expand the development of the discourse in emergence was also made by Bunge (1977) and Poper and Eccles (1984). Nevertheless, the case that the three emergentists built was not as strong as the case that Nagel (1979) brought earlier. Popper and Eccles (1984) in *the Self and its Brain* aligned to the random nature of the living environment as suggested by the theory of quantum mechanics and downward causation term. Nevertheless, their case lacked clarity on the indeterministic nature of an incorporated paradigm which lacked legitimate inferential grounds on the ‘subsequent downward causation’ assumption he imposed. While on different grounds, Mario Bunge in *Emergence and the Mind* (1977) presented an argument on how emergence could facilitate various ontology of science. Nevertheless, his exploration of the notion of emergence tended to locate the conception to what is considered as a ‘weak’ emergence case, blurring the distinction between the property

of the ‘systemic sum’ and the ‘property of emergent’ (Blitz, 1992). His attempt to popularise what he termed *rational emergentism* to bring the debate on emergent into life by middling reductionists with classical emergentists, was unable to perform the task given its closer association with the reductionist stance, because his definition of rationality was insignificantly different from a reductionist point of view. Albeit the stagnation in its intellectual development, emergence remained to slowly expand in silence during the reductionist period.

The emergent theory found its momentum returning to the stage of philosophy and science during the 1970s. Bedau and Humphreys (2008) asserted that the return of the debate on emergence was associated with the progress in the area of complexity theory, artificial life, physics, and biology. In line with this, even, the philosophical concept of emergence established a presence in the science of psychology and sociology. The advancement in tools to explore and analyse emergent phenomena was among the factors that Bedau and Humphreys (2008) picked as the enabling element for the comeback of the notion of emergence in science and philosophy. The dawn of the new wave of emergence study not only prevailed via the fact that emergence was not an outdated concept but also ignited a more substantial progress that tested and confirmed that the philosophy of emergence places a particular epistemological approach towards naturalists’ phenomena. Indeed, Nagel’s (1979) contemporary assertion of emergence has opened a heterogeneous view regarding what is considered as emergence. While maintaining the philosophical grounds of emergentism, contemporary research on emergence extended further the different properties and nomenclature of cases of emergence in various disciplines.

2.3. THE FEATURES OF ‘EMERGENCE’

The central notion on the study of emergence is on the difference between the properties of the whole and the properties of its constituting parts. On this ground, the British Emergentists began their exploration of phenomena that come-into-existence unrecognised by the current knowledge set. For this tradition, the rule of thumb of ‘whole before its parts’ that traditional philosophers imposed could no longer offer a dynamic understanding of emergence (Tiles, 1989).

The dynamism of the challenges that the subsequent philosophers encountered in interpreting the emergent phenomena laid the foundation of dynamic characteristics of the view of emergent. The conditions embedded in the concept of ‘emergence’ led the extensive debate on

the properties and features of emergence, from the earliest period up to the re-emergent period. The following discussion aims to highlight several properties and features of emergence and critically assesses the development of views on each of the properties and features of emergence, as developed overtime. These properties and features, among others, are: naturalism, systemic-emergent properties, hierarchy of physical structures, novelty, deterministic, irreducibility, and downward causation.

2.3.1. Naturalism

Naturalism attributes to the study of emergence as an inevitable consequence of a materialist position that early emergentist's adopted, suggesting that a phenomenon of coming into being takes a material form (Stephan, 1998). For emergentists, emergent phenomenon is not a superstitious phenomenon that cannot be explained. With a certain methodological account, the puzzle that entangles the unknown phenomena can be familiarised further. This commitment of early emergentists toward naturalism inevitably drags the philosophical approach of emergence towards a scientific-proving method. As McLaughlin (1992: 20) described "… British Emergentism maintains that everything is made of matter ...", which as a view is tied to a belief that any emergent phenomenon can be familiarised by scientists, even to a level of living beings and neurocognitive (Morgan, 1923). Indeed, this naturalist orientation has helped to assure that emergence remain irreductionist. Albeit such superiority of this attribute, it does not mean that it fully satisfies the desire of an emergentist. As Taylor (2012) pointed out that there are several forms of emergence, one of which is the strong naturalism under which it is argued that all mental properties are a naturalist object. Nevertheless, Schmitt (1995) argued that such a naturalist view does not hold under strong rationalism, hence, emergentists should appeal more to the monism towards a materialist form. Therefore, a naturalist's view of emergence was not always taken as a single determinant rule of emergent phenomena and there are attempts to renew this position.

2.3.2. Systemic and Emergent Properties

Systemic properties are the properties that are only identifiable in a whole, not in its parts, as a result of the interaction of constituting elements with their defining properties (Broad, 1923: 268; Bunge, 1977: 501; Stephan, 1998). Hence, such properties are inexistence in the properties of the constituting parts. According to the principle of Composition of Causes that Mill (1843) placed forward, this systemic property possesses certain reducible power as it is causally

effecting the parts as a result of parts' interaction. Nevertheless, when a causal relationship cannot be identified or reduced, these properties of the whole are considered as emergent properties (Kim, 1999). Hence, emergent properties depict a non-resultant characteristic of an outcome of interactions between the constituting parts.

2.3.3. Hierarchy/Layer of Existence

Hierarchy/layers of existence recognises that existence within nature sits at a level of existence with properties defining its own characteristics, hence, multilevels of existence (Kim, 1998: 15-18: Eronen, 2012). Here, each level is characterised by a specific set of properties defining the element of matters that belong to this level, the higher level indicates a greater degree of complexity from a lower level. In other words, emergence suggests that a complex structure is comprised of simpler physical structures that connect in both linear and non-linear manners, assembling a higher-level complexity functioning, asserting a differing characteristic in the higher level from the underlying power (Ellis, 2006: 80). In that, the presence exists of a hierarchy assumed relationship between the whole and its parts, with the exception of the basic level comprising of no layer (Eronen, 2012). This defining characteristic is interpreted in a structural framework by emergentists, as demonstrated in Table 2.1.

Even though the higher level of structure is assumed to be produced out of an interaction of a lower level of structure, the higher level of structure maintains unique properties that are distinct from the lower level bases. The causality relationship between the lower structure and the higher structure assisted observers in generalising certain structural and functional elements of the higher structure; however, it is unable to capture the developmental and evolutionary nature taking place from lower level to the higher level.

Table 2.1: The Hierarchy of Structure and Causation for Living Beings Described in the Corresponding Subjects

Sociology/Politics/Economics
Animal Behaviour/Psychology
Botany/Zoology/Physiology
Cell Biology
Biochemistry/Molecular Biology
Molecular Chemistry
Atomic Physics
Nuclear Physics
Partical Physics

Source: Ellis (2006:80)

2.3.4. Novelty

This characteristic of emergence posits the idea that an emergent phenomenon features a quality of a distinct character unexplained from the basic phenomena (Hempel, 1965: 260: Hempel and Oppenheim, 2008:66). This assertion is both intuitive and empirical. Since its early inception, Morgan (1923) described emergence as a phenomenon in sequence within the historical structure that travels overtime and creates a unique order, pattern, or institution. Strenuously, the 'novelty' argument holds and prevails by a series of research post-awakened emergence discourse following the increasing capacity of research methods. Notwithstanding, the recent developments that support the position of 'emergence', this attribute of emergence could not implicitly be assumed without appealing to what Kim (1982) proposed as the difference between intrinsic and extrinsic properties. Intrinsic property is a neutral property autonomous from its surrounding environment and identical to a similar intrinsic property, while extrinsic property has an opposite character. In relation to the original idea of emergence, intrinsic property is more relevant to the traditional emergentists as they remained committed to the idea that novelty is a resultant of the microstructure.

This presupposes that an argument has been followed to avoid what Taylor (2012) identified as collapse problem, a problem which emerges due to an initial assumption that micro and macro level properties pose a difference, directing an emergentist to focus on interaction of non-linear micro-properties rather the peculiarity between different level of properties. In contrast to this approach, the contemporary emergentists consider this precondition as restraining and reductionist. The advancement of science has allowed later research to cover extrinsic properties in the case of emergence and discovered instances suggesting a differing characteristic of elements under study sourced from the relative position of each element to others rather than an intrinsically distinct character. This has been the case in the study of physics and neuroscience. Such developments broadened the debate on the novelty of such emergent cases to include the extrinsic properties related to the surrounding environment beyond the intrinsic traditionalist mind of emergence.

2.3.5. Deterministic

Humphreys (2008: 112) defines determinism as a condition where, for every event of B, some properties of an event of A is causally adequate for the event of B. In its earlier years, this presumption was not acceptable as it raised conflict with the latter feature of emergence

supposing an unpredictable nature. Determinism is epistemologically predictable. By contrast, the contemporary paradigm of science has embraced this case knowing that each predictability has its degree of error (Stephan, 1999: 26). Hence, the unpredictable nature of knowledge can mingle with the notion of determinism in observing a reality. Even, these two attributes of emergence have evolved and branched to make possible a different nature of knowledge. For instance, determinism has diverged into two branches: synchronic and diachronic. Synchronic determinism attains that certain dispositions of mental and cognitive properties of a whole relates to the properties of its parts (Vollmer, 1988: 92 cited in Stephan, 1998). On the other hand, diachronic determinism asserts that a phenomenon is of a repetitive behaviour under a similar state and structure to its inception (Stephan, 1998: 647). It is clear that a synchronic approach toward determinism is sourced from a naturalist position. Yet, one cannot ignore the potential of diachronic determinism in expanding the concept of emergence. This evolutionary approach that is contemporarily conceptualised as *supervenience*, which implies that mental and physical properties are contingent to each other, even without particularly explaining prepositions. The specificity of this concept has attracted philosophers, who are materialist in thinking yet irreductive in nature when explaining the mind-physical problem (Beckermann, 1992b), allowing emergence as a concept to diverge.

2.3.6. Irreducibility

Irreducibility refers to the independency of an emergent phenomena from lower and elementary phenomena that were key in devising the process of emergence (Bedau and Humphreys, 2008: 10). The unpredictable nature of emergence science offered by British Emergentists has also undergone a series of developments. Nevertheless, in order to analyse unpredictability in the character of emergence, one cannot ignore the importance of the concept of irreducibility. Irreducibility is related to whether or not a motion of a whole can be derived from full knowledge of the properties of the parts. Stephan (1999: 37-44) recognised that there were two definition of irreducibility conceptualised by Broad (1925) in a seminal work. First, irreducibility is related to the properties of whole that cannot be analysed solely through their systemic action (Stephan, 1999: 41). This is not necessarily associated with the superstitious elements of emergent phenome but rather linked to the inability of methods to rationalise a systemic functional understanding. The second condition of irreducibility is that of a diachronic rule, according to which an irreducible state holds when a motion of the property as a whole is not deducible even from the simplest motion of the property of its parts (Stephan, 1999: 43).

2.3.7. Unpredictability

Unpredictability feature implies that an emergent phenomenon is unforeseeable even with the possession of complete knowledge of the basic phenomena (Bedau and Humphreys, 2008: 10). These definitions of irreducibility, which are distinct from each other, imply two different conditions to the unpredictability nature of emergence. Firstly, if an irreducibility character stands, the organism's behaviour is unpredictable because its character is not rooted from the known character of its microstructure. Secondly, even if a reducible notion holds, an unpredictable consequence of the whole system still persists allowing the pre-appearance of the earliest action (Stephan 1999: 47). In such a case, it is worth highlighting the potential roots of the former condition, which posits a certain degree of expanded reasoning compared to the undeniable lead of the latter condition. Stephan (1999: 56-57) outlined three lines of reasoning containing such a situation:

(i) An unpredictable attribute to the case concerns the late appearance of the microelements, so that the knowledge required cannot inform the predictability of the lead;

(ii) The nature of the environment is following a random order, hence, even though all properties of knowledge are there, the phenomena has to be observable, and;

(iii) The process of emerging of an event is under a chaotic rule, where a perfect knowledge of the process is required to make the unpredictable predicted.

This progress in the debate of the unpredictable nature of emergence has extended the initial stance of the unpredictability attribute of emergence, which only surrounds the case of irreducibility. Further explanation on the unpredictable nature of a systemic organism with a reducible character demonstrates the dynamism on the general enquiry of the unpredictability feature of emergence.

2.3.8. Downward Causation

Downward causation idea centres on the presumption that emergent properties possess unique causal power, which are exercisable at the basic level from which they emerge (Kim, 2008: 139). This term was first introduced by Campbell (1974), a proponent of natural selection, who is in agreement with the causal power of structurally higher establishments to limit and amend

the organisation of a lower establishment. In a direct tone, Sperry (1986) confirms this position of an emergentist by emphasising the universality of this rule of the whole controlling the parts. This fundamental causal power was inspired by, foremost, the neurophysical account that seems to take place on any occasion. This locus, however, was contested by Klee (1984), who identified that such a position resulted from a consequence of structural connection rather than determinism. Afterwards, there are several accounts that involve the discussions of both proponents and criticists.

One example of such discussion was provided by Stephan's (1999) study that rolled out the distinction between strong macrodetermination and weak macrodetermination, in which he distinguishes between a case of causal restructuring of the elements of the system under an unrevealed stage of process that is fuelled by the irreducible properties of emergence and a case where reorganisation is not necessary, as the available property of knowledge is sufficient to explain the process deduced by reducible systemic properties. Unfortunately, in the categorisation that he made, it was only the weak macrodetermination categorisation that was plausible for the downward causation power under the reductive physicalism argument. Eronen (2012), therefore, points out a serious issue contained in the strong macrodeterminsation concept, as it is unfit to fulfil the reductive physicalism argument. This debate on whether an emergence case is characterised by a fundamental causal power continued to season the current debate on properties and attributes of emergence.

2.4. TYPE OF EMERGENCE

The dynamism in the debate of what is considered as emergent and its subsequent attributes and properties have aspired philosophers following the discourse to cluster certain forms of an emergent by its imposing attributes and properties. There are many attempts that offer categorisation of the nomenclature of an emergent, one of which is the orders of emergence offered by Deacon (2006). He conceptualised emergence in three orderly forms, in which the first order emergence form serves as the basic emergent phenomena with a determinist, irreducible, and downward causation character. The most advanced one is the third order emergence with a determinist, reducible and unpredictable nature. Yet, the most comprehensive clustering among these works can be identified in Stephan's work on *emergenz* (1999). In this work, he outlined five forms of emergentism, including (i) Weak Emergentism, (ii) Synchronic Emergentism, (iii) Weak Diachronic Emergentism, (iv) Strong Diachronic Emergentism, and (v) Structural Emergentism. These classifications were mostly based on the

variation of two attributes, which are novelty and irreducibility. An element of unpredictability is also incorporated into one of the types of emergence. Thus, he describes the simplest form of emergence as the weakest form of emergentism and the phenomena with the most attributes of emergentism as the strongest type of emergence.

2.4.1. Weak Emergentism

Stephan (1999) asserts that this form of emergence possesses three characteristics. First, this type of emergent is exposed by a materialist view, in which all things are made of matter. Hence, a weak emergence is an emergent phenomenon constituted by a physical element. Second, this emergence recognises the presence of properties of the whole. This systemic property only exists when such property takes no form at microlevel. Lastly, this type of emergent comes with a synchronic determinist view. Such an approach implies that an at-odds phenomenon in the whole is a result of the appearance of a divergence character of the property of the parts. The weak-labelling on this form of emergence is on its reductive ontological nature of this classification, which often raises the question on whether this type of emergence qualifies the character of 'emergence' as a concept. The simplest example is on Bunge's (1977) conception of rational emergentism, that reduce the logic of emergence into a particular definition of emergence.

2.4.2. Synchronic and Diachronic Emergentism

Synchronic emergentism possesses all characters of weak emergentism, except that it adds irreducibility as the defining character of this form of emergence. Meanwhile, diachronic emergentism is a stronger version of weak emergentism, in which the novelty and predictability attributes are embedded in the behaviour of the phenomena. The difference between the two was rather obvious on the consequence of the attributes and properties toward the case.

Irreducibility effect implies that the properties of the whole cannot be rationalised in functional terms or else the property of a whole is not reducible from the act of the parts. As such, one suggests a downward causation while the others do not. On a different case, diachronic emergentism with its prevalent properties implies two different situations. As it is recognised that the unpredictability element of the property of a whole has two different natures within the reducible-irreducible property, the unpredictability of the property of a whole that derives from a reducible character is not of interest to emergentists compared to the one with the irreducible character. This is because of the limitation that early emergentists aspired by the determinist

ontology of emergence. An absence in tools capable of explaining the phenomena often dilutes the predictable nature of the situation as unpredictable. This type of diachronic emergentism is called structural emergentism. The most familiar one is celebrated more as it encompassed the notion of novelty and irreducibility in the same form.

2.4.3. Various Types of Emergentism

The difference in the properties of emergence results in variation in the classification of emergence. For example, emergence that only possesses a materialism and determinism character is called 'weak emergence'. When weak emergence holds the attribute of irreducibility, it is called 'synchronic emergence', while weak emergence that comprises an element of novelty is labelled as weak 'diachronic emergence'. The possession of both irreducible and novelty characters makes a weak emergence into a strong diachronic emergence. On other occasions, weak emergence that comes out with novelty and unpredictability is often categorised as structural emergentism. In general, the clustering structure of different emergent cases can be summarised in table 2.2:

Table 2.2. Summary of Various Forms of Emergentism

Types of Emergentism	Attributes				
	Materialism	**Determinism**	**Irreducibility**	**Novelty**	**Unpredictability**
Weak	✓	✓			
Synchronic	✓	✓	✓		
Weak Diachronic	✓	✓		✓	
Strong Diachronic	✓	✓	✓	✓	
Structural	✓	✓		✓	✓

Source: Developed from Stephan (1999)

2.5. EMERGENCE IN ECONOMICS SENSE

Emergence has consumed considerable attention from social scientists since the beginning of what is considered as a complexity era at the end of the 20th century. The unpredictable nature of expansion and development has led this block to reconsider conventional assumptions of static and simplistic systemic understandings of social reality (Beinhocker, 2006) and to revisit earlier literature of emergence (Sawyer, 2005). This ignited the old debate on the concept and the importance of the emergentist position for social sciences, which inevitably exposes them to the presumption that the property of the whole is greater than the fully-known property of its constituting parts combined (Corning, 2005). This fundamental position of emergentists

brought back the issue of the nature of science and change into debate, contesting the domination of reductionist philosophy (Humphreys, 1996) and a reducible system of order (Halley and Winkler, 2008). The same debate also extends to the field of economy, where aspired economists began to acknowledge multiple layers of order in the economy, and made a distinction between self-organised order and made order (Hayek, 1978: 155). They also observed characteristics and conditions that enable the process to come into being (Harper and Endres, 2012). Albeit the increasing popularity of emergence in social sciences, the topic of emergence remained outside mainstream economic analysis and grew comfortably within the discourse of an evolutionary economic school and complexity economic school.

The unpopularity of the concept of emergence in the field of economics is inseparable from the generic presumption that lives within the neo-classical assumption that occupies the mainstream logic of economy. Neoclassical economics holds tight to the constrained optimisation rules, whereby all phenomena are approached and analysed within this rule (*see*, among others: Hodgson, 1999; Colander, 2000; Lawson, 2013). Even though this approach has been widely recognised and accepted as analytical tools due to its explanatory power and precision, this set heavily functions with 'measurable' and 'recognisable' information (Nadeau, 2013). When the emerging condition greatly involved in unmeasured and unrecognised information, the predicted outcome became less finite and less precise. This situation only produces a prediction in a limited context, unrecognising other non-calculable yet potential and relevant information (Foster, 2005). In contrast, the emergence of new patterns, new institutions, and a new system in the economy often appeared in an uncertain situation with limited to no knowledge. This suggests that certain orders of the economy work in reverse to the typical conditions that constrained optimisation rules proposed (Foster and Metcafe, 2012). In fact, the strong appearance of uncertainty has encouraged cooperative and competitive economic behaviour that produced emergence in the economy. Therefore, there is a certain degree of incoherency between the model and the reality under a dynamic environment.

Although the curb of its explanatory and predictive power has been well-highlighted, mainstream economic analysis remained to ignore the importance of inclusive and contextual methods of analysis and continued to observe reality as a closed system. The contained environmental orientation led the neoclassical economic analysis to assume that the system behaves according to a particular order, where certain phenomena constantly occurred when certain conditions are met (Arthur, 1990: 98). This implies that when the system and its

members behave adversely from the original presumption creating a unique pattern of order, neoclassical doctrine relate this anomaly to exogenous existence of intervening from outside the system (Arthur, 1989:115). Hence, an emergent in neoclassical tradition is an alienated concept which sits oddly within neoclassical conditions and presumptions. Consequentially, when they recognise the effect of a new behaviour, such as a new preference or technology, neoclassical economists are unable to relate the direction and the degree of change that the new appearance caused as the nature of its emergence remains unknown and unrecognised by this economic tradition (Foster and Metcafe, 2012). Despite the importance of the nature of emergence and change for economic analysis, this closed system analysis retained its popularity within the mainstream economic mind, accounting only for the consequential power of emerging phenomena and change to the system to the presumptive working order of the system.

Economists recognise the presence of emergent phenomena in its surrounding environment and utilise the term frequently in their analysis. This term was mainly mentioned when they were interested in the nature of order in an economic system (de Haan, 2006). The development of complexity theory contributes to the growing interest on this issue, as it has become a common understanding that the socioeconomic environment constituting a system of economy comprises of multilayers with different forms and degree of characteristics (Harper and Endres, 2012). Recent cases that economists analysed included the market creation process, network-related factors, social structure, agglomeration issue, and other complex economic behaviour (Miller and Page, 2007). In addition to their interest in the nature of the system, economists appealed to the notion of emergence to study the process of change in economic systems. This kind of approach is of interest to evolutionary economists who are more attracted to potential factors enabling transformation that aspired the generation of new ideas and change (Hodgson, 1997). These two sources of interests create that chemistry between economists and emergence. Albeit the commonality of the term, the concept of ‘emergence’ in an economic sense is often left undefined. The concept is only intensively discussed and explored in two economic streams, namely the Evolutionary School and the Complexity School.

Emergence in the perspective of evolutionary economics is shaped by the view that original properties can only arise within the system of economy rather than due to external force (Hodgson, 2002). Hence, the Evolutionary Economics School considers a phenomenon of ‘emergence’ as a product of internal dynamics of endogenous elements of the economic system

(Foster and Metcalfe, 2012). As a consequence, the definition of 'emergence' in the Evolutionary School emphasises the importance of novelty and non-reducibility in describing a process and a product of emergence, which institutionalise further the belief that the emergence process is ignited in and within the elements and micro-structure and travels into the macrostructure, creating an original occurrence, form, and substance, similar to routines, technology, or even institutions (Hodgson, 2000; Dopfer and Potts, 2007). Another consequence of the Evolutionary School perspective on observing a come-into-being phenomena is that the novelty is argued to be restricted out of extemporaneous independent element moves, which implies that the unpredictability nature of the emergence is not essentially a spontaneous order. This is solely as an effect of the strong view of this school that considers macro structures extend 'causal power' to the microstructure, which does not only restrict a micro-level spontaneous order but also comes with an element of controlling and constructing (Hodgson, 2002). Therefore, the Evolutionists consider 'emergence' as a novel and planned product of the internal system.

In a contrasting stance, the Complexity Economics School strongly denies the novelty requirement of 'emergence' and the non-spontaneous order of 'emergence', which the proponents of an Evolutionary Economics School stand for (Kirman, 1997: Tesfatsion, 2002). For them, 'emergence' is pre-existed phenomena that is realised when the differing characteristics are identified. This view is directed by the agent-centric approach that the Complexity Economics School has adopted, which suggests that the behaviour of an agent in the economic system derives from a rational judgement of the agent regulated by the bounded norms and regulations (Epstein, 1999). Thus, a new occurrence, form, or institution in the eye of the Complexity Economists is generated by the micro-level unplanned interaction of rational agents constituting an emergent pattern (Epstein and Axtell, 1996). Furthermore, the microscopic paradigm of this school with its isomorphic generalist rule undeniably presume the reducibility of an 'emergence' pattern. As Holland (2000: 2) described, the Complex Economists, who are more interested in the simple rules that individual agent identified and used to generate and regenerate 'emergence' phenomena respectively, argue that such basic rules are adequate enough to serve an emergent process. Hence, this trust on microelement capacity to learn and adopt a new emergent through an agent network acts as the basis of the reducibility argument of 'emergence' in such tradition. Therefore, complex-economy school's concept of emergence ties together the spontaneous nature of an emergent and the reducibility character of an emergent pattern.

The contrasting view that set the gap between evolutionists and the proponents of complex order suggests that emergence in an economic sense entails dynamic characteristics, defining the situation and the conditions recognised as an emergent case. Albeit the difference, both positions expose socioeconomic reality in which the property of the whole is greater than the complete knowledge of the property of the constituting parts. A closed system orientation with a constrained condition is far from sufficient to unveil the story of new occurrences of patterns, institutions, or even systems (Foster, 2005).

Emergence paradigm, hence, allows economic analysis to expand beyond a conventional position embracing a process of coming-into-being from a naturalistic position. Regardless of whether it contains novel characters and unpredictability or irreducible character, emergence provides opportunity for economic analysis to comprehend the nature and the process of emergence and change in the system when the nature and the boundary of knowledge is reconsidered from the traditional account of conventional economics (Harper and Endres, 2012). This would drive economists toward an extensive learning of socio-economic setting to broaden simplistic and reductionist positions by endogenising omitted social and ecological information within an evolving systemic environment.

2.6. EMERGENCE OF ISLAMIC ECONOMICS AS A SCIENCE

The desire to develop an Islamically authentic approach catering to the value system and worldview of Islam in relation to the organisation of opportunity and resources appeared in the early 1960s following a series of developmental failures in the Muslim world. This idea was raised in a collective manner by Muslim intellectual thinkers, among others, such as Ahmad (1980, 1994, 2003), Siddiqi (1981), Naqvi (1981, 1994, 2003), Chapra (1992, 2000), and Al-Sadr (2000) who believed that developmental failure was due to the incompetency of neither capitalism nor socialism to deliver prosperity and justice. As such, these thinkers proposed alternative developmental prescriptions and an Islamic science of economics to attain these presupposed expectations deriving from Islamic values and injunctions.

In developing the intellectual base, the deduction of the value system of Islam in constructing an alternative economic mechanism outlined the deficiency of both capitalism and socialism in arguing that private interest should remain in harmony with public interest as an important thrust of this authentication. For example, capitalism, which recognises the right of individuals to secure the outcome of its production process and promote the attainment of its product

through an autonomous market mechanism, is considered without a parameter to avoid conflict between private and public interests (Chapra, 2000). In contrast, socialism, which places forward equal distribution of opportunity and resources over the rights of individuals in production and the production process (Chapra, 2000), was unable to generate the growth expected as the space for individual productivity lacks incentive stimulus. Therefore, Islamic economics ideas centre on the interests of balancing between private and public interests (Naqvi, 1994; Chapra, 2000; Ahmad, 1994).

Nevertheless, this aspiration has encountered a serious existential issue. First and foremost, the desire of constructing an Islamically-induced economics system is often regarded as political in nature rather than aspirational. Prior to a modern Islamic economic movement initiated in the 1960s, similar attempts were made to propose an Islamic way of reconfiguring the economy. Sayd Abu'l A'la Mawdudi (1975), for instance, outlined the increasing gap between the rich and the poor in the subcontinent resulting from the capitalistic mode of distribution. In the light of this growing condition, this well-respected scholar and jurist of Indian origin, suggested a modified model for an income distribution scheme by institutionalising *zakat*, mandatory alms giving, which is considered one of the five pillars of Islam, to address the inequality issue (Mawdudi, 1975). Albeit the novelty of the idea, this reform was brought about through a political framework following a revivalist movement rising within the Muslim world (Nagaoka, 2012). Therefore, this strong political influence undermines the substance proposed by Mawdudi, who is considered as the founder of Islamic economics (Wilson, 2004: 196). As a result, independency and the uniqueness of an Islamic economic paradigm is being questioned (Kuran, 2004).

The existence of Islamic economics is also under question for its unclear mechanical stand and theoretical underdevelopment. Kuran (1986) pointed out that the normativeness of Islamic values and norms to guide individual behaviour creates obscurity in many cases. It is unclear to what extent that wages and profits can be regarded as just and acceptable according to this value system. The same problem also rested on both consumption and production activities as the tempering effect of the values and norms provide no decisiveness on what is normal in an Islamic sense. In a similar sense, Hosseini (1987) also stressed the normativeness problem that Islamic economics have to encounter taking the values and norms into the heart of the notion. The interpretation of such normative value set depends on intellectual and cultural backgrounds and, hence, it is subject to bias.

An obvious example is on the extent to which the scholars' interpretation is in favour of recognising individual property rights. Mannan (1970), for instance, is an advocate of an open and fair-contested market committed to minimum government and regulatory intervention. From an opposing view, Naqvi (1981: 8) asserted that private interests towards property should only be allowed to a limited end to ensure that an agglomeration over opportunity and resources is not taking place. In addition, assorted interpretations of these normative values and norms can lead into multiple interpretations of what is considered as an Islamic economic practice. A heterogeneous understanding made it difficult for the greater crowd to familiarise its self to the scientific world and considered this movement as solely cultural in nature (Haque, 1990; Philipp, 1992).

The lack of theoretical constructs is another serious issue that Islamic economics as a distinct knowledge system has also encountered. As a new construct, Islamic economics lacks intellectual exploration in comparison to mainstream economic discourse that has experienced existential challenges in the form of theoretical development, methodological refinement, and institutional reform. In the early stage of its development, intensive writings covered the discourse on what is and what is not considered as Islamic economics by applying a compare and contrast rule towards mainly capitalism and socialism. This style of writing can be found in the work of renowned names, including, Khan (1951) and Al-Sadr (2000), and even in the early works of the founding fathers of the Islamic economics movement, such as Ahmad (1970) and Siddiqi (1975). Most of these writings denounce the structural and behavioural deficiency of other economic approaches and outline the incompatibility of its philosophy and articulation to the value system of Islam.

Another serious exploration in the development of Islamic economics theory revisited and traced back earlier works of philosophers of the Muslim world as an attempt to draw a lesson from economic challenges of the past and extract conceptions as a foundation for Islamic economics. Famous philosophers and scholars, whose works were revisited by intellectuals appealed to the notion of Islamic economics, were among others Abu Yoesuf (731-798 AD), Abu Hamid Al-Ghazali (1058-1111 AD), Ibn Taymiyyah (1263-1328 AD), and Ibn Khaldun (1332-1406 AD). In so doing, these intellectuals benefited from the intellectual reasoning and even experience of these medieval thinkers and jurists in dealing with economic-related and public policy issues in their era. Besides the purpose of theoretical explorations, another aim

of this investigation outlines contributions of classical Muslim scholars towards the development of contemporary economic concepts (Siddiqi and Ghazanfar, 2001).

The problem of the earlier writing on Islamic economics focussed on the compare and contrast method which paid excessive attention towards other economics approaches leaving the substance of Islamic economics underexplored (Philipp, 1990). While that was the case for this pole of discourse in Islamic economics, the other pole of study was questioned for its relevancy to modern economic discourse and challenges, adding an 'outdated' label to this concept in development. Such drawbacks in both these approaches caused their contribution to be less relevant to the development of Islamic economic discourse as placed less emphasis on potential contributions of Islamic economics. Hence, in making sense of Islamic economic ideas, a number of contenders have attempted to fit values and norms of Islam within the value system and practices of other economic approaches, inspired by the early work of Lewis (1954) and Rodinson (1966).

The contenders of this style referred to above, have explored and identified the values and norms of Islam that rest in either capitalism or socialism and argued that either Islam is compatible to that particular economic thinking or such economic prescriptions and concepts represents the value system of Islam. On one hand, writers avowed to the belief that Islamic values and norms encourage a communitarian economic order which concludes that an Islamic economic model is closer to the underlying theory and practices of socialism (Lewis, 1954; Shariati, 1980). On the other hand, the congruity of Islamic teaching on trade promotion is likened to capitalism's endorsement on private interest purposes that seems to guide the contributing writers to assert that Islam favours the notion of capitalism (Rodinson, 1966; Hosseini, 1988; Reza 1989). Albeit such coherency, it has to be clarified that the dialectical position of each sub-approach does not necessarily imply that an Islamic way of distributing opportunity and resources either constitute capitalism or socialism (Mahomedy, 2013). These writers held onto the Islamic disposition of its position and propose an alternative version of either capitalism or socialism. Therefore, most works are majorly Islamising capitalism or Islamising socialism rather than capitalising or 'socialising' Islam. Again, the proponents of this line faced serious contestation over the ground that each of these-*ism*'s core principles are, in fact, conflicting with the principle of Islam, which have been outlined and emphasised by scholars such as Rahman (1979) and Naqvi (1981).

Another cohort of writers made serious attempts to fill the gap in the theoretical constructs and clarity issues on Islamic economic concepts by locating this economic approach within modern science applying conventional methods and methodology of economy (Warde, 2010). By assuming that Muslims behave in accordance to a unique set of behavioural norms, an economic order works on a different setting and aims to produce specific outcomes of a just and equitable society. Hence, this particular behaviour of individuals expresses the embeddedness of Islamic values and norms in everyday life, including the economy. Furthermore, this behavioural character imposes a collective understanding of economic order as an attempt to maintain a moral identity of a society assuring that the outcome is shaped by the normative consideration that Islam suggested (Asutay, 2007a, 2012, 2013). The adoption of an Islamic paradigm as the expression of Muslim moral identity is bounded to the process of possessing and utilising resources for the fulfilment of subsistence and desires (Kahf, 2003). In approaching issues of scarcity and self-interest, this body of writers unintentionally embrace notions of (Islamic) moral economy, where the importance of preserving subsistence is central to the concept, as promoted by Asutay (2007a, 2007b, 2012, 2013). Therefore, this approach is one that engaged in a discussion with the broader science of economics, contesting the materialism paradigm that neo-classical economy is propagating a systemic understanding of Islamic economics in a structured and scientific sense.

2.7. ISLAMIC ECONOMICS AS A CASE OF EMERGENCE OF SCIENCE

The emergence of Islamic economics as a distinct science is inseparable from the generalisation of neoclassical economic paradox that assumes that individual economic behaviour follows the principle of rationality. This principle assumes that individuals seek to maximise their utility defined as a mental satisfaction or material gain (Becker, 1976:5; Hodgson, 1999: 29; Fleetwood, 2016: 301). Hence, human beings are considered as rational economic agents when such a condition is maintained as an objective function. This assumption is particularly true under the institutional environment that only recognises market institutions as the determinant of an agent's relationship (Arrow, 1963: 945; St Paul, 2000). Under this situation, the decision of an individual solely reflects their economic gains as it is the mechanism that facilitates social relationships.

It is, however, important to note that the institution of social relationships goes beyond the institution of the market. The intertwining between individuals and their original setting inevitably binds all individuals, including economic agents, to the institution of social

constructs. Many studies have demonstrated through historical achievements and contemporary case studies that individual action is shaped by the informal norms of the groups they belong to (*see*, among others: Homan, 1950). As a result, incentive is determined by things beyond economic gain as it is attached to a social setting. If this is true, it brings another dimension of agent's behaviour in the market so that the *homoeconomicus* personification is only a novellas figure. Such a claim is not necessarily novel as Durkheim (1970) already stressed that, "… The man that we know, the real man, is so much more complex, he belongs to a time and a country, he lives somewhere, he has a family, a religious faith, and political ideas". Therefore, albeit the presence of *homoeconomicus* in the market, an economic man is still *homosocialus* in nature. This is the position that the founding fathers of Islamic economics brought forward in planting their reflection of Islam in an economic sense. This view has been enhanced by post-modernist philosophy which challenged the universalist idea of social sciences, including economics, thereby, suggesting that economy and economics is value loaded and Eurocentric in nature (*see*: Ozay, 2002).

The assertion that *homoeconomicus* is not the right representation of *homosocialus*, in general, and even *homoIslamicus*, in particular, brings back the old debate between formalist and substantivist that circled around the problem of a reductionist approach to the neo-classical economic man. The formalist is committed to the universality of reductionist assumptions that all human beings are economic individuals, behaving rationally to maximise their utility (Polanyi, 1957: 122). Hence, this approach claims that rational economic minds is a cross-cultural approach that fit into the peasantry norms. On the other hand, a substantivist maintains that the behaviour of economic individuals does not solely rely on the pursuance of economic gain as social contracts and institutions are also accounted for in a decision-making process (Elardo and Campbell, 2006). Hence, the claim that economic minds are a cross-culturally relevant disposition is a fabricated endorsement of the neo-classical claim with weak cultural legitimacy and social grounds according to the views of the substantivist.

This debate was substantiated in Polanyi's (1944) seminal work, *The Great Transformation* which elaborated further in a piece in *The Trade and Market in the Early Empires* (Polanyi, 1961) by referring to the dual means-ends meaning of economics. On one hand, Polanyi refers to the definition of economics through the formalist character of it, suggesting that rational choice is prevalent to sort out alternatives within a condition of scarcity. On the other hand, Polanyi also submits to the belief that economics also imposes a substantive meaning, which

imply that the 'economising' character of economics is rooted from the provisional nature of economy for the objective of the society beyond and including the maximising assumption. In other words, Polanyi (1944) emphasised that the economy should be embedded in the social formation of a society and should be product of respective social formation.

The main theme of the debate between the formalist and substantivist is indirectly related to the notion of embeddedness, which Polanyi (1944) raised in his discussion. Instead of questioning whether individuals possess a legitimate autonomy of individual decision-making, Polanyi views the issue from the opposite angle, taking the stand that the autonomy of an individual is rather attached to the customs and the patterns of society. Hence, embeddedness in a Polanyian sense refers to the entrenchment and imposition of social values and norms to the action of individuals, as well as, the operationalisation of the market (Polanyi, 1944). In other words, social norms and institutions define and determine individual and market functioning. The concept of embeddedness, hence, is central to Polanyian understanding on the transformation of society, from a pre-modern to modern society. Polanyi (1944) argued that the classical economy doctrine required a fundamental change in the landscape of social relations and operations to function, reversing market positions from subordinate to superior. As a result, social relationships are then defined and confined by the logical reasoning of the market as described by classical and later neo-classical economy's operational assumptions. For Polanyi (1944), the emergence of the 'marketisation' of social relationships and the emergence of fictitious commodities and commodification as a result of unregulated markets, marks the great transformation from an embedded to disembedded society by removing its substance thereby affecting the economic operation of the society.

The formalist/substantivist debate that commenced in the 1960s disappeared from the main stage of cultural-economic debate without a definite conclusion. The proponents of a so-called formalist position continued to ignore substantivist objections on the grounds that their proposed model was of a broad-spectrum and, hence, its universality applied under any conditions. They argued that the contender of the neo-classical position misread the maxim of maximisation of profit as a one-sided profit maximisation, while, in fact, it delineates a larger perspective of the value-maximising consideration that people made and expressed in their choices (LeClair and Schneider, 1968: 8) On the opposite ground, the substantivists stick to their position that economic agents are not constantly independent of their economic decisions. In reading the pre-modern society, Polanyi (1944) argued that, in the embedded nature of moral

economy, society is organised on the account of reciprocity, redistribution, and exchange. Beyond personal economic (material) gain, individual decision-making in the pre-market society is considered the welfare of other individual agents. As social norms and institutions bound individual actions, the analysis of choices would on very basic terms incorporate and reflect an incessant social relationship, even under the condition of scarcity (Sahlins, 1965: 140). This phenomenon can only be captured by an approach that endogenously involves society in the observation of economic relationships so that such aspects are better recorded (Dalton, 1969: 65).

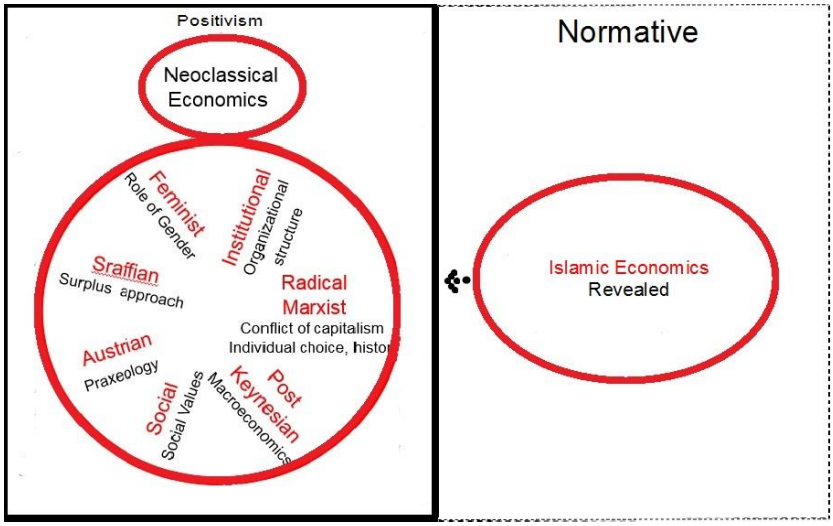
The founding fathers of Islamic economics are inexorably enlightened by the substantivist position, which maintained that the 'embeddedness' of social norms and institutions of Islam, derived from the ontological sources of Islam, tie and shape everyday practices of individual Muslims, including in economic matters. The aspirational voices of the founding fathers of Islamic economics demonstrate a response toward the deterring generalisation of neo-classical economics, which has not only misread the purpose and economic actions of individual Muslims but also denounces the bounded rationality of these agents in the economic sphere (Warde, 2010). Thus, the emergence of Islamic economics is an intellectual and structural response toward a market economy with its formalist position. This reactional and embeddedness nature of Islamic economics strings this construct to the concept of 'moral economy', which was first coined by Thompson (1971). In observing the social reactions of peasant Englishmen during the transition of their society from pre-modern to modernity, he argued that this reaction spanned beyond that of the socially-unacceptable market-oriented hoarding and windfall profit-taking behaviour of the elites. The value disposition process in the transition to a market economy at at the very heart of this response. Similarly, the emergence of Islamic economics is also extended beyond a sole reaction to a market economy. It conveys an intellectual understanding of the 'embeddedness' of values and norms of Islam in social (economic) relationships, which are not represented in the neo-classical economic understanding.

The presence of Islamic economics epitomises a reflection of imperfect reducibility of an imposing paradigm, value system and axioms of the neoclassical economy toward the behaviour of individuals. In the case of religiously motivated behaviour, Muslim economic behaviour is often determined by the paradigm, value system and axioms of Islam (Asutay, 2007a, 2007b, 2012, 2013). Hence, a diverging behaviour is often recorded in the presupposed

common rational behaviour of the neoclassical economy when this neoclassical standard is in conflict with the Islamic one. Nevertheless, by arguing that such a conflict occurred within an individual domain, the debate will typically end up being a debate between physicist and chemist on the origin of an organic evolution (Sperry, 1986: 269). As each position considers a particular point of interest that shapes their view and understanding of a particular phenomenon, one should consider the paradigm that each economic approach adopts and utilises.

Figure 2.1 demonstrates the scope of consideration that positivist economy, heterodox economy, and Islamic economy incorporated in understanding agents' distribution of opportunity and resources. Neoclassical economics and other formalistic economic schools, despite being heterodox schools, rest in the positivist paradigm of observing and assessing phenomena and reality. As such, these schools embrace phenomena of which they can observe and measure. The positivist view that these schools adopted often guide the process of understanding the reality through a deterministic methodology, applying a cause and effect rule or even a given theory to analyse the subject of interest in a deductive manner. Consequently, schools adhering to this approach rely heavily on the strength and the reliability of scientific tools in extracting empirical evidence, exposing further the mechanistic view of investigating phenomenon.

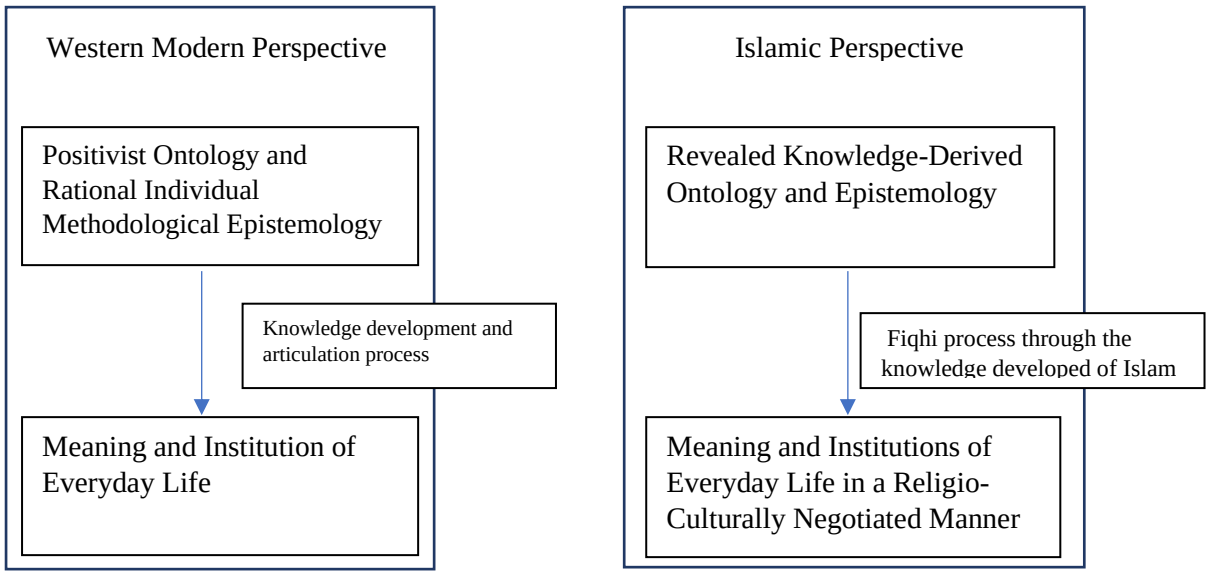
Figure 2.1: Positivist-Normative World in an Economic Sense



Source: Avdukic & Asutay (2019)

In a contrasting stance, the proponents of Islamic economics work towards developing an approach with a paradigm that merges positive and normative considerations. As delineated in its framing, it is Islamic due to the 'embeddedness' of the teaching of Islam to maintain the moral identity of Islam, and also economics, due to the articulation of these values and norms of Islam into concerns of distributing opportunity and resources. Therefore, it is sourced from normative values interpreted and transformed into a practical order, mechanics, and behaviour related to this cause.

Figure 2.2: ***Knowledge and Order Relationship: Western and Islamic Approach***



Source: Asutay (2018)

The embeddedness of the wisdom of Islam and its links to the expected moral outcome also tell a unique ontology and epistemology of Islamic economics. Figure 2.2 describes the ontological and epistemological differences between Western and Islamic approaches. Western modern perspectives suppose that individuals convey a positivist rational view. In exercising decisions, individuals utilise scientifically rigorous methods of analysis and consider scientifically-proven facts and relevant matters in order to assess various available options. In the end, individuals will select the best possible option maximising the utility of the individual within the boundary of a positivist paradigm. Thus, this western modern perspective produces meanings and institutions of everyday life incorporating materialist considerations and utility maximising selections. In contrast, Islamic ontological and epistemological views impose the values and norms of Islam when defining the meaning and late producing institutions of everyday life. As such, this *fiqhi* process is expected to assure that outcomes reflect a religious

framework. Such a specific ontology and epistemology set defines the novelty of Islamic economics as an economic paradigm.

The ontological and epistemological specificity of Islamic doctrine enlightens the discussion on the irreducibility nature of the hegemonic positivist ontological orientation. This unique base of rational consideration directing the process of articulation of meaning and everyday organisation shapes the direction of outcomes toward a religiously and culturally acceptable end. The presence of 'irrational' agents in neo-classical terms inspired by religious accounts demonstrate that the imposed paradigm of the hegemonic economic thinking and system is not fully deduced to the bases (Ariely, 2008). Albeit the dominancy of the mainstream economic paradigm, the microstructure retains its own properties and characteristics defined by its paradigm. This irreducibility characteristic of the socio-economic environment reduces the chance for a breaking point to re-occur as the condition required to generate this specific outcome is not always maintained (Lawson, 2003: 44). Hence, the deterministic nature of neoclassical economy is in a difficult position to obtain its expected end unless some alterations are made. Even when the required condition is enabled, the outcome somewhat follows an unpredictable pattern.

The persistence of Islamic ontological and epistemological paradigms in the production of meaning and institutions until the appearance of Islamic economics as a modern discourse raises this thought that there is a possible causal relationship between the 'parts' and the 'whole'. Traditionally, emergentists adhere to the view that the 'whole' has a causal power over the 'parts' or commonly known as a downward causation view (Klee, 1984: Kim, 1992). In recent times, however, emergentists approach this view in an opposing direction, supposing that the property of an emergent can impact the property of the 'whole' (Stephan, 1998). The latter case is more prevalent in the case of Islamic economics that the former. Islamic economics as a product of intellectual Muslims subscribing to a worldview of Islam started to earn space in the socio-economic world when the idea is captured by others sharing similar views.

The growing recognition of its underlying reasoning and its aspirational objectives enable the construct to acquire spaces in the socio-economic sphere and later re-negotiate the definition of rational behaviour from a narrow-centric neo-classical view into an Islamic perspective. The recent phenomena of religiously-catered financial services and philanthropic action is the evidence of such a negotiation status between mainstream constructs with an emerging

religious construct. This asserts that Islamic economics is an attempt to infuse economic order with Islamic paradigms of thinking and its following value injunction, has caused a certain degree of shifts in the original mode of the mainstream economy.

2.8. SYSTEMIC UNDERSTANDING OF ISLAMIC ECONOMIC SCIENCE

The significant role of the ethical order of Islamic economics concepts, governed by ethical norms of Islam, implies that an Islamic system of economics is inseparable from the ruling codes and values of Islam, which expose Islamic 'revealed knowledge' as the point of reference. Within this in mind, an established and judicious Islamic economics requires the attachment of Islamic normative moral-ethical considerations within individual, institutional, and state economic transactions and activities. Thus, Islamic economics is both a study of economic challenges of "people imbued with the values of Islam" (Mannan, 1986: 18) and a policy-maker approach toward the challenges, which are guided by the Qur'an and *Sunnah* (Tag el-Din, 1994). Consequently, the reliance of Islamic economics in its ethical order as an identity distinction as described by Kuran (1997) would suggest that Islamic economics conceptions are well-matched with a deductive approach.

Besides the distinctive systemic nature of Islamic economics that can be identified through the ethical norms and principles of Islam, the distinction of Islamic economics as a system of order can also be traced from the foundational features of the system. As Gregory and Stuart (1995: 12) point out, there are four essential characteristics that expand the order of practices of an economy, namely "the organisation of decision making; mechanism for the provision of information and coordination; property rights; and incentive mechanism". In the Islamic system of economics, the first and the fourth characteristics are set by the ethical norms of Islam that determine the objectives of individuals and society, including institutions and states, while the second and the third characteristics are shaped by "axioms and principles" of Islam (Kahf, 1989). In other words, an Islamic system of economy has to depart from particular ontological and epistemological sources as the determinants of their objects and functioning procedures that operationalise through the axioms and principles. In response to this compulsion, Asutay (2007) develops comprehensive characteristics of an Islamic economic system by expanding its characteristics into six determining components:

(i) Framework paradigm
(ii) Value system
(iii) Foundational Axioms

(iv) Operational Principles
(v) Specific Methodology
(vi) Functional Institutions

The following section, therefore, aims to locate such features by determining the systemic nature of an Islamic economy, as theoretised by Islamic economics.

2.8.1. Framework Paradigm and Value System

The label of 'Islam' that Islamic economics possessed inevitably associates this religiously-based economics with the principles and norms of Islam. Consequently, this association demands (Islamic) economics to embrace Islamic paradigms and to place the ontological and epistemological source of Islam, namely, the Qur'an and the *Sunnah*, as the point of reference.

Islamic paradigms that Islamic economics adopted defines the worldview of Muslims in economic activities, whereas, the value system outlined by *Shari'ah* provide guidelines for Muslims to accentuate this worldview. In other words, the articulation of an economics within the Islamic economics system is derived from the injunction and rules of *Shari'ah*, which aim to serve the objectives of Islam. One of the main objectives of *Shari'ah* for Islamic economics is the realisation of social justice and equality (Khan, 1984; Ghazanfar and Islahi, 1997; Zaman, 2005). Islamic finance emerged as a response to this call by eradicating the unjust and exploitative practices of interest practices of the financial system. As an alternative, Islamic finance offers a concept where a financial intermediary, such as a bank, actively participates in the economy by becoming investors through a profit-loss mechanism. In addition to this, sustainable business practices are also promoted within an Islamic economy to advance equitable and just practices (Asutay, 2007b).

Nevertheless, the attainment of social justice, as the definition of Islamic economics, should be framed within a greater perspective to fulfil the ultimate goals defined for individual objectives within Islamic economics which is *falah,* or success in this world, and the hereafter (Chapra, 1992, 2000; Naqvi, 1981, 1994; Tag El-Din, 2008; Khan, 1989; Arif, 1989; Kahf, 2003; Siddiqi, 2008; Choudhury, 1995, 2000). Thus, resource acquirement and disposal are organised to realise this goal. According to Al-Ghazali (1058-1111AD), there are four forms of goods, namely, goods of the soul, goods of the body, external goods, and divine grace. In this regard, material resources are considered as external goods, which only partially satisfy human needs for happiness. Such balance between these forms of goods is what will aid a

realisation of *falah.* Khan (1989), Haneef (2005), and Zaman (2008) avow that the fulfilment of *falah*, hence, the balance between the possession and utilisation of different types of goods are pertained through mechanisms of justice. Therefore, it can be asserted that Islamic economics aims to facilitate the realisation of human success in this world and in the hereafter through the value system of Islam subject to expanding *ihsan* or equilibrium in the society in the sense through which *falah* requires those who have reached a certain level of *falah* are to help others to attain a similar level (Asutay, 2018).

2.8.2. Foundational Axioms

Prominent Islamic economists, such as Ahmad (1994, 2004), Chapra (1992, 2000) and Naqvi (1994, 2003) proposed an axiomatic approach to establish a fundamental theory of Islamic economics, as part of an Islamic economic system, suggesting a set of normative values of Islam guiding Muslims' economic activities. These axioms are later extended by Asutay (2007, 2013) as follows:

Tawhid (complementarity and unitarity):

Tawhid or the oneness of God is often referred by Choudhury (1997) as the root of ethical values of Islamic economics. It is a concept that exhibits a vertical connection between the supreme Lord and creator of human beings, with the imperfect individual and societal creation (Naqvi, 1994: 26). This verticality sets an equal distance for every Muslim with their creator in terms of their accessibility to the bounties of God on earth, where the established distance depends on the adherence of an individual Muslim to God's will. Importantly, this axiom essentialises the complementarity in the sense that everything in the universe is connected as part of an integrated whole; and therefore, interactions determine the nature of operation in every part of life. This implies, for example, that labour and capital complements each other as part of Islamic modes of production, rather than being in competition. This also implies that none of the factors of production can be dominant over the other, which rationalises the prohibition of *riba* in terms of overcoming its dominance (Asutay, 2018).

In addition, the indirect consequence of this concept lies within the devotion of Muslims towards the guidelines set by His prophets and the existence of the day of judgement, which is sourced from the view that everything in this world belongs to the supreme creator (Ahmad, 2003: 193). The two-dimensional *falah* function (Asutay, 2018), which connects worldly and hereafter objectives, cultivates an essential view of the aim of an individual that should direct

both worldly and hereafter beneficence to achieve *falah* as expected by the Lord (Asutay, 2013). It is, therefore, important to state that *tawhid* suggests complementarity between all the creatures and stakeholders through the articulation of God on earth.

Al-'adl (justice):

Al-'adl literally means justice, yet, the conceptual notion behind this value is broader than its literal meaning. The approach of Islam to justice is inseparable from the complementarity view of *tawhid*, where an individual is surrounded by society such that the interests of the individual is also clothed by social interest. The establishment of Islamic moral codes within revealed knowledge accommodates this complementarity as the essence and the boundary of justice are defined within a moral code. Ibn Qayyim (1961) stated that justice is the end that Islam aims for, facilitated by the Qur'an and the *Sunnah's* norms and values, while Qutb (1953[1949]:40) associated justice as the natural consequence of the enactment of the principles of *Shari'ah*. Thus, while *tawhid* defines the vertical connection between God and Muslims, *al-'adl* highlights the ideal condition of horizontal relationships between individuals, society, institutions and states, where values and norms are translated into goals, plans and actions with the objective of having equal access to the resources and opportunities created by God (Asutay, 2018).

In accordance to matters of wealth and distribution, justice has been mostly translated into the provision of social welfare in a fair and equitable manner. As the principles work as an end for any defined horizontal relationship, covering legal, political and even economic spheres (Naqvi, 1994: 27), the commitment towards the preservation of fair and equitable principles within multidimensional perspectives assures the realisation of social justice. Kamali (2009) states that the Qur'an underlines the importance of cooperation, benevolence, provision of the sustenance of need, and even the protection of both individual and social interests through the institution of *hisbah*. The latter can be expanded to the preservation of justice toward the elimination of exploitation and other anti-justice acts codified in the prohibition of interest-taking and other wrongdoing. However, the maintenance of social justice should not be viewed in this-generation-only manner. Instead, multigenerational perspectives are what this principle is endorsing within the attainment of balance and harmony (Asutay, 2013). Therefore, all actors, including individual, society, and states, are encouraged to hold those principles in favour to the realisation of social justice.

Ihsan (beneficence and equilibrium):

The promotion of social justice requires a condition where an individual within the system is devoted toward the realisation of justice, considering values and norms of Islam. Thus, Islamic economics in daily conduct adopted a multidimensional and multigenerational view where an individual is viewed as a member of a system contributing to the overall process of the realisation of justice to achieve *falah* theorises that those who attain *falah* should also seek *ihsan* to establish equilibrium in society through redistributing resources and opportunity spaces to those who do not have these (Asutay, 2018).

Zaman and Asutay (2009) interpret in the same order where *ihsan* would emerge in the form full 'actualisation and realisations' of wholesome fundamental principles and axioms. This is the main qualification of *ihsan*, which would decide to what extent social justice is sought and preserved by a community. Najjar (2009: 122) argues that individuals with attached characteristics consider the goal of social justice, thus, *falah* in the action taken, to prioritise the interests of a community and greater causes over individual intentions for sustaining perfect order and balance. Thus, *Ihsanul Muslimin* ("Excellent Muslims") actions echoe the perceived ethical norms and values of Islam, while the product reflects the highest priority and consideration among others (Bedoui, 2012).

This image is created only when individuals integrate the entire two-dimensional utility accounting *tawhid* and other foundational axioms into their behaviour, which mirrors the saying of the Prophet Muhammad (pbuh): "Worship Allah as if you saw Him, because if you do not see Him, He sees you" (Muslim cited within Najjar, 2009). Therefore, *ihsan* requires not only establishing justice by also delivering *adalah* at an individual level, but also refers to expanding it as social capital so that other people's wellbeing can be integrated into individual objective functions through *ihsan*, as the *tawhid* or complementarity axiom suggests (Asutay, 2018).

Rububiyah (development path for perfection):

Rububiyah is a direct consequence of the requirement of a *tawhid* framework, where the faith in the presence of *Allah* would subsequently arouse the faith in the order defined by the supreme Lord. This order is well-documented in revealed knowledge and should be referred to by every individual in determining goals, objectives, and operational procedures of worldly affairs. Ahmad (1979: 12) defines *rububiyah* as a deific provision for subsistence, continuation,

and perpetual guidance towards ideal supremacy, as described by revealed knowledge. This principle is often referred to as the concept of sustainability, which stresses continuation over a long period and intergeneration of time. However, the meaning of *rububiyah* is not limited to a preservation of goods, so that it is not used up. Instead, it is still tied to the concept of *al-'adl*, where balance and harmony between social and economic elements should be maintained within this sustainability. In other words, *rububiyah* suggests that Allah created all the creatures with a development path of perfection, and therefore, they should be given an opportunity space to actualise their development (Asutay, 2018). It, therefore, refers to all required factors for individuals, society, and states to achieve balance and harmony for perfection.

For this reason, what the Qur'an emphasises as essential for the realisation of social justice is expressed by the principle of cooperation, benevolence, provision of the sustenance of needs, and even the protection of both individual and social interests, which should be the path-dependent factors for the establishment of justice and equality. Asutay (2013) refers to this as a universal standard of perfection applied to anyone and everything. This standard applies not only to the systemic environment of order, but also to the social order in which a human is a member of this order. Thus, human free-will is expected to be directed by this view and the following standards.

Tazkiyah (growth in harmony):

Tazkiyah is the product of an integral realisation of *tawhid, al-'adl, rububiyah , fard, ikhtiyar,* and *khilafah*, in the sense that the 'purification' process is continuously promoted in the growth process of human and other creatures within implicit constraints of achieving balance and harmony (Asutay, 2007). In other words, individual and society's aim of development are served by personal, social and economic striving towards 'perfection' of behaviour and association (Ahmad, 1994: 20). Thus, as an extension of *tawhid*, *tazkiyah* suggests the any economic activity has to consider the interests of all the stakeholders and, therefore, the growth of one stakeholder cannot be at the expense of the *rububiyah* condition of other stakeholders (Asutay, 2018). For instance, Asutay (2013) argues that *tazkiyah* underlines the ability of voluntary action serving the goal of salvation. As such, the notion of responsibility within a *tawhid* framework, where individuals embed to other individuals, society, and God, acts as a purification mechanism. In *tazkiyah*, the process of achieving particular aims is not a static course, which is motivated by the aspiration to the evolvement of attitudes and relationships and, at the same time, acknowledges the limited use and function of social and environmental

institutions. This point out the reality that attaining *al-adl* is a continuous process of human struggle toward perfection.

***Fard (mandatory responsibility)*:**

Fard or mandatory responsibility refers to unrestricted yet implied duty of individuals within society and within greater society for the preservation of social goods as the consequence of *tawhid, al-'adl,* and *rububiyah*. Hence, it is a multi-sided responsibility, related to individual duty to God, other individuals, and society, as well as, society's duty to God, individuals within society, and other societies (Naqvi, 1994: 33). In a social context, responsibility is the connection that binds a member of the group to the group, or a group to a wider group as an unavoidable consequence of group commonality, to maintain the society's order in accordance to the 'divine nourishment' of Islamic economics order. This would bring responsibility as an importance decision-making factor apart from the self-consideration view as an untied chain of consequence of an individual as part of society, wider society, and a creation of Allah.

A quality that facilitated individuals in performing their responsibility toward other individuals is decoded in the quality of *ukhuwah* or brotherhood, where the sense of attachment, belonging, and positive community reinforcement are nourished and endorsed as part of the belief system to develop an ideal society out of an Islamic view (Zaman and Asutay, 2009). Thus, in an attempt to overcome the observed conflict between self-interest and social interest, by making certain actions *fard* or mandatory, Islamic moral economy aims to achieve at least the delivery of the minimum responsibility towards social goods (Asutay, 2018). With this, in the case of unfulfillment of *ihsan*, at least the minimum social good can be achieved in the society. An important example for this is *zakah*, which is a right of the society to be returned to the society so that at least a minimum social good, for example, the alleviation of poverty can be overcome.

Ikhtiyar (free will):

Ikhtiyar or free-will is a term that coined individual freedom from an Islamic perspective. Although it is attached with the word 'free', free-will in Islam is not limitless and is still guided by a certain order to assure that this attached right can fit into a social context and intergenerational frame (Naqvi, 1994:31). This is because free-will of individuals is capped by a responsibility toward others and toward its duty as a member of an ordered system, defined by Allah.

Khilafah (vicegerency of human):

Khilafah is a concept of a human as a vicegerent on earth. This vicegerent role that a human reflects is related to the quality of *amanah* or trust that is embodied within the individual. This quality explains an individual as possessing free-will, while tied to social responsibility as an element of a greater superstructure. As such, a *khilafah* is an *amanah* individual, who observes the specific role of a human as a servant of God's will with rationality and responsibility, to promote goods, to avoid wrongdoing, to uphold just practices, and to encourage benevolent conduct (Ahmad, 2003: 193). This duty is believed to derive from a *tawhid* view that substantiates human presence and is extended further into the realisation of other duties entitled by this framework. This can include "universal solidarity, sustainable consumption of resources… pursuing a humble lifestyle and having human freedoms" (Asutay, 2007: 8). Thus, the *khilafah* role of a human-being is related to an unbroken chain of individuals, as part of society, where responsibility is imposed within the available free-will to pursue *tawhidi* objectives of the two-dimensional *falah* function and to maintain that defined order of perfection in *rububiyah*.

Maqasid al-Shariah (Higher Objective of Shari'ah):

Maqasid al-Shariah or the higher objective of *shari'ah* have been interpreted in various manners, but in general as Chapra (2000) defines, it refers to human well-being in the sense that whatever action is taken it has to consider this. For instance, Al-Ghazali (Chapra, 1992: 1) stresses five items deemed to be necessary for achieving personal and material satisfaction, namely: the protection of faith, life, intellectual, progeny, and wealth, without which balance and harmony of the society will not be well-maintained. Cizakca (2007) extends the interpretation of *maqasid* into modern concerns by endorsing the rule of *istishab* and adopting a positivist methodology into new challenges where prohibitive injunctions are seen as an exception. This follows a similar approach that Siddiqi (2004) suggested in which *maqasid* is interpreted in a holistic manner acting beyond literal forms and emphasising the ends it aims to achieve. He outlined the inability of a law-endorsed system to provide solutions to multidimensional problems, such as poverty and social inequality, and advised inclusive measures in developing a mode to achieve the objectives of *Shari'ah.* This includes proactive measures in social issues through the adaptation of dynamic and evolving approaches to handling problems, broadening the function of Islamic law as a narrow and restricted boundary

on solving issues. It should be noted that development requires proactive involvement of all stakeholders, while Ghazalian *maqasid* only refers to 'protection' of five items. Therefore, Ibn Qayyimian's approach of limitless *maqasid* is determined according to the context of development tol provide the expected proactivity in achieving human well-being.

2.8.3. Some Operational Procedures

The above axioms substantiate the presence of a structured and distinct Islamic economic system as the foundational principles are unique (Arif, 1989) and remained attached within the system given that the principles are treated as an ethical system (Asutay, 2007). In other words, they constitute the systematic knowledge base of an Islamic system of economics. Thus, emphasising an Islamic economic system through a system of ethics rather than descriptive codes of ruling also implies that an Islamic economic approach greatly stresses the consequence of plans and action. Ul-Haq (1995: 84-85) discuss various implications of an ethical order of Islam, such as the notion that within what we produce, there is the right of others representing responsibility ethics in Islam. Similarly, individual conduct is expected to be aspired by the values of morality, where the system maintained equal opportunities and located multidimensional and intergenerational perspectives within consideration.

On another scale, Ahmad (2004: 193) underlines the quality of *amanah* attached to the ethical framework of Islam, which aims to prevent individuals from exploiting their rights leading to the persuasion of ethical objectives of *Shari'ah*. Within the market, society and polity, Chapra (1992) is convinced that social priorities will find places within individual objectives when the ethical system is run accordingly. The proposed values of competition and cooperation will guide competitive behaviour to groom healthy and sustainable *falah* oriented views, acting as a moral filter of the market (Ahmad, 2004: 195). Consistent with cooperation and coordination of social construction, sustainability is considered core to the organisation of personal and material fulfilment, where resource misuse is prevented for the next generation in view of inter-generational justice along with intra-generational social justice. Therefore, the principles that are brought forward by an Islamic economic system direct the consequence of plans and actions of individuals, society, and the state towards the continuous purification to earn salvation or *falah*, in accordance with an Islamic view.

In sum, as Asutay (2018) concludes, the consequence of axioms suggests that Islamic systems of economics generates a moral economy in terms of economy being embedded in the social

formation of Islamic society which is articulated in the institutional form of a sharing and participatory economy, through which risks, as well as, profit-and-losses are shared. In such a system, reciprocity, mutuality and community and charity is essentialised, while fictitious commodities and commodification is prevented (Asutay, 2013). Furthermore, Islamic political economy, through such features and a normative world of Islam suggests particular modes of production shaped by the Islamic social formation, in which the factors of production are re-defined beyond commodification in line with the axioms of Islamic economics.

2.8.4. Specific Methodology

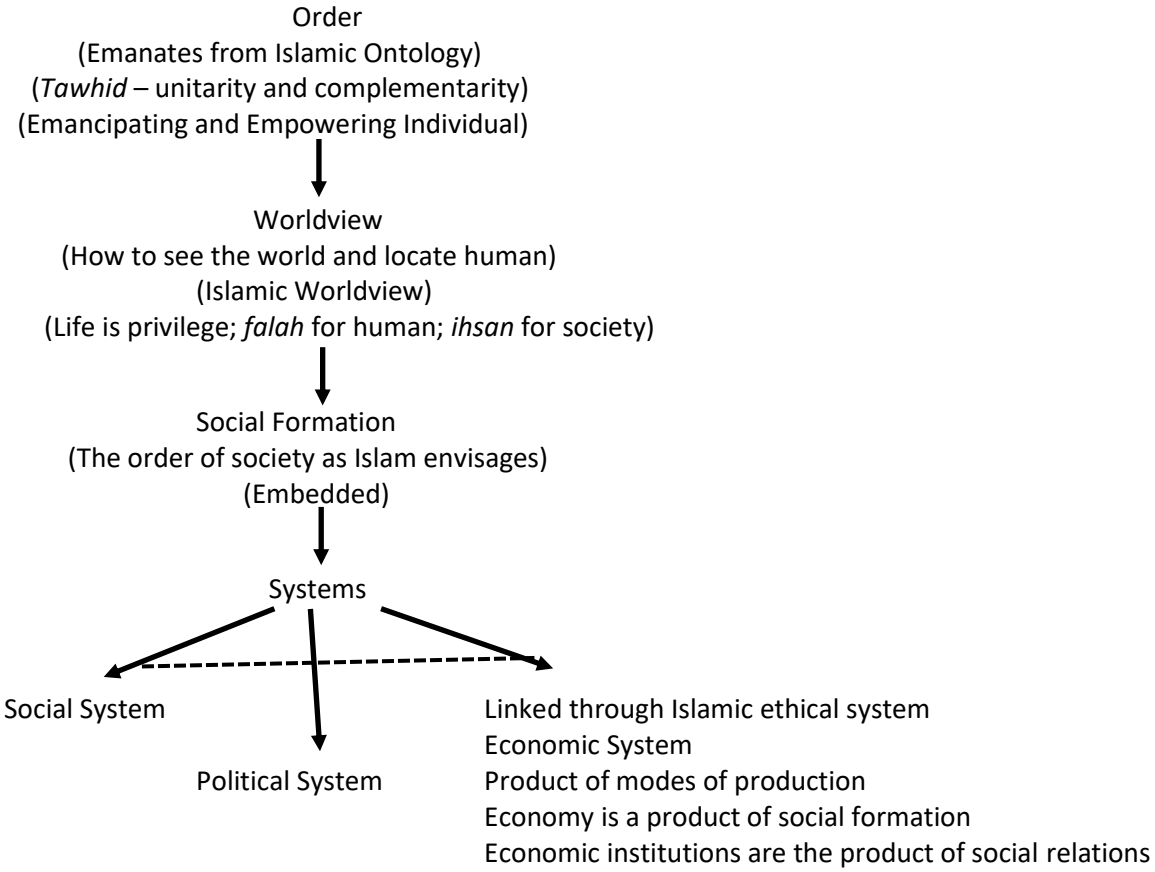
The two-dimensional *falah* framework, where individuals, society, and the state ponder on *akhirah* as an integral part of a human development view, leads to the production of the concept of a *tab'ay* individual (Arif, 1989, p. 92-94) or obedient individual, where actors in the society submit to the will of God, in the sense of actualising the axioms of Islam in one's life. In other words, individuals are embedded to the axiomatic principles of Islam in all practices and conduct, as part of the identity they belong too. As a consequence, the knowledge and action construction are based on an Islamic worldview, not a human one (Khan, 1989). Asutay (2007) suggests that the methodological form of Islamic economics is as follows:

(i) Sociotropic or *ihsani* individual as opposed to self-maximising individual;
(ii) Socially concerned God-conscious behaviour;
(iii) Socio-ethical-oriented market exchange.

Accordingly, individuals attached to the normative world of Islam by definition seek the two-dimensional *falah* formation, which helps them to realise that they belong to a greater community bounded by similar interests and responsibility towards each other. Thus, individual comingle personal interest with social interest and the fulfilment of social goods is part of the journey toward human salvation. This does not necessary mean that opportunities cannot be explored. Economic opportunities are allowed to be persuaded within the consideration of the axiomatic principles of Islamic economics and the view that satisfactions are induced from both this world and the hereafter. Simultaneously, market exchange will act as the mode for the society to seek goals of social justice within a balanced and harmonised society, as part of the social formation of Islam in the sense of embeddedness. Figure 2.3 demonstrates the articulation of an Islamic Moral Economy methodology as the consequence of a framework paradigm, foundational axioms, and operational procedures.

It should be noted that the consequence of such a *falah* function and attachment of individuals to achieve such a *falah* function is the *tabay* individual, or homoislamicus, an individual who has immersed the normative value system of Islam into everyday practices, leading to embeddedness. Eventually, the embeddedness requirement within the social formation of Islam facilitates the production of an Islamic system, including the economic system.

Figure 2.3: Articulation of Islamic Moral Economy (*Tabay)* Methodology

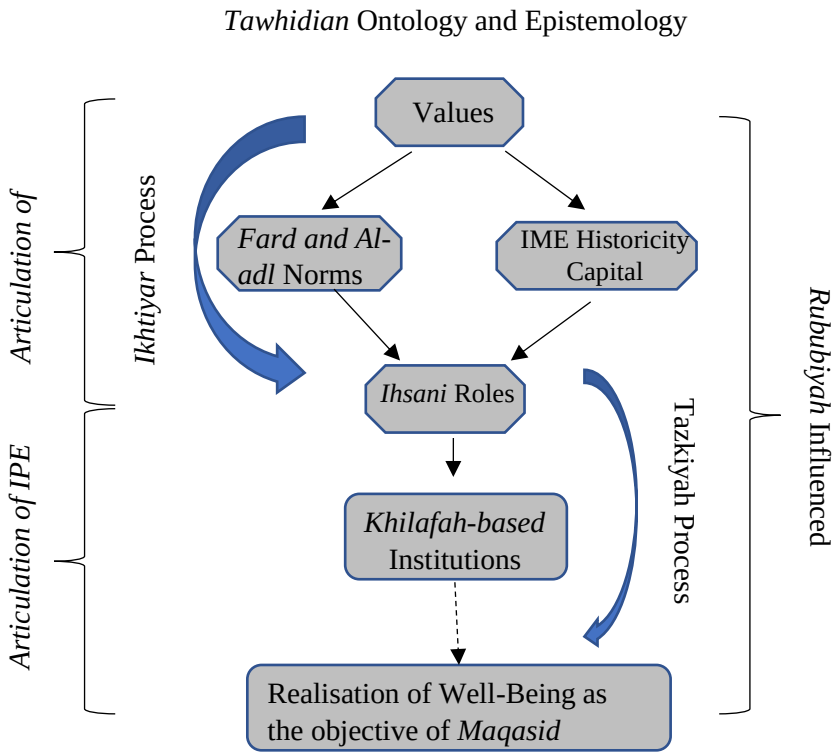


Source: Asutay (2018)

2.8.5. Functional Institutions

Ethical norms of Islam embedded within the Islamic system of moral economy are also manifested in the form of institutions. The presence of these institutions is to serve the objectives of Islam, thus, an Islamic system of a moral economy in a broader scope involves a superstructure of a greater system constituted of a collection of minor elements and systems. As a consequence of the unique ethical system that Islamic economics subscribes to, institutional bodies within Islamic economics are different from other economic systems (Arif, 1989: 87). In theory, Figure 2.4 depicts the articulation process of IME institutions.

Figure 2.4: Articulation of Islamic Moral Economy (*Tabay)* Institution



Source: Portes Model (2010:54) adopted into Islamic economics and finance emergence

The ethical order as defined by the *tawhidian* perspective and worldview seeks to achieve *falah* and, hence, *ihsan*. In this process, values of Islam are the main generator of *ihsani* roles, whereby, its synthesis generates norms and historicity capital that become the base of *ihsani* roles. In this regard, *ihsani* demonstrates substantive values of Islam as the bearer of value system of Islam through its action that follow the norms and its reflection of the accumulated knowledge and image of articulated Islam from the past. Thus, ihsani role relates to socialisation of people beyond individual by developing a sharing culture and the empowerment of others after achieving own empowerment. This process is facilitated by *ikhtiyar* as a process. As *ihsani* roles emerge and is established, the *tazkiyah* process continues and is pursued for the formation of *khilafah*-based institutions, which functions to realise well-being as the objective of *maqasid.* The entire process leads by an informed and internal awareness on the influence of *rububiyah* in ensuring order and goals of Islamic moral economy are attained.

The most fundamental of such an institution is *infaq* or structured giving, a concept that promotes the essence of an individual sense of belonging to the community, through a material and social contribution toward the betterment of society to which they belong.

Within its literal meaning as a spending act, *infaq* is pinned as one of the pillars of Islam, hence, Islamic economics exemplifies the axiomatic principles of the economic system and illustrates the two-dimensional *falah* of *homoislamicus* considering the world and the hereafter (Ahmad, 2004: 78) Thus, the notion of an *infaq* institution is not solely about dispossessing resources, both material and immaterial ones. It is also about the spirit of *ihsan* within a *tawhid* framework, where the complementarity of the individual within a superstructure is realised within a constructive contribution to demonstrate a vertical dimensional relationship between individuals and the Lord, to promote the responsibility of an individual attached to a society, and to seek for continuous improvement towards divine grace.

The reduction of the meaning of *infaq* to sole charitable giving often leads the labelling *infaq* to *sadaqa, a* practice of articulating compassion of a Muslim toward others, as part of Muslim religious consciousness (Ahmad, 2004: 77). On the other hand, the substantiation of the institutional of *infaq* can take different forms. One form of this substantiation process is the institution of *zakah. Zakah* is an obligatory spending for social and community causes taken from human possession over resources, human sources of earnings, or collected under special circumstances, such as *zakah al-fitr*, collected after the fasting period. Ahmad (1994) studies the economic impact of *zakah* and conveys the contribution of *zakah* in stipulating production activities. Other social impacts of *zakah* include asset redistribution, poverty alleviation, individual empowerment, and community engagement (Ahmad, 1994, 2000). Furthermore, the essentialisation of the institution of *infaq* also includes *waqf* institutions, which are rooted in the prophetic tradition that encourages perpetual charitable acts as part of the Islamic wisdom of share and care, which is considered as *sadaqah jariah* (Ihsan and Ibrahim, 2011) or continuous beneficence. The spirit of perpetual social contribution inspires Muslims to endow properties for sharing and caring purposes (Cajee, 2007: 9).

History has witnessed significant contribution of *waqf* institutions, which was the backbone of the progress in educational, social and economic sectors (Ahmad, 2004: 33). The records suggest that in history, a *waqf* institution also involved funding schools and libraries, providing books, and financing studies (Kahf, 2007: 6). In modern times, *waqf* has undertaken managerial and structural transformation, where the society witnessed the emergence of cash *waqf*

(Cizakca, 2004: 43), insurance-based *waqf* (Ahmed, 2004: 130), microfinance-based *waqf* (Ahmed, 2007: 9), and the adoption of securitisation in *waqf* property management (Pirasthe and Abdolmalek, 2007: 7). All these institutional articulations of *infaq* are clearly enrooted in Muslim history and environments.

The existence of the institutions of *infaq* demonstrates the difference between Islamic economics with other system of economics, as the institution of *infaq* plays an important role not only as the solution to alleviate property and to set mechanisms to provide basic subsistence, but also as moral-embedding practices of religious principles in socio-economic life. Thus, *infaq* indicates the embedded nature of socio-economic activity.

The impact of the practices of such ethical-based institutions is expected to stretch foundational axioms of Islamic economics into other sectors, including the private and the public sector, and to bring into context what is encouraged, what is permissible, and what is forfended. Thus, Islamic economics preserves ethical values and norms of Islam within a system-based structure to locate the needs of society and to foster economic development and, at the same time, to offer platforms for the invention of modern institutions to suit this Islamic framework (Naqvi, 1994). This ethic-embedded requirement can also be identified in other typical institutions, such as the institution of *hisbah,* a moral enforcer and public affair institutions (*see,* among others; Islahi, 2006; Attahiru, 2016), *al-kharaj,* an institution of tax in an Islamic system of economy (*see*, among others: Dunya, 2009), *takaful*, a social protection scheme inspired by a cooperation value (*see*, among others: Mahmood, 1991), market exchange (*see,* among others: Yousri, 2002), and the elimination of *riba* (*see,* among others: Tag-el Din, 2002; Kahf, 2009; Siddiqi, 2009).

The elimination of *riba*, as part of an institutional form of Islam, constitutes the basis of the development of Islamic banking and financial institutions (hereafter 'IBF'), a hybrid religio-financial institution that circumvents interest-practices in a financial system within an Islamic resource and opportunity allocation. The initial spirit of the emergence of IBF is to structure products and services in accordance with Islamic foundational principles of the abolition of interest by incorporating Islamic contracts in commercial transactions to realise justice in development.

While Islamic economics and IBF represent hard structures with their soft institutional contents derived from Islamic ontology, their re-discovery in modern times aimed at rescuing human,

land, labour and capital to overcome the observed disembeddedness in Muslim societies (Asutay, 2018). This has been possible, with the words of Polanyi (1944), through Islamic social or protectionist movements or ideational movements, which is discussed in the following section. As Islamic economics has emerged as a counter hegemony and double movement in relation to the hegemony of capitalism essentialised by the value free and universalist domination of neo-classical economics.

2.9. SOCIAL MOVEMENT LEADING TO THE EMERGENCE OF ISLAMIC ECONOMICS

The concept of an Islamic social movement was first introduced by Burker and Lapidus in 1988 in *Islam, Politics and Social Movements.* They suggested that, in studying Islamic movements, one should depart from a classical perspective of Islamism that seeks to reproduce the Prophetic and *sahaba* modes of living, to the present time and pay more attention to the contemporary process of the production of meaning rooted from Islamic traditions. This would imply that the previous 'Islamism' definition is redefined in relation to the concept offered by Ismail (2006:2), which emphasises expanding the coverage of an Islamisation process to a broader social context, merging Islamism within an Islamic social movement.

The classification of Islamism within an Islamic context is argued to provide a comprehensive view of the Islamisation process as Atzori (2012: 25) outlines two important frames which helps to converge Islamism into an Islamic social movement concept: (i) the adoption of a social movement concept to explain Islamic activism which offers an insightful picture to understand the process and the elements that enables the transformation from objection into collective action, and (ii) a social movement concept which allows the investigation of the impact of the Islamisation process to the society where the movement takes place. Since social movement concepts tail the constructivist approach towards Islamic initiatives, considering an Islamic social movement as a ground analysis of the Islamisation process can help to pinpoint important transformations and contributions of collective action.

Nevertheless, major studies that adopt Islamic social movement concepts in analysing Islamism tend to focus only on the strategy of the movement and ignore the importance of the nature of the movement. Wiktorowicz (2004) argues that the key point for such a movement to take place is on the process of pursuing collective action, referring to the mechanism to exemplify the production of meaning. Similar to Wiktorowicz (2004), Atzori's (2012) study also explores the

extent to which Islamic discourse in a Jordanian context drives the production of meaning to become collective action, yet, reduces the nature of the movement solely to the issue of modernism. Even though the attempts of both Wiktorowicz and Atzori were intended to avoid over-generalisation of the fuel of Islamism to homogeny and static definition of meaning, both were trapped in the idea that every social movement has to be amplified through grievances of modern societies' problems.

Bayat (2007), however, points out that the tipping point for such a transformation to occur can take a different form. He highlighted the contemporary Islamic social movements that involved less radical transformation and promoted more welfare initiatives in challenging the *status quo*. This would raise the question: are there any other sources shifting the form of Islamic social movements other than the issue of modernity? This question can only be addressed under the condition that both the sources and the strategy of Islamic social movements are jointly analysed.

Islamic social movements are often labelled within political phrases due to the fact that Islamic social movements are often considered as Islamism. Popular definitions of Islamism offered by Zubaida (2009) and the *World Dictionary* share similarities in defining the term, which both conclude that Islamism is a political movement, which attempts to grab power and instate an Islamic state. Hence, Islamism is expressed within the idea of power controlled. Gole (1997: 47) proposes a broader recognition of Islamism to concentrate intensively on values and identity creation and socio-politico effects of the movement. Such a definition, Atzori (2012) argues, would lead to the expansion of the meaning of Islamism to account for socio-economic and socio-cultural effects and alleviate an understanding of the social movement due to adopting a comprehensive view. Gole's definition brings the idea of Islamism into Islamic activism, since it considers a process towards the production of meaning.

Yavuz's (2003, 2004) notion of 'opportunity space', which works as an enabling mechanism towards the production of meaning, identity, and cultural traditions is considerably one of the prime contributors of Islamism, as Islamic activism. In this regard, Yavuz (2003, 2004) argues that similarity in identity, beliefs, symbols, and values shared within the social movement trigger a formation of a connected grid as a media of vision and strategy exchange. The given 'opportunity space' developed through the diminishing role of the state enabled the movements to develop a new paradigm to deal with contemporary issues through a non-formal and non-aggressive structure, leaving behind the old sceptics of Islamic movements, namely, the

fundamentalists. Hence, this conception disentangles Islamism from the usual label of fundamentalism and even away from popular political definitions of Islamism.

This leads to the question of the aims of Islamic social movements taking the step of the notion of opportunity space. If what Mawdudi (1975) predicts that the trend of Islamic movements to shift from the political realm towards an attempt to realise authentic and Islamic civilisation, the start of the new civilisation can be traced in either social, economic, and cultural traits. Yet, this will only be possible, Mawdudi (1975) argues, when the source of the movement, including the principles, norms, and traditions, are well-defined and well-integrated within the society. In other words, the 'basis view of life, ideal of existence, the standard of morality, and the character and spirit' of Islam are embedded within the movement and consistently placed as the point of reference. This civilisation pattern generates another assumption that, in order for civilisation to take place, the movement needs to be initiated and brought forward in the peripheral forming a bottom-up civilisational process. In Bayat's (2007) words, a bottom-up process is necessary not only to raise the civilisation, but also to contest the established civilisation determined by the elites.

The most recognisable organisation that offers systemic non-political transformation in modern Islamic social movements is highlighted to the presence of the Muslim Brotherhood. Tripp (1996) illustrates *Ikhwanul Muslimin* or the Muslim Brotherhood's socio-economic approach towards developmentalism problems, which imposes welfare initiative programmes to tackle issues of inequality and social justice. In another analysis, Utvik (2006) outlined the contribution of *Ikhwanul Muslimin* towards the economic development of Egypt by introducing the 'piety' value system to everyday economic practices of Egyptian society. Similarly, to the two previous studies, Atzori (2012) examined *Ikhwanul Muslimin* within a Jordanian setting and points out that it has contributed to the transformation of Jordanian society in face of modernism. Indeed, the role of *Ikhwanul Muslimin* in social transformation in various countries depicts the notion of re-establishing the civilisation of Muslims in the modern world. This spirit, one way or another, has inspired similar movements to take place in different social settings around the world.

The emergence of *Ikhwanul Muslimin* and other similar post-Islamism initiatives to address developmentalism problems are part of an identity essentialisation in the face of modernisation and industrialisation. These emerging conditions create new dynamics of social problems, ranged from social deprivation to other forms of exploitation. In this regard, moral values of

Islam act as a platform for society to stretch the essence of Islamic teaching in responding to new challenges. When new problems emerge in society, the articulation of Islamic wisdom provides necessary safeguards for society to deal with the issues. A form of Islamic teaching expression that serves as a safeguard of society includes the value of mutual social responsibility, where Muslim society stresses the importance of cooperative and mutuality binding individuals within society, to act as filtering and responsive mechanisms countering social disorder (Tripp, 2006). Thus, the embeddedness of these values and norms is crucial in cementing normative consideration of both economic and non-economic factors into the equation and reintroducing the values of reciprocity, community, convention, coordination, and collective action into economic relationships to maintain humanistic and social order within the principle of justice and equality (Asutay, 2018).

This means that the methodological approach that Islamic economics seeks to advance in theory remains to be what Utvik (2006) suggested as a 'strong' moral economy, given that not only the result has to be moral, but also the means and order should remain within morally-acceptable arrangements, as Asutay (2018) argues *tawhidi* methodology suggests that intention and consequence should be considered as complimentary to produce a complete Islamic methodology. The extension of such a unique methodological approach creates a different set of socio-economic relationships and outcomes that has been long organised by a market economy to an order where *maslahah* or a public good is reintroduced into the equation concomitant with the provision of self-interest.

Nevertheless, in general, the birth of a market society has forced traditional institutions and constructs to change, resulting in the imposition of a market institution and constructs unsuited to society's natural order (Tekdemir, 2013) due to the grafting process, which has led to the expansion of disembeddedness. As a consequence, the long-standing rule of 'kinship' in the economy that circles around reciprocity and redistribution diminished and was replaced by a sole market mechanism, which is considered by Polanyi (1957: 33) as a process of social mutation, where, in the end, liberalism has imposed its worldview onto the society. Polanyian (1957) concepts of 'embeddedness-disembeddedness' helps to understand this phenomenon through the lens of society-market relations, whereby, liberalisation and industrialisation has dismantled market from society, leaving the insubordination of markets from politics, religion, and social relations. This change pushes the base structure to reorganise their point of references, exchange mechanisms, and working order in regard to economic matters.

The rise of *haute* finance is a clear case of the trend of disembeddedness of the market from the real economic transaction (Polanyi, 1957: 15). While *haute* finance began the financialisation of everyday financing, Islamic finance, in contrast, arises from the spirit of 'definancialising' the everyday economic and financial practices. In other words, Islamic finance being an embedded financial construct requires an involvement and a transfer of assets in its transaction, converging real sectors and financial sectors. Indeed, there is a construction process taking place when Islamic finance is considered as a modern social construct. As Islamic finance has emerged through the shadow of modern conventional finance, Islamic finance can be regarded as what Polanyi (1944) suggests as a 'double-movement' and 'counter hegemony', in an attempt to re-embed values, norms, and traditions of religion to financial and economic practices. Thus, Islamic finance attempts to reinstate principles and injunctions of the society into the market by connecting real and financial sectors.

The emergence of Islamic finance, hence, can be considered as a social movement, where its articulation is part of an identity search of an authentic Islamic civilisation imbued with values, norms, and customs in finance through a bottom up process of negotiation within an opportunity space available through the participation of formal and informal individuals and bodies. Inevitably, this process depicted as a double-movement, whereby, such value orientation initiative attempts to rescue Islamic value-norm considerations from modernity impositions of value-free mechanisms to society, promoting development of a market society.

2.10. ISLAMIC FINANCE AS A CASE OF EMERGENCE OR EMERGENT PATTERN?

The aspiration of Islamic economics finally came into reality when values and norms of Islam were adopted and institutionalised in the form of banking and financial or IBF institutions. The first experiment in establishing an Islamic-oriented economic institution initiated in the delta of the Nile River in Egypt in 1963, in the form of social banking with the name of Mith Ghamr (Meyer, 1985). Albeit its short presence, the five-year lifespan of this institution hailed as a success story of institutionalising Islamic values and norms in an economic institution, realising the ideas of Islamic economics, as within the embeddedness feature it provided funding for small businesses and artisans to empower individuals. Another hallmark of extending the presence of Islamic economics was recorded at multinational level when members of the Organisation of Islamic Countries collectively agreed to form the Islamic Development Bank in 1974, to finance projects in the member countries, promoting

Islamically-tailored financial arrangements that utilise traditional Islamic commercial contracts (Meenal, 2013). Following this development, the first Islamic commercial bank was established in Dubai in 1975, taking the name Dubai Islamic Bank (Asutay, 2015). Since then, the presence of Islamic economics in the form of Islamic financial institutions evolved and expanded to different geographical locations in either the single or dual system. This positive development suggested that Islamic economic principles and injunctions are not only benefiting society but also accepted in the market economy arrangement, to provide financing despite the fact that their source of emergence relates to creating a counter hegemony against a market economy.

The central notion of Islamic economics in this alternative finance is in the prohibition of *riba*, which includes not only the original practices of doubling the principle that was common before the time of the Prophet, but also by means of any increase due to deferred payments or different genus in commercial transactions. In contemporary times, this is often translated as an act against interest practices which has become the backbone in the modern economic system. Albeit some scholars limited the definition of *riba* to those of the mediaeval practices (Siddiqi, 2004:56), this general denotation of *riba* as interest, is widely accepted and adopted as the overview on the development of Islamic financial institutions and practices. In substituting this forbidden practice, scholars propose a sharing scheme to replace interest practices, which is widely recognised as a profit-loss sharing scheme (Siddiqi, 1981).

This partnership financial arrangement requires individual and institutional financial agents to act as partner under the terms of *mudharabah* or *musharakah* contract agreements, eliminating unjust practices of burdening society with a fixed charge (Ahmad, 1947: 170). The implication of this structure is often cited in the strong binds between the financial arrangement and the real economy, which is a lack of presence in conventional arrangements (Usmani, 2002). Another applied principle of Islamic economics in Islamic financial constructs rather covers the operationalisation nature of the institutions, which aims to circumvent *gharar*, or often interpreted as avoiding the excessive uncertainty principle and the ban on the involvement of other forbidden and discouraged acts. Iqbal and Mirakhor (2007) saw this as part of the rationale on promoting participatory economic activities and asset-based production process. In addition, these features fall into moral filtering process ensuring that investments fall within the boundary of acceptable practices on earning, production, and investment (Asutay, 2013: 65).

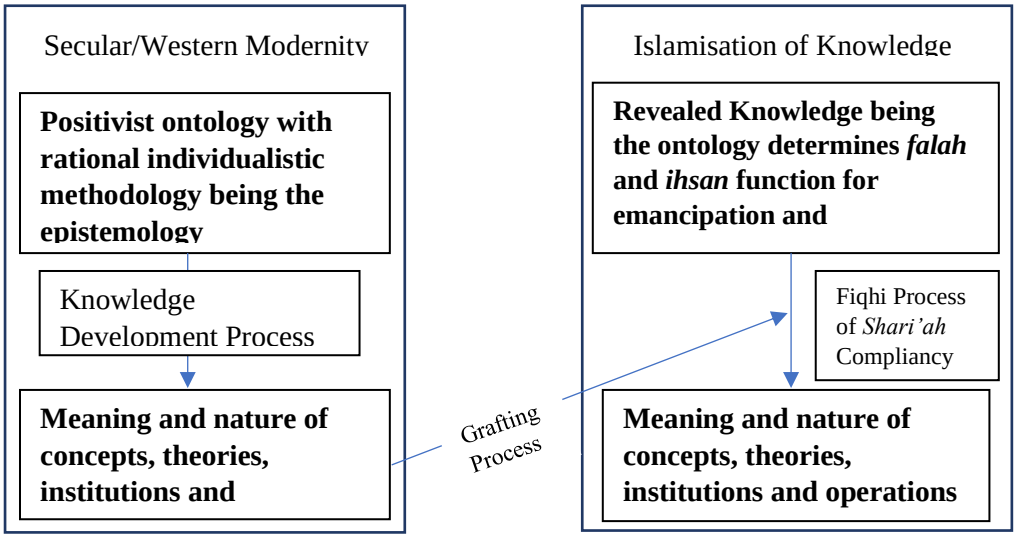
Nevertheless, the aspirational expectations of the proponents of Islamic economics have not become a reality. The partnership-based financial arrangement that places depositors, funders, and Islamic financial institutions as equity-partners is less popular than the sale-based and lease-based arrangements that echo debt-based instruments. This is not a surprising outcome as the profit-loss scheme is more of a novel idea rather than a feasible practice in a market economy system (El-Gamal 2006). The issue of information asymmetry, moral hazard and adverse selection that were already troublesome for conventional finance encounter Islamic financial institutions with multiplied difficulties (Khan 2010). The rule of thumb in minimalising information asymmetry that link to adverse selection and moral hazard problems lies in the strong presence of rating institutions and the lack of these institutions for equity-based schemes which favour debt-alike schemes for institutions of banking.

The presence of conventional practices with their competitive pricing and favourable environments, on the other hand, left these Islamic institutions with the demand for higher pay-offs, secured principals, and late-payment compassion, as suggested by Islamic principles (Warde 2010). Others have argued that this mimicking practice of Islamic financial institutions happened as a consequence of weak property rights in Muslim countries (Yousef, 2004), the conventional banker's mind behind their operation (Ahmed, 2002: 28), higher operational costs for equity-models and tax-benefits in several countries (Iqbal *et al*., 1998: 5). All these issues highlight the institutional constraints hindering ideal Islamic financial practices in the current market environment.

The institutional constraint that Islamic financial institutions encountered inevitably relate to the hybrid framework that this construct adopted. It is undeniable that the fundamental of Islamic finance is sourced from embedded moral and ethical principles of Islam derived from the insight of the revealed knowledge of Islam. Even though the very basis of its existence is related to the prohibition of *riba*, the operational nature of Islamic financial institutions is more of a reflection of Islamic legal maxims, which suggest that everything is permissible unless otherwise stated (Asutay, 2013: 65). This particular approach has allowed the establishment of Islamic financial institutions, which avoid the disallowed practices and products within the adopted institutional framework of non-Islamic origins. The instalment of *Shari'ah* governance in the structure of management of Islamic financial institutions asserts further the *fiqhi*-orientation of operation and product development, suggesting an Islamic worldview that it entails.

Nevertheless, the hybrid concept of Islamic financial institutions was unexpectedly co-opting two paradigms related to the production of knowledge and order as demonstrated in Figure 2.5. Conventional finance was designed out of the positivist ontology and rational-orientation epistemology, producing meaning and institutions of everyday life in accordance to this purpose (Malik, 2014: 642). On the opposite ground, Islamic paradigms with its specific ontological and epistemological reflection rely on a *fiqhi* process of producing articulation meaning and institutions with a religiously imbued manner (Asutay, 2008: Asutay, 2013: 64).

Figure 2.5: Knowledge and Order Relationship: Modern Becoming Islamic



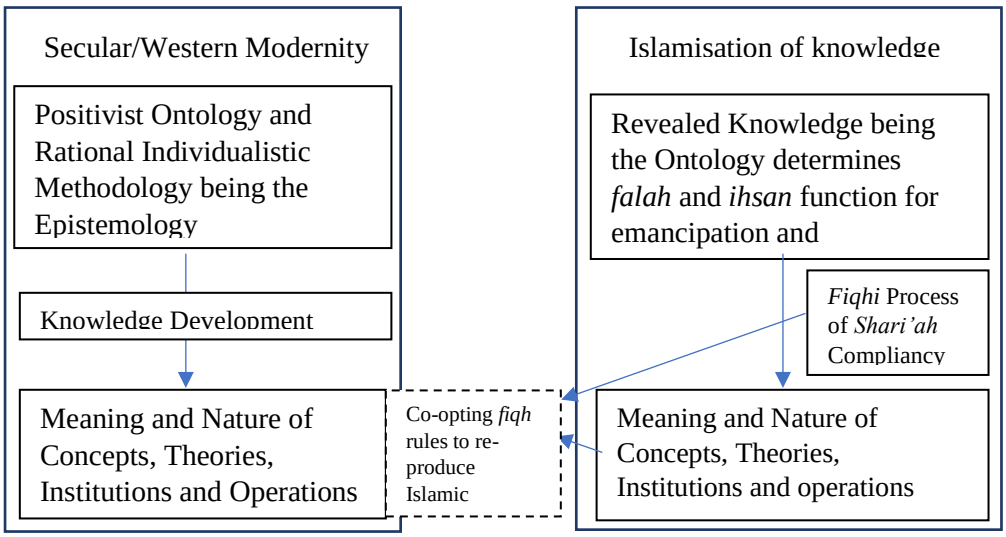
Source: Asutay (2018)

The espousal of Islamic principles and the presence of filtering mechanisms and processes that was expected to come up with an Islamic product, process, and outcome faced a challenging situation related to the internal and external dynamics, where this paradigmatic process involved in intensive negotiation with embedded positivist paradigms that this form of institution inherited and referred to in their operation. In other words, the presence of concepts, theories, institutions, and operations derived from positivist ontology and rational individualistic methodology influence and, often, intervene with a *fiqhi* process, grafting the process of knowledge and institutional generation in a natural sense.

When the existing institution was unable to facilitate the specific paradigmatic process that the Islamic tradition advocates, the outcome is depicted in Figure 2.6. Islamic economics contend that the production of knowledge and order will be shifted to Islamic procedures, following a *tawhidian* ontological and epistemological position with its value system, foundational axioms, and operational methodology.

However, the divergence of the practices indicates that the Islamic paradigm shifts to the positivist paradigm, to propose an alternative mechanism within an existing value system, foundational axioms, and operational methodology (Asutay, 2007b; 2012). In other words, grafting of IBF institutions under the pressure of a market economy and other regulatory domestic and international institutions, such as Basel, and even AAOIFI and IFSB, which enforce the convergence of IBF institutions towards conventional counterparts (Asutay, 2018).

Figure 2.6: Knowledge and Order Relationship: Islamic Becoming Modern



Source: Asutay (2018)

The divergence of Islamic finance raised the question over the project of re-embedding economy through re-embedding financial institutions. The embedded social values and norms exercised by integrating the *fiqhi* process with financial institutional processes were unable to deliver the outcome that reflects an embedded economy. This phenomenon often led to a conclusion that detaches Islamic finance from a re-embedding project. However, one should recognise the difference between a Polanyian sense of embeddedness and Granoveterian view on embeddedness in interpreting the reality of Islamic finance. Embeddedness in a Polanyian perspective committed to the assertion of the 'mutual construction' of society and economy that denies the autonomy of the market from the society in both operations and objectives (Block and Evans, 2005) while the embeddedness in Granovetter's argument explored the atomism problem of neo-classical market economy and related the socialised agents' behaviour in the market to personal and organisational ties of the economy (Granovetter, 1985; 1992).

Such distinction between the two traditions in defining embeddedness leads to differing approaches in observing the divergence of Islamic finance. For a Polanyian view, Islamic

finance is not an embedded institution, while a Granovetarian view still considers Islamic finance as a structurally embedded construct, depicting a unique pattern of connection between members of social institutions, including markets, producing normative and symbolic structures within a market-based methodology.

In conclusion, it is argued here that the emergence of Islamic finance as an Islamically-induced construct is not presenting an 'emergence' case. The adoption of Islamic principle of avoiding *riba*, *gharar*, and other prohibited activities undeniably act as the salient features of Islamic finance, distinguishing Islamic finance from conventional practices. Nevertheless, the institutional framework that Islamic finance borrowed is produced by a western modern paradigm through its specific process for a determining function. Even though a *shari'ah* governance structure has been introduced into the framework in order to produce an acceptable outcome, the model inherited the paradigm and the mechanism of its original construct, which ironically shaped the practices and the outcome of this institution as the institutional grafting mechanism refers to. The strong influence of the originated paradigm and mechanism have contributed to the divergence of the practices, middling the supposedly impactful role of *fiqh* institutions in producing an authentic view, practices, and outcome. As a result, the unique features of Islamic finance have only produced other patterns and order within the same rule of law, depicting an emergent pattern case rather than an organic emergence.

2.11. CONCLUSION

The lens of emergence offers insight in reading the phenomenon of the emergence of Islamic economics and finance. While Islamic economics arose as a science of its own with a systemic understanding of how resources and opportunity are treated and distributed, Islamic finance as an extension and articulation of Islamic economics conceptions struggles to operate under the mechanisms proposed by an Islamic economic paradigm. In that, *Tawhidian* paradigm which is supposed to determine values, norms, roles, and institutions of the articulation of Islam in finance is unable to produce the expected outcome. The main consideration in this chapter is on the possible intertwining between an Islamic articulation with the dominant modern articulation, hindering the process that facilitated a strong emergence case. This suggest that the novelty over which it propagated was either inexistent or evaporated during the process of emergence.

This chapter, hence, takes the liberty on examining the nature and the process leading to the emergence of Islamic finance in order to address the enquiry on the uniqueness of Islamic finance, which is supposed to reflect an identity depicted by Islamic economics conceptions and the awareness on the presence of social movements in driving such an emergence case by taking into consideration the presence of a hierarchy of existence, the reducibility power of mainstream economics, and the potential unpredictability as a result of emergent properties demonstrated by the emergence of Islamic finance. In particular, it has developed the analysis in taking into consideration two different strands: one aspired by an evolutionary position is interested in the presence of novelty and irreducibility, while the other is influenced by a complexity of economic understandings, recognising the emergence in the absence of these two elements. This is expected to unveil the narrative behind this phenomenon.

The next chapter conducts a theoretical exploration in highlighting the potential narrative behind the nature and the process of emergence from political economy, social constructivism, and social movement perspectives.

Chapter 3

POLITICAL ECONOMY OF THE EMERGENCE OF ISLAMIC FINANCE: THEORETICAL EXPLORATIONS

3.1. INTRODUCTION

The idea of Islamic economics is closely linked to the developmental failure-taking place in the Muslim world (Asutay, 2012), as the proponents of Islamic economics consider the incongruity of Eurocentric developmental policy as the main force behind the economic failures in the Muslim world. This has propelled these intellectuals to search for an alternative developmental prescription that suits paradigms and characteristics of a Muslim community. Albeit extensive interests rest on developing Islamic economic traditions, while major works on Islamic economic concepts propose a framework rather than a concrete economic structure. Several cases may prove exceptions which took place under incomparable circumstances, including extraordinary political economy and political circumstances.

At national level, Islamic economic experiences in Pakistan and Iran depict special cases, in which aspirations were systematically revealed and considered in public and private spaces. This situation took place in a society where an Islamic code of life is assumed to fulfil identity, whereby, Islamic economics is one aspect explored along with other ideational aspects (Philipp, 1990; Behdad, 1994). Nonetheless, such supportive environments in these two countries do not necessarily guarantee a complete pattern and institutions, nor does it imply that their Islamisation has led to the emergence of a particular Islamic system of economics, with a defined mode of production. It has been witnessed in the two cases that the conservative system openly protected or even promoted capitalist patterns and institutions in an implicit manner. This affirms that even in a very committed society, the formation of an authentic Islamic economic order reflecting an Islamic identity is a puzzling exercise.

While Islamic economics writhed to form its aspirational reflection, neo-classical-based modernisation continued to advance through the extension of capitalism into a global trend.

This emerging system promoted a materialistic mode of production and logic through the preservation of property rights and individual freedom and undermined other non-capital accumulation motives (Woods, 1998: 29). At the heart of this prescription, the practice of interest dominates as the main symbol of capitalism and facilitates economic development in a capitalist society. Interest practices are regarded as the equivalent of *riba* practices, prohibited in Islamic tradition. Acknowledging the contradictory nature of interest practices, a movement has been instigated to resolve this issue, aspired by Qureshi (1945: 158) and Ahmad's (1947: 170) notion of profit-loss sharing and partnership-based economic arrangements.

This alternative economic view is extended further by Siddiqi (1983[1973]) and Uzair (1978), who explored the practical reflection of this scheme in a modern construct confirming the potential of creating financial schemes and institutions that avoid interest within its practices. In 1963, Mith Ghamr, the first bank operating without interest, was established in Egypt that marked the initial presence of alternative Islamic financial schemes and institutions, determined as a form of social banking. Following the establishment of this bank in Egypt, the first Islamic commercial bank commenced trading in Dubai during 1975, highlighting a further achievement by providing an Islamic version of financial arrangements within modern economic institutions. Islamic finance has subsequently evolved into a global phenomenon and presence, and experienced growing interest from a multitude of stakeholders, including non-Muslim actors.

The emergence of Islamic finance was always associated with the rise of Pan-Islamism movements and oil income surplus (Warde, 2010). Although these two events correlate, which contributed to the establishment of an Islamic finance industry, such established factors disregard the fact that Islamic finance is attached to an earlier movement that aspired by the developmental failure and the stance that Muslim society is bounded by Islamic values which both define its identity and guide its everyday practices. Islamic banking and finance represent an attempt by the proponents of Islamic economics to generate a product out of an imagined Islamic economic order, propelled by the emergence of oil wealth. Nevertheless, as a contrasting paradigm Islamic economics remained alien to the modern paradigm based on rationalistic assumptions (Fang, 2014) and, as such, the proponent of this new paradigm came into negotiation with a modern paradigm to produce an institution of Islamic economy. This negotiation occurred around the institution of finance, which is considered by supporters of the

paradigm as the construct that has challenged the embeddedness of Islamic principles in the modern stage.

This chapter is developed to discuss the emergence of Islamic finance as a social construct. The chapter commences by reconceptualising the emergence of Islamic finance and its connection with an Islamic economic framework and paradigm, to offer alternative overview of its coming-into existence as Islamic finance. Following on from this, the chapter discusses Islamic finance as a new conception of finance with its own assertion, logic, and role in order to substantiate the emergence and the later rapid development of the construct. Finally, the chapter explores the process of inception and internalisation of assertion, logic, and the role of Islamic values and norms in finance to essentialise the development of Islamic financial ideas and institutions.

3.2. FROM ISLAMIC ECONOMICS TO ISLAMIC FINANCE: RECONCEPTUALISING THE EMERGENCE OF ISLAMIC FINANCE -FROM 1975-1990

Kuran (2004) is committed to the belief that Islamic economics came into existence in the light of foreign cultural penetration that attacked the preserved Islamic identity. It is definitely true when an observer of Islamic economic movement, such as Kuran (2004), traced back the political path that Mawdudi (2011) followed in propagating an Islamic economic notion. As newly independent states, reformers of these nations realised the urgency to reorganise their political and social institutions, which were revived after the liberation of the new states (Rahman, 1979), included here were economic and financing spheres.

The idea of Islamic economics echoes other 'Islamisation' ideas that aim to restore Islamic order back to the political and social stage. This argument is not necessarily surprising as the rise of Islamic economics intersects with various events attached by Islamic symbols. Hefner (2006) outlined three events that fuelled the development of these notions, among others, the developmental failure of Arab and Muslim nations in the 1950s to 1960s, the revival of Islamism during the modernisation process in the 1970s, and the 'Islamisation' of a knowledge movement prominent during 1970s and 1980s. Alongside anti-cultural imperialism that Kuran (2004) brought forward in suggesting the emergence of Islamic economics, Islamic economics become associated with only two events, which subsequently took place in later years and

dismisses the fact that the first event contributed to the emergence of Islamic economics ideas and constructs years later.

Why does the economic decline of the Arab and Muslim world in 1950s to 1960s matter for understanding the emergence and the development of Islamic economics ideas and construct? Prior to this decline, attempts to articulate Islamic economic ideas have been located in the history of Muslim world with scholars addressing standard economic issues related to public budgeting and finance, asset management, market operation, pricing mechanism and the issues of money and currency during what was considered by Schumpeter (1977) as "Great Gap" (Sirahi, 2015). In this matter, Islamic economics ideas have emerged and evolved over period of time as a distinct discipline with intensive work appeared on the 20th century, with the work of Hamidullah (1936: 213-233) marked this era of the use of Islamic economics as exclusive term.

Albeit this long history of the pursuance of distinctive Islamic economic system, the essentialisation of its existence came only later post emergence of nation state with conjugation of this idea with modern economic phenomena. The seriousness of such economic decline was highlighted as important phenomena for Islamic economic articulation initially by aspiring figures, such as, Mawdudi (1975 [1947]), Qureshi (1945), and Ahmad (1947) who reflect on the condition leading to underdevelopment. For instance, Mawdudi (2011) expressed his dissatisfaction over the capitalist mode of distribution of opportunity and resources that caused soaring inequality levels. He proposed reform by incorporating the institution of *zakah* in response to the deprived condition of the poor, under the widening gap. In similar terms, Qureshi (1945) and Ahmad (1947) underlined the role of the institution of banking as an agent of a capitalist platform promoting the exclusion of the underprivileged and proposed a partnership-arrangement to reform this interest-taking institution. By emphasising the proscription of interest-taking in Islamic tradition, these two figures put forward the assertion famously known as *mudharabah* consensus.

In the case of emergence of Islamic finance, the latter two writers were recognised as the earliest thinkers that aspired further movement introducing and expanding the presence of this alternative financial institution. Therefore, it is essential to refer back to the developmental failures taking place in the Muslim world as the inception of the imagination of Islamic economics.

The rise of Arab and Muslim states in the post-decolonialisation period from 1950s to 1960s handed over decisive power to distribute opportunity and resources to the state. This marked the beginning of Islamic socialism, a state-led developmental prescription that sought to find solutions to multidimensional problems besetting society, directly a result of the inherited colonial system of political economy (Tripp, 2006). Nevertheless, even though the state assumed the role of safeguarding society's interest within Islamic socialism, the productive role in the economy was still performed by capitalist economic activity. The emergent nature of Islamic socialism claimed that it abandoned Marxian socialist tradition by re-defining itself on the basis of the secular logic of the state, while at the same time conforming to capitalist structures and institutions (Tripp, 2006).

The capitalist presence within Islamic socialism inevitably consorted with this developmental approach leading to a conflicting order of society. As capitalism advanced and internalised further, the society experienced not only deteriorating social cohesion but also a transformation of society's logic. As a consequence, the embedded values and norms of the pre-modern society gradually changed into "individualism, moral egotism, profit-oriented behaviour and commodification" (Tripp, 2006: 177). This is contrast to the initial agenda that Islamic socialism would provide alternatives to either capitalism or communism (Al-Ghazzali, 1960 cited in Tripp, 2006). The divergence of Islamic socialism from its original objectives of providing alternative developmental prescriptions, led to an extensive inquiry over alternate means to allocate opportunity and resources.

The active role of executive power in determining the distribution of property and the balance between individual and social interests under the assumption that a coherent social relationship would emerge, remained unable to boost aggregate productivity and to cut unemployment rates in most other sectors, as the welfare deliverance function of the state was empowered by oil-generated wealth in the Gulf countries (Tripp, 2006). While neither capitalism nor socialism possess the full characteristics of the imagined function of an economy, Muslim intellectuals began the exploration of alternative models that could accommodate the pre-supposed quality of an economic order suited to the characteristics of society and the point of inception with Islamic economics.

The attempt to turn the ethical rationality of Islam into an economic rationality in practice has been recorded in the period following the developmental failure of Islamic socialism paradigm. Mawdudi (2011) was one of the leading figures transforming this idea into concrete modern

economic practices (Nasr, 1995; Kuran, 2004; Wilson, 2004). In re-thinking an alternate economic model, he critically assessed the role played by modern economic institutions in managing resources and firmly discovered that such institutions play a minimal role in serving the interests of society, by default. As such, he suggested institutional economic reform within which the institution of *zakah* would play a redistributive role, to narrow the gap between the rich and the poor (Mawdudi, 1975[1947]). The incorporation of a *zakah* institution to the modern economic institution set the sail for searching for an alternative modern framework for development within an Islamic spirit of just and equitable development, regardless of that fact that this would later be criticised as a partial analysis.

Albeit this development, Islamic economic movements as a modern reform was disregarded extensively due to its political association (Nagaoka, 2012). Not only in Pakistan as Mawdudi's country of origin, Islamic economic movement in Iran struggled to establish a system promoting social justice in the face of post-revolution crisis of declining productivity, slashed unemployment, and increased per capita income (Behdad, 1994). The Pakistani and Iranian cases in establishing and developing alternate economic models to achieve modernity have omitted the imagination and activism required, to produce a workable Islamic economic model.

At the heart of the struggle, the contrasting Islamic paradigm extended to an economic sphere had to contend with individual material constraints as the standard of utility, which are regarded as problems that hamper the attainment of *al-maslahat al-'ammah* or social welfare (Askari *et al.*, 2017). In contrast, individual possession of resources is entitled to 'social' utility accounting for public goods (Wasfi, 1977 cited in Tripp, 2006). This consideration on resource utilisation came with the intention to moderate individualistic behaviour that is regarded as the source of agglomeration of capital and unserved social interest (Atiyah, 1992 cited in Tripp, 2006). This unique intention of an Islamic economic order unavoidably led the discourse on *zakah* and *riba* to flourish, as the two-principal teaching in Islam have direct implications to the definition and the function of economy in Islamic doctrine.

Zakah has been considered not only as a tool of resources transferred to the underprivileged but also as a conception of individual utilisation of resources possessed in that the idea of mutuality and individual attachment to the social order is promoted (Dean and Khan, 1995; Taylor, 2015). On the other hand, *riba* has been positioned as the main contester to the practices of interest taking that was both prohibited in the revealed knowledge and regarded as

unjust due to capital owners freeing itself from any risks attached to investment (Salleh *et al.*, 2011) and creating hegemony over other stakeholders (Asutay, 2018).

Albeit a multidimensional association of Islamic economic doctrine, the promotion of the above-mentioned paradigm can only be extended to the imposition of prohibitive practices considered to have a negative effect on the society and environment (Shahata, 1970 cited in Tripp, 2006). In that, the vast interest of Islamic economic discourse has drawn upon the economic consequences of the prohibition of *riba*, as it is more controversial in nature, more distinguishing in principle, related intensively to the current practices of capitalism that determine the rule of distribution of opportunity and resources, and, hence, everydayness.

The original debate on *riba*-interest is sourced from the semantic interpretation of *riba*, where one side led by Sayyid Abu al' Mawdudi (1975 [1947]) and Iqbal Qureshi (Qureshi, 1945) argues that *riba* characteristics are attached to the contemporary practices of interest-taking, and the other led by Muhammad Abduh (Khalil and Thomas, 2006: 70-71), Syed Ahmad Khan (Siddiqi, 2004: 56), and Fazlur Rahman (Rahman, 1964) was more lenient to general interest practices and only condemning the medieval loan-shark compounded interest practices. While the former had minimum objections to the contemporary economic scheme, the latter antagonistically opposes the modern economic practices of interest-taking and considers this structure as exploitive and unjust (Warde, 2010). In response to this view, '*mudarabah* consensuses' emerged as alternatives to interest-taking finance suggesting that partnership-based is one that reflects Islamic principles (Qureshi, 1945; Ahmad,1947, Siddiqi, 1981; Asutay, 2007b; Nagaoka, 2012).

In general, the supporter of this idea observed the practice of the institution of banks in the Muslim world and clearly pointed out the incompatibility of such practices. Yet, recognising the importance of such institutions in society, they introduced an idea of alternating the practices through repositioning bank's debtor-creditor relationship. Instead of distributing a fund and fixing its return, a bank is set as a partner of the business they have invested their money in. Arguably, this can bring back the Islamic notion of allowing trade and prohibiting *riba* (Siddiqi, 1981). However, as Asutay (2018) argues, the *riba* debate and practice has not been extended to question the place of capital and its hegemony, while the prohibition is directed to overcome the hegemony of capital over other stakeholders in constituting a sharing and participatory economy as part of the emerging Islamic political economy of the time.

Several attempts were made to translate the aspiration and imagination of Muslim intellectuals *vis-à-vis* developing Islamically constituted finance and economy. The earliest recorded institutional experiment was put forward by a prominent Egyptian family of Al-Najjar among the banks of the Nile River in 1963, named, Mit Ghamr, which was a social bank operating in rural areas of Egypt that pooled local savings and distributed the funds within local projects utilising a profit-loss mechanism, and was the first Islamic financial institution recognised in the modern age (Mayer, 2005; Wilson, 2004). Importantly, this institution was promoted not only to enable development projects to run but also attracted the locals to entrust their everyday and excess capital to this Islamic institution, combining a distributive scheme with an empowerment agenda. Following the increasing role of the institution, the Egyptian regime positioned themselves within the supporters by providing a subsidy and institutional umbrella before it was closed five years after its establishment as its business was taken over by the National Bank of Egypt as a consequence of a riddling crisis of the regime (Mayer, 2005).

A more successful experiment was documented in Malaysia with Tabung Haji, an institution established in 1963 to facilitate saving for pilgrimages. Similar to the Mith Ghamr experience, Tabung Haji has successfully appealed to large numbers of pilgrimage-motivated depositors, expanding its scale and impact (Wilson, 2004). Yet, unlike the Mith Ghamr experience, Tabung Haji remained as a presence in the Malaysian economy. Despite the difference in experience, the operationalisation of these two institutions in modern times depicted the earliest articulation of the aspiration of the Muslim society in response towards the developmental failure and alternate forms of modernity.

The rise of oil prices during the energy crisis of the 1970s splurged oil-producing countries in the Muslim world with additional wealth and capacity to explore the aspirations and imagination of society (Warde, 2010) as part of identity politics. In particular, the Saudi Arabian-led project has made positive contributions to this post-modern expectation in converging the stakeholder's attitude towards alternate institutional models imbued with Islamic principles. Besides convincing wealthy individuals, this initiative also brought about the establishment of Islamic Development Bank (IsDB) in 1975 after the formation of the Organisation for Islamic Cooperation (OIC) as a multilateral Muslim body in 1974. IsDB was established as a developmental-oriented institution seeking to foster development in the Muslim world, to promote adoption of Islamic financial frameworks, and to offer assistance

and training for development in general, and the development of Islamic finance, in particular (Tripp, 2006).

As Islamic finance earned provision from both the government and wealthy individuals, this alternative mode of structuring finance was able to converge with other stakeholders to join the movement. This extended the presence of Islamic finance into modern economic practices with the creation of first Islamic commercial bank, namely, the Dubai Islamic Bank, in 1975, as the symbol of convergence of modern economic institutions, as well as, expanding the recognition and diffusion of this construct in the modern world. All these developments demonstrate the progress of turning the imagined ideas into institutions and practices and depicting other modes of financial arrangements to facilitate economic development (Meenai, 1989, cited in Tripp, 2006), even though it is centred around redeeming the consequence of negative practices.

3.3. A NEW CONCEPTION OF FINANCE: RE-UNDERSTANDING ISLAMIC FINANCE – THE POST-1990 PERIOD

Since Islamic finance is not only a symbol of the Muslim world's response towards cultural imperialism, Islamic finance should be understood beyond the modern roots of finance. As it conveys the aspiration and the imagination of Muslim intellectuals and professionals as well as technocrats toward the meaning and the function of finance, observers need to consider the principle that it emphasised as a projection of a particular mode of distributing resources and opportunity. In the very core, the promotion of anti-exploitative economic actions and behaviour that Islamic finance expressed should be viewed as a resentment of Islamic order over accumulative capital that leads to excessive social power (Warde, 2010). Nevertheless, this is facilitated within an institutional arena upon which values and order of Islamic economics emerged. In that, Islamic finance in its aspirational sense is bounded by structures of society and economic relationships, which rules of the game maintain how justice and equity are delivered within order, and inside its arena of exploration.

As Islamic finance emerged within an institutional area, the role of institutions is one that needs to be addressed to explore the context and condition of this arena. Institutions promote or restrain certain behaviour or conditions, which enable this structure to shape individual and social aptitude and action (Hodgson, 2006). This downward causational power of institutions allows this social sub-structure to lead certain regularities in society and guide their aspirations. North (1990) expressed this view on his definition of institutions, in which he stressed

institutions as society's 'rules of games' that induce particular end purposes. In that, he asserted the embeddedness of institutions in the perception and action of the originated society, which he shared with other institutionalists (such as: Joas, 1996; Joas and Kiplinen, 2008). With the unique power to shape perception and action, institutions are not only considered as an enforcement of a particular ideal structure but also a prospective tool to amend agent's perception and action. Thus, institutions can also be considered within the dual means of objective and subjective purposes, where it channels the real world with the ideal world.

The capacity of an institution to encourage and restrain perceptions and behaviour has been utilised to achieve a particular purpose. In economy, an institution is a product of an authoritative agent purposively favouring a set of rules and customs aimed at prompting particular behaviour to achieve the targeted end (Bromley, 2009). Instead of being an institution that entirely emerged out of spontaneous order of an agent's unpredicted interaction in its formation, economic institution takes the form of what Menger (1981 [1871]) suggests as pragmatic-form of institution, an institution that constituted a set of organising rules designed for a particular purpose. Economic institution as a pragmatic institution recognises this construct not only as a sole structure of habit but also as an evolving ruling structure that transforms through 'natural selection' process (Veblen, 1994 [1899]: 117). In that, economic institution performs the task of intervening in natural selection to shape purpose and behaviour and opt-out of non-supportive environments in the expected dynamic (Palloix, 2002).

Albeit the potential power of institution that are able to change belief and preferences, the initial role of an economic institution has been shifted by what Veblen (1994 [1899]: 117) describes as pecuniary interest, resulting in the shifting orientation from industry interest to a business one. While the institution of economy was primarily embedded in its original society as defined by Polanyi (1944), the primacy of pecuniary interest has transformed institutions and shifted its original society-centredness. This transformation marked the beginning of economic displacement from its society's attachment leading to an increasing disembeddedness state.

Institution of finance elevates economic institution to another level. As a construct that is entirely built on the basis of pragmatism, financial institutions with its capitalist background play important roles in facilitating the entire economic process from production to distribution. This institution determines the viability of projects through its incentive mechanisms and rules out unprospected activities from the economic process through non-habitualised rules and

action (Arestis and Stein, 2006). By focusing on pecuniary interests of business, institution of finance allow a capital owner to not only protect its ownership rights but also to assume social power. The prioritisation of a capital owner's interest in a financial institution's mechanism, transferred collective power of social institutions to individual or businesses with capital, providing them with the ability to promote their interests within collective industrial interests (Bichler and Nitzan, 2004).

The transfer of social power to individuals is highlighted by Commons as the institutionalisation of individuals, where individual interest becomes as influential as the interest of collective organisations (Palloix, 2002). The institutionalisation of individual that came together with the rise of finance has made economic institutions in general, and financial institutions, in particular, as a social structure that shapes interaction in favour of the agendas of several numbers of individual and organisations possessing capital.

The institutionalisation of individualism and the reducing power of self-organising society to put forward its interests that the institution of finance crystallised in its structure and cemented through the demand for efficiency and good corporate governance, has changed economic institution's attachment to society. An institution that originally governed the process of exchange and acquirement to meet society's need is directed toward the fulfilment of capital owners. This has been recorded in the shifting attitudes and behaviour of organisations due to the transformation of (institutional) logical operations of the market in term of competition mechanisms (Thornton, 2004). As a result, economic input is only valued in regard to its contribution to acquisition agendas of capital owners.

The rise of institutions of finance that reduce the power of self-organising society was not a new phenomenon. Prior to the rise of institutions of finance, the transformation of pre-modern societies into a market society has produced fictitious commodities and commodification leading to disembeddedness (Polanyi, 1944), a condition where economy detaches from social institutions. As industrialisation encourages the use of machinery into production, which demands a sustenance and continuous availability of factors of production, including labour, labour is commodified and valued to the extent that it contributes to the production process rather than social values. In a similar manner, institutions of finance facilitated further the commodification process through its emphasise on capital generation.

This process, however, is not without challenges; suggesting that society's response toward self-regulating ideas of the market and its liberal disembedded economy (Block, 2003) and economy is stuck to its polity (Blyth, 2001). It should be acknowledged that the regulated market since 1950s has overcome some of the excesses of a market system to bring back certain embeddedness to the economy through increased regulation and reciprocity, as in the form of welfare state.

In responding to the social dislocation problem that institutions of finance created, one cannot ignore the influential microfinance movement in Bangladesh, pioneered by Grameen Bank system as a disruptive institution. This micro-institution, which aspired to reduce poverty problems in Bangladesh, aimed at providing opportunity for rural people that otherwise was unable to access capital due to their poor credit rating (Yunus, 1998). In that, Grameen Bank revolutionised institutions of finance as a disruptive movement that previously excluded underprivileged who were considered risky in a modern financial sense, yet, in need of funding for their entrepreneurial activities and for the attainment of subsistence. This movement can be regarded as an attempt to restore the rights of individuals to access for capital that otherwise is restricted by the institutionalisation of individualism.

Financing for the poor, which the Grameen bank promoted, echo what Polanyi (1944) describes as a 'double movement'. This movement, which is originally defined as a social movement that aims to protect society from the danger of self-regulated markets, is a society's reaction toward liberalist paradigm's consequences that require the detachment of the economy from a society, causing disembeddedness. The social movement of microfinance that Muhammad Yunus through the Grameen Bank, initiated in Bangladesh, went beyond eradicating poverty, as it also deals with moderating the results of disembedding motives of financial institutional logic.

The emergence of Islamic finance is indeed a negotiated conception of finance that reflects this on-going struggle of society experiencing the institutionalisation of individualism within finance. Similar to the microfinance movement in Bangladesh, the rise of institutions of Islamic finance is a responsive action of a Muslim society toward the liberalisation of resources and expansion of the social power of capital owners, as experienced in the imposition of capitalism in their societies under Westernisation and modernisation projects. Yet, unlike microfinance movements, Islamic economic movements were imbued with a distinct paradigmatic system, which emphasised a holistic view in everyday practices, including in economic and financial

matters (Phillip, 1990; Tripp, 2006). Therefore, the agenda of a social movement that pushed through Islamic finance is inseparable from earlier Islamic economic movements.

However, the difference between earlier Islamic economic movements and the post-1990s Islamic economic movement rests on the approach it adopted. While the earlier movement was characterised by a political-orientation and experimental exploration, the post-1990s movement of increased diffusion of Islamic financial institutions is characterised by its soft approach, converging into the institutional struggle to earn legitimacy and aiming at negotiating its logic and presence within contemporary structures of economics and finance, an extension of a social movement process (Wiktorowicz, 2002). In other words, in order to get international recognition and diffuse, Islamic finance opted for an efficiency and maximisation paradigm of the neo-classical institutional logic to redeem the consequence of commodification and liberal market economy (Asutay, 2007a, 2007b, 2018). Albeit the difference, both ends represent a social construction of ideas, institutions, and practices of Islamic economics.

3.4. THE SOCIAL CONSTRUCTION OF THIS OTHER FINANCE

The emerging phenomena of Islamic finance pointed out the transformation of approaches adopted by supporters of Islamic economic movement. Initially, this movement earned criticism as a result of its political attachment (Bjorvatn, 1998). Since Islamic economic movement represented an order, namely, Islamic order, with a system understanding (Asutay, 2007a, 2007b, 2018), it was associated with a political identity search (Atzori, 2014). As a consequence, the original aspiration that this movement promoted was unable to generate concrete products, mainly due to the global political order, as identified by El-askher and Wilson (2006). Nonetheless, this attitude changed enormously since the movement accentuated its aspiration to a modern institutional framework (Warde, 2010). In other words, when an Islamic economics system's imagination has been given up, the expansion and diffusion of Islamic finance has been possible (Asutay, 2012). This marked the beginning of the convergence strategy that this movement seeks in turning its imagination into practices by infiltrating modern economic institutions through negotiating the social reality in the form of Islamic finance with academics, professionals, *Shari'ah* scholars, business people, policy makers and technocrats.

In that, this movement substantiates the course of its aspiration toward producing a workable and an acceptable institution. Consequently, the *riba* prohibition has been instrumentalised in favour of capital to substantiate the hegemony of capital rather than questioning it and risk sharing, as well as, profit-loss-sharing has been given up to the institutional logic of conventional finance to shift into shareholder value maximisation. Since then, similar approaches were recorded across the globe, where collective action is in demand for accommodation of unique principles of everyday practices of Muslim society.

Such a movement echoes a new form of social movement that articulated its aspiration within the economic arena. The movement that spanned from a shareholder activism phenomena transforming shareholder and manager relationships (Davis and Thompson, 1994); to recycling activists' struggle to develop for-profit recycling institutions (Lounsbury *et al*, 2003); to civil society organisational pressure to corporations to acknowledge sensitive societal issues, such as, environmental issues, health in work issues, to human right issues in market functioning (Sjostrom, 2007) providing several such cases, where social movement moved to negotiate aspiration in the institution of economy. The movement that is now recognised as a corporate social responsibility (CSR) movement, later as a Sustainable Development (SD) movement has continuously urged economic institutions to recognise and account for social agendas, in its operation (Scherer and Palazzo, 2007).

The rise and the development of CSR or SD movements that aim at negotiating society's purpose qualify the characteristic of a new social movement. In the very core, social movements on economic institutions shared similar identities, which bind together members of social movements to fight towards similar causes, exemplified in the case of recycling activists in the US (Lounsbury *et al*, 2003). Shared identity of the members pushes the members to contribute their resources for the collective interest of the movement. This has been recorded in civil society movements, for example, in Finland, that exercise their power through financial markets to instigate their demands for incorporation of societal purposes (Sjostorm, 2007). All these processes are instituted to target the rules and norms of institutions and change the paradigm of this institution for the general of society (Zald and Berger, 1978).

In finance, this characteristic is identified in the movement of Socially Responsible Investment (SRI) in finance, which has two aims: (i) reinstating social responsibility in finance by revising institutions of finance, especially in the asset management field, and (ii) introducing alternative institutions with its own societal-oriented logic (Arjaliès, 2010). Albeit the dual orientation of

this movement, the practice of the SRI movement across the world demonstrates a movement that actively proposes a change in the institution of finance, rather than replacing the *status quo* (Sandberg *et al.*, 2009). This has explicitly prevailed within similar movements in France, where such a purpose is propagated in society (Arjaliès, 2010). Nonetheless, it is becoming evident that such movements reflect a struggle of society in shaping newly formed industries, that depart from a distinct paradigm and orientation (McAdam and Scott, 2005).

As the discussion suggests, emergence of movements, such as CSR, SD and SRI, aims at moderating the consequences of conventional economy and finance, while they fail to correct the source which produces such outcomes continuously. Despite such a shortcoming, their emergence moderates disembeddedness in society, and hence, they are considered as social protectionist movements within the existing market system.

In similar manner, the specificity of a paradigmatic approach of Islam influencing the logic of finance, envisioned Islamic finance with ethical issues within its operation in an endogenised manner, to assure that business operations consider social consequences, suggesting the incorporation of social motives within an institution that hold strong capital-owner interests, as its supreme purpose (Asutay, 2007). This would bring finance into a negotiation process between materialist-oriented purposes with spiritual-society concerns that Chapra (1992) argue to be essential to bring society into harmony. As such, this phenomenon should be investigated within broader socio-economic perspectives (Asutay, 2007a, 2007b) within which this phenomenon is merging (Pollard and Samers, 2007), which highlight the specific identity call that propagated the development of this construct. In reading towards the process of emergence that involve struggle over resources and space (Lounsbury *et al.*, 2003; Zelizer, 1979), there are at least three other factors propelling the emergence and the development of Islamic finance, namely key actors, coalition created, and political economy landscape over the rise of Islamic finance.

First, the role of key economic agents has been influential in easing the acceptance, the integration, and the expansion of Islamic financial logic. Fang (2014) has highlighted the contribution that Lord Edward George, former governor of the bank of England, and other important figures in the industry in the UK made in patronising Islamic financial development in the UK and across the world.

Secondly, beside the important contribution of these agents, Kahf (2004) also pointed out the contribution of the new coalitional power, between *Shari'ah* scholars, businessmen, and executive power in the emergence and the development of an Islamic financial institution and its supporting environment. This new coalition has been the backbone in transforming *fiqhi* interpretations, offering resources for the establishment of the institution, and increasing awareness on the purpose and the operation of Islamic finance.

Lastly, the changing environmental landscape has significant impact to the extension of Islamic financial institutions. In countries like Bahrain, Kuwait, Malaysia, Sudan, Jordan and Indonesia, the shift of socio-political attitudes toward Islamic economic movements have provided space for Islamic finance to develop (Baskan, 2004; Malley, 2004: 22; Stiansen, 2004; Smith, 2004). These three factors in the development of Islamic finance assert that there is a process of resource mobilisation, departing from the shared identity of the members of the movement.

The three factors mentioned above in the development of Islamic finance assert that there is a process of resource mobilisation, departing from the shared identity of the member of the movement. Islamic finance sets their objectives and operational principles in accordance to canonical texts of Islam, which centrally object to conventional finance practices of interest-taking (Warde, 2010:5). In circumventing this practice, Islamic finance proposed financial arrangements on the basis of combined traditional Islamic contracts (El-Gamal, 2006). While interest-free motivation becomes the embryo in constructing alternative financial institutions, the demand on the practices of this Islamic institution stretch beyond this initial idea. Additional selection criteria of permitted economic activities is also introduced in tandem with Islamic financial arrangements (El-Shurafa, 2012).

In addition to this filtering mechanism to ensure *Shari'ah* compliancy in Islamic finance, there was an increasing expectation on the integration of Islamic values and norms into the operation. The development and the incorporation of a *Shari'ah* governance structure is an attempt to ensure the adherence of the product and the practices of Islamic financial institutions to the core principles of Islam. All these proposed mechanisms, aiming at assuring economic practices follow *Shari'ah* principles, as the process of deriving meaning and institutions, were imbued to the Western economic institutional model that inherited norms and logic of modern institutions (Warde, 2010: 37; Atzori, 2012: 7). As such, Islamic financial institutions reflect a

modified model of modern financial institutions that bring together two paradigmatic views into stake.

The mainstreaming of Islamic finance inevitably co-opted key economic agents of Islamic finance playing roles in institutionalising rules and norms Islam with the institutional elements of conventional financial institutions (Rethel, 2011). As the main structure of *Shari'ah* governance, *Shari'ah* scholars are the key figures in ensuring the Islamicity of products and practices of Islamic finance. However, as the practice blends together *Shari'ah* standards with financial requirements, such as risk assessment and financial feasibility, it confronts *Shari'ah* standards with conventional financial logic. As a consequence, it is increasingly difficult to maintain Islamicity, or even to advance and innovate on the basis of sole Islamic recommendations, without proving its workability within a 'for-profit' logic (Perry and Rehman, 2011; Fang, 2014). In other words, products and institutional grafting due to the national and international regulations, such as, the Basel Rule, has shaped the nature of Islamic finance, rather than the value system of Islam.

In response to this, several studies have expressed the increasing appearance of an Islamic financial system and the extent to which this system can serve the same purpose and, hence, being integrated into a global financial system (Martens, 2001; Henry, 2004; Akhtar, 2007; Jobst, 2007). Others have attempted to frame Islamic finance to be as 'efficient' as conventional counterparts (Martens, 2001; Henry, 2004; Mohanty *et al.*, 2016; Wanke *et al.*, 2016). Even, others have framed an Islamic model as superior to conventional finance. For instance, Islamic finance has been introduced as a form of financial innovation promoting financial inclusion in the UK (Fang, 2015). In the aftermath of the financial crisis, Islamic finance was also framed to be more resilient toward the crisis and, hence, promoting sound practices of economic and finance. All these attempts were made to earn legitimacy to having a hybrid institution.

3.5. CONCLUSION

The mainstreaming of Islamic financial practices has imposed the construct with increasing demands and pressure to converge to conventional financial logic. While the practice has been criticised for the domination of 'for-profit' logic in its operation from the beginning until legitimising period, the mainstreaming effect of institutions of Islamic finance has levied this institution with increasing compression to adopt conventional 'best-practice', while burdened with the expectation to demonstrate the ethicality of its practice (Rethel, 2011).

This increasing pressure raises questions as to the positioning of Islamic finance: as a product of pursuance of alternate developmental and modernity reflected within finance in accordance to an Islamic paradigm, and as a double movement in preserving the value orientation of Islam in rescuing finance from detaching from established social relationships and customs, organising society, as well as, the economy. Since social construction of Islamic finance is not only independently pursued, the construction of Islamically-aspired forms of finance is at a crossline in between the pursuance of Islamic finance capsulising and exhibiting the novelty of Islamic economics and expanding conventional finance to account for value prepositions of Islamic economics. The key to this enquiry lies within three elements recognised on the social construction process of Islamic finance, which among others are the agents as norm entrepreneur, collaborative action between agents of Islamic economic pursuance and between agents and elites of conventional finance, and environmental setting facilitating the emergence of Islamic finance.

This chapter, hence, attempts to locate the process of emergence of Islamic finance within the lens of Islamic economics. As such, it is a snapshot of potential processes that assist in reading this progression of emergence in relation to various contexts and layer of hierarchies that this process has undertaken. The following chapter explores the theory of research methodology and the procedure for its empirical investigation.

Chapter 4

THEORY OF RESEARCH METHODOLOGY AND THE EMPIRICAL PROCESS

4.1. INTRODUCTION

Observers of Islamic finance often reach the conclusion that Islamic finance has failed to demonstrate ideal expectations of promoting inclusive distribution of opportunity and resources through a profit-loss sharing mechanism and ensuring that finance connects with the real economy through productive processes and activities. They reason that such consequences result from structural deficiencies in IFIs that tussle in response to the riddling problem of information asymmetry, moral hazards, and adverse selection in their operations (Warde, 2010). Others underline the lack of competitiveness of this institutional innovation in the face of competitive pricing pressures, secured principal practices, and regulatory oddity (Iqbal et al, 1998; Ahmed, 2002; Yousef, 2004). Yet, others refer to shortcomings in the institutional nature of Islamic banks criticised for being hybrid institutions through an Islamisation process (Asutay, 2012). As a result, the presence of this alternative financing/financial framework and practices has been under fire despite providing effective and efficient means of allocating resources and opportunity to individual and institutional clients and shareholders. Albeit this unfavourable development in the expansion of the industry, IFIs continued to impress with strong growth, earning interest from multiple stakeholders that foresee opportunity developing from the positive progress that the institutions achieve. Regardless of the nature of operations and the criticism or the support received, Islamic banking and finance is a product of certain levels of activism that led to the emergence of these institutions through various stages of negotiations between different stakeholders. The same is true for the emergence and institutionalisation of Indonesian Islamic banking and finance, which is explored within this research.

This chapter aims to discuss the research methodology followed in responding to the research question developed in this study. In doing so, particular emphasis is put on the theoretical frame of research and research methodology in the following sections. In line with this, the empirical process through which data were collected and analysed is presented to locate the process within the identified theoretical debate.

4.2. THE RESEARCH PHILOSOPHY: REDUCTIONISM VERSUS NON-REDUCTIONISM AND ITS IMPLICATION TO DOWNWARD CAUSATION ASSUMPTION

The non-traditional framework and logic of Islamic finance that grows persistently, even under an unfriendly environment, and ineffective and inefficient institutional performance, suggest a particular narrative of industry emergence and development, unexplained by a standard economic approach. At the core, Islamic finance expands the 'best-in class' consensus in the practice of finance to take socio-economic factors into consideration. Such inclusion of socio-economic considerations in the practice of finance is difficult to measure in a conventional 'rational' sense as it incurred under what Schumpeter (1942) described as 'excessive uncertainty'.

By default, economics approaches a phenomenon using a constrained optimisation rule, where choice is assumed to be made by recognising pertinent knowledge. While it has significant approximatory power when information is fully recognised, a traditional neo-classical approach is limited in its ability to rationalise any approaches and practices that fundamentally counter the existing frame of rationality. This turns the presence knowledge and approach obsolete in revealing the process and the implications of new emergence in economics (Foster and Metcalfe, 2012). Therefore, in reading emergence and the development of Islamic finance, observers need to consider what Schumpeter (1942) described as 'entrepreneurial creativity', which is a process involving the interaction and the use of resources by humans in fulfilling purposes in a non-traditional manner.

Shackle (1961) acknowledged the condition that Schumpeter raised in accommodating economic emergence. Agents in the economy are interconnected in a dynamic and complex nature, where uncertainty becomes the source of prospect as well as risk. When agents explore the opportunity-threat attached to uncertainty, the incomplete knowledge of the nature of order is offset by the interplay between imagination and logic to ensure the realisation of the goals

against the effect of uncertainty (Loasby, 2011). As such, Shackle (1961) stressed the inability of calculative logic to comprehend the properties and the process of economic emergence (Foster and Metcalfe, 2012). This consequently leads neo-Schumpeterian economists and followers of Shackle to suggest that competitive equilibrium has limited explanatory power to explain the process of emergence. In responding to the limitation of deductive reasoning of competitive equilibrium, Alchian's (1950) conception of competitive process is proposed by evolutionary economists to essentialise the transformation of the economy towards new forms. This transforms the interest of economic observers toward competition from equilibrium generating angles into the competitive process of reaching the end purpose.

The emergence of Islamic finance from a marginal practice with its alternative logic and motivation to a popular framework of practice demonstrates this competitive process of generating an unorthodox structure of ideas, patterns, and institutions. Institutions of finance, which originally adhered to a dominant logic shaped and characterised by positivist ontology and rationalist individual methodological epistemology in generating everyday meaning and institutions, is transformed into an institution with multiple logical considerations with the arrival and the expansion of Islamic finance. This alternative framework of finance introduced other ontological and epistemological rationality beyond positivist-rationality, propagating and delivering a *fiqhi* process of producing everyday meaning and institutions with a certain degree of religious influence (Asutay, 2007; 2012). The incorporation of other logic into institutions of finance occurred through a competitive process, where other reasoning occasionally challenges the prevalent *status quo*, while, at the same time, continuously co-ops and negotiates its presence with mainstream rationality and practices (Arjaliès, 2010). Thus, IFIs' emergence and development are closely connected to this entrepreneurial creativity of related agents exercising imagination and logic within a modern institutional framework as the basic platform.

Nonetheless, the treatment of economic emergence as a competitive process only touches upon the process leading to the emergence and development of IFIs and leaves the substantial issue of the source of this phenomenon unexplained and unexplored (Foster and Metcalfe, 2012). From the evolutionary perspective, economic emergence contains a novel character that is generated from within the system. Such a characteristic defines the specific purpose and meaning of this emergence and directs the process of coming-into-existence in serving this purpose and meaning. The naturalist position that evolutionary economists stressed implied

that economic emergence takes place in a sequential order from its origin to its appearance, which distinguishes economic emergence in an evolutionary sense from spontaneous order in terms of the context that it is attached to (Witt, 2008). This leads to the framing of emergence as a socially and historically induced evolution without a single clear law determining the frame (Foster, 2011).

When the emergence of IFIs is argued to take place within this continuity hypothesis, it has to meet two stringent criteria: (i) the source of IFIs compose a strong novel feature that clearly differentiate from the *status-quo*, and (ii) this novel characteristic aided in fuelling and whittling economic emergence in a competitive process. These two conditions are interrelated and appeared in sequence to each other, given that continuous cycle of emergence in an evolutionary sense. Although a certain degree of novelty of IFIs can be identified, the originality of IFIs in an economic emergence sense is rather limited to its lexicon, technical framing, and governance and without a distinct and settled logic of operation and unique resolution. The divergence critics and mainstreaming patterns of IFIs strengthen the claim over the close resemblance of IFIs with the conventional model and practices, concealing the pre-supposed originality of the character of property of emergence.

Such emergence with a non-originality character is commonly recognised by the proponents of a complexity school, who argue that a new pattern or institution can possibly emerge from spontaneous and unplanned interaction of rational agents (Epstein and Axtel, 1996). Such interaction is facilitated by the existing governing norms and regulation, aspiring emergence to take place from the derivation of simple local rules (Holland, 2000). In that, complexity economists argue that economic emergence happened under a reducible property of macrostructures, influencing action and patterns of microscopic elements of the economy.

In the contemporary emergence discourse, the emergence proposal with excluded novelty is commonly acknowledged as a weak emergence. Stephan (1998), therefore, asserts that this form of emergence possesses three characteristics. First, this type of emergent is exposed to a materialist view, in which all things are made of matter. Hence, a week emergence is an emergent phenomenon, constituted by a dominant physical element. Second, such an emergence recognises the presence of properties of the whole. This systemic property only exists when such property takes no form in the microlevel. Lastly, this type of emergence comes with a synchronic determinist view. Such an approach would imply that an at-odds

phenomenon in the whole is a result of the appearance of a divergence character of the property of the parts.

The exclusion of novelty within weak emergence suggest that this form of emergence follows a reductive ontology in its nature, which often raises the question as to whether this type of emergence qualifies the character of 'emergence' as a concept. Albeit its denunciation, weak emergence is still considered as the minimum base of an emergence case (Bunge, 2000).

Stephan (1998: 68-70) asserts that different forms of emergence arises from a weak emergence form when reflection of other features of emergence are present. Weak emergence that holds the element of irreducibility falls into a category of 'synchronic emergentism'. In a case where a weak emergence character also holds the element of novelty and unpredictability, this type of emergence is labelled as 'diachronic emergentism'. Stephan (1998: 70) recognises two main reasons for unpredictability, where one refers to irreducibility of its property while another relates to the unpredictability of the property of the structure. The former is the basis of what is considered as a strong emergence, an emergence incorporating both novelty and irreducibility characteristics. In regard to the latter, where structure and elements of structure deemed to be unpredictable, this form of emergence is defined as 'structural emergentism'.

Recalling table 2.2 in Chapter 2, If Islamic finance is to be considered as an emergence phenomenon, Lewes (1875) insisted that it should not be the result of 'additive and subtractive' or else a reductive mechanism. Hence, the novelty character is an imperative in the case of emergence. In addition, Kim (1992) suggests that a non-reductionist assumption in the emergence with a novel characteristic leads evolutionary economists to commit to a downward causation argument. This left the question regarding whether the emergent phenomenon is autonomous or dependent from the emergence instantiates, as Bedau (2002) outlined. Therefore, it is essential to observe an Islamic finance phenomenon through the lens of reductive-irreductive and predictability-unpredictability characteristics defining whether an occurrence constitutes emergence or is resultant.

Based on such discussion detailed above, this research explores the nature of the emergence of IFIs in the case of Indonesia, by referring to the particularities of the country and specifics of the emergence types. The following sections, therefore, present the details of research methods in operationalising the theory and its application, as exemplified through an Indonesian case study.

4.3. RATIONALISING THE CHOICE OF EMERGENCE OF AN INDONESIAN ISLAMIC ECONOMIC AND FINANCE MOVEMENT AS A CASE STUDY

Indonesia is selected as the case for this research due to a specific reason derived from philosophy of the research in uncovering the characteristic of emergence that is embedded in the emergence of Islamic finance. Indonesian experience with Islamic finance emergence and development is one that depicts a 'naturalist' emergence and development trajectory, where it materialised from civil consent and travelled to the centre by taking the form of a modern financial institution in a hybrid sense (Indrastomo, 2016). This derivation from a peripheral process that the Indonesian case experienced, acclaims the inorganic nature and competitive process of IFIs' coming-into-existence, which suits the design of this research. Furthermore, this 'naturalist' attachment of Islamic finance emergence and development in Indonesia enabled this research to explore different explanations underpinning the nature and process of emergence of Islamic finance in Indonesia. This refers to two potential types of emergence representing two different positions, namely, splitting an evolutionary economic school and a complexity economic school, which stress whether or not this institutional emergence was contained and fuelled by a novelty specificity of an emergence base. The bottom-up characteristic of Indonesian IFI emergence highlights a certain degree of novel characteristic of emergence, while on the other hand, its divergence characteristic suggests the opposite.

The design of this research adopts an evolutionary position on the form and the characteristic of emergence in the substance. In that, it assumes that an emergent event took place only when the base of this phenomenon was stimulated (Foster, 2011). Consequently, an emergent event can only be initiated by a novel element unrecognised by previous law and acted as an entrepreneurial substance (Foster and Metcalfe, 2012). Hence, it is argued that an emergent event is initiated by an inorganic nature. The Indonesian story of Islamic finance indeed satisfies this condition. While the emergent cases of Islamic finance in other countries took place under the hegemonic push by the political regime's greater involvement, creating a planned and endorsed institution (Park, 2004; Soliman, 2004), Islamic finance emergence in Indonesia is inseparable from society's consent toward the limited capacity of institutions of finance in distributing resources and opportunity, inspiring an experimental journey in coming up with alternative forms of institutionalisation (Choiruzzad, 2013). This implies that the narrative of this emergent phenomenon contains an irreducible character, which provides a stronger indication of the novelty of the substance of the emergence of Indonesian IFIs.

In addition to the inorganic nature, the Indonesian experience of Islamic finance departing from a peripheral initiative, obtaining support from civil society, shifting the attitude of the central government toward civil initiatives with an Islamic background, and appealing to greater stakes shows the process in which marginal practices were acquired and shared space with popular domains. Even though the same situation might take place in other jurisdictions, where new coalitional power was formed and has become influential in introducing the concept and securing the interests of this coalition (Stiansen, 2004; Smith, 2004), none of those cases levelled up to the Indonesian experience in the construction of IFIs. This is due to the fact that the narrative from pioneering to legitimising stages has materialised through a competitive process, where standard logic and practices of conventional finance are continuously revised by an alternative via an Islamic orientation through an open market process (Indrastomo, 2016). This order of emergence asserts that this phenomenon is derived through a competitive process, which suits the expectation of the research design.

While the 'naturalist' embodiment of an Islamic finance narrative in Indonesia fits into the research design proposed, this distinguishing oddity also allows this research to examine the presence and the sustenance of novelty prior to, and during, the process of emergence. As complexity tradition suggested, the so-called distinct character enabling the process of emergence can disappear after being used up to oil the process, leaving the base elements to remain unknown, resulting in the novelty assumption falling short (Epstein, 2008). In addition to the completion effect argument to the novelty characteristic, complexity tradition stressed the possibility that the event arose out of agents' spontaneous interaction rather than a specific emergent base (Holland 2000). This inevitably challenges the downward causation assumption that an evolutionary tradition adhered to. In the case of Islamic finance emergence, this situation might prevail given the strong growth of IFIs under heavy criticism of the mimicking model and practices, offering an indication towards this complexity assertion.

By selecting Indonesia as a case, this research examines the rise of Islamic finance and its institutions as a potential case of emergence, or as a case of an emergent pattern. On one hand, an economic emergent case is distinguishable from its authentic base, such that it encompasses its own norms, framework, and practices (*see* among others: Hodgson, 2000; Harper, 2012). On the other hand, an emerging pattern or weak emergence in an economic sense is identifiable from its undistinguishable norms, framework, and practices from an existing model. This occurred under the condition where the process is stimulated by what Wagner (2010:20)

described as the “property of a rightly arranged nexus of relationship and not a property of individual action or rationality”, hence, stressing the spontaneous characteristic of this unpredictable event. Thus, this would be the difference between an event that was pushed by an agenda and imagination of the source aiming at generating unique and genuine behavioural norms, framework, and practices against adaptive cosmetic institutions with modern paradigms, process, and practices. Such identification is not only deemed necessary for the purpose of research but also essential in understanding the foundation of this construct and its expansion process.

4.4. RESEARCH STRATEGY

Acknowledging the importance of identifying the nature of order and change enabling the emergence of Islamic finance, such studies are nearly non-existent while the existing ones emphasised reductive physicalism in decomposing this important trait on the formation of Islamic finance. This leads to difficulty in deriving testable hypothesis that help in establishing a causal relationship, as well as, obtaining relevant material and data, which reflect and describe the reality of the economic emergence. Therefore, exploratory research is considered to better serve this purpose in exploring a currently unknown relationship and hypothesis of the nature of order and change of emergence of Islamic finance. This design offers higher degrees of flexibility and independence that is required in an explorative type of study in term of its approach, method, and data collection strategy. This would allow research with an explorative characteristic to discover in-depth insight and understanding of the phenomenon under study (Sellitz *et al.,* 1976).

Nevertheless, this type of research has received criticism due to its high degree of flexibility (Yin, 1994). Even though it has great potential to unveil the black box of undefined and undescribed truth, an exploratory research strategy is more intuitive in nature compared to established descriptive and explanatory studies, which often raises issues of relevance to future research. As such, it is important for an exploratory study to clearly define the case. An important step beneficial for an exploratory study is to set the propositions guiding the direction of the study. This proposition should be based on a rationale and direction that builds around the earliest and the most fundamental assumption, even if the end-result suggests what is oppositional (Wilford, 1992). Such propositions would enable the research to maintain its general relevance and, to a certain degree, explicit context.

In addition to the proposed propositions, Yin (1994) suggested that it is important to rectify the unit of analysis that helps to define the case. This range from an individual case study, focusing on the specificity of the individual nature and profile relevant to the problem raised, and to events or entities related to the context in building. The specification of unit analysis is tied to the nature and scope of the research questions stressed earlier. For example, by studying the US position and contribution to the world economy, Drucker (1986) highlights the transformation of the world economy that was influenced by the flow of capital and global trade. When the unit of analysis is set to be at the national level of the economy, the research strategy would differ from research that focussed on the capital flow between countries. Therefore, the unit of analysis selection in an exploratory study depends on the approach and the boundaries of the research question proposed.

This study is interested in deconstructing the role of Muslim activism within the state-civil society framework in the emergence and constitution of Islamic finance institutions, which depicts the process of institutionalisation of Islamic norms and values within a socio-economic context. Nevertheless, instead of focusing on institutions, it focuses on the process toward its formation. Hence, it is interested in observing the opinions, thought process, behavioural norms and practices essentialised by the proponents of Islamic finance in negotiating the making of Islamic finance within a given environmental setting and political economy. Therefore, the unit of analyses for this study is institutions, environmental settings, and the political economy involved during this process of piloting, construction, legitimisation, and mainstreaming of Islamic finance. As a case of emergence, the phenomenon of Islamic finance cannot easily be understood in a reductive manner. The emergence of IFIs from a point of marginal logic, which later negotiated its presence within the dominant logic of finance, suggests that there is a process of construction in the emergence and development of Islamic finance. In that, this study considers a constructivist process towards approaching the reality. For this purpose, an ethnomethodology approach is adopted.

Ethnomethodology emerged as unique set of paradigms and approaches containing a different understanding of the nature of social reality (*see* among others Gubrium and Holstein, 2000; Cuff *et al*, 2003: Have, 2004). When a scientific understanding of social reality recorded a trend of convergence towards natural order, ethnomethodology took a different path when observing social reality. It redefines the concept and the scope of reality and rationality, from a single understanding of social reality and single objective standard of rationality, to a multiple

recognition of social reality within which so-called objectivity that is comprised of a collection of individual's subjective reality (Have, 2004). This definition of reality and rationality asserts that social reality is formed through a process of construction, negotiation, and convergence of the boundaries of rationality. In that, ethnomethodology locates social reality as a product of everyday consensus by members of society that bring together nature and context in making sense of the world (Gulbrium and Holstein, 2000). Therefore, ethnomethodology is best expressed as an approach that considers both individuals' expression and related action in a collective sense as the properties of 'rationality' within an on-going process of reaching common ground in everyday practices (Garfinkel, 1991: 11).

Such commitment of ethnomethodology to everyday expression and practices assumes that the world is not a static state of order that is run by a set of custom and traits. Instead, social reality of the world is regarded as a dynamic set of concepts shaped by people's engagement in delineating commonly understood reality (Leiter, 1980:25). The emphasis of interpretation as the source of reason of action as the actualisation of reason, which holds the key to the formation of temporal objectivity within different contextual settings, consequently highlights the focus of ethnomethodology in relation to an explicit and observable evidence (Have, 2004). As such, evidence of reality in an ethnomethodological sense is self-reflected in the natural process of interpretation and action in reaching common grounds (Leiter, 1980). This does not necessarily mean ethnomethodologists deny the presence and influence of social fact in the formation of reality. Instead, such a fact includes in the subject of study as a phenomenon that contributes to the formation of objective reality. Thus, this position acknowledges and accounts for the consideration of multiple rationalities and realities in the exploration of a non-generalised social order.

In the field of business and economy, Pollner's (2002) study on online equity investors' understanding of their social reality is a case highlighting ethnomethodological research on business and economy. By observing the change of stock prices as a reflection of market-sense making in the prospect of the stock, this study pointed out that the social perception of the future outlook of particular stock, which was sometimes coded in the form of a report, market outlook or even news, affected investors' investment judgement. In another study, Garcia-Parpet's (2007) work on a strawberry market in France made use of an ethnomethodological position to understand how the market is constructed in accordance to a classical economic

sense, and how the market agents resemble a classical definition of *homoeconomicus.* Such an emergence of ethnomethodological studies in business and the economy is unsurprising.

With the dominancy of business and economics in society and in academic fields, the presumption, model, and benchmark of economics have strong influence on norms and customs that shape society's behaviour and preferences in an institutionalised and non-institutionalised practice (Ferraro *et al.*, 2005: 40). On the other hand, an ethnomethodological approach allows business and economic observers to analyse problems and issues as they were constructed and understood by members of the society, reflecting a more original setting of the situation (Pollner, 2012) as reflected in the negotiations between different agents and institutions in the making of Islamic finance in Indonesia.

4.5. DEVELOPING PROPOSITIONS

The generalisation of the *reason d'etre* behind the emergence of Islamic finance to a limited physical account, such as oil-income surplus, asset accumulation, or ecological expansion, brings the 'exclusion', 'physical determinism', 'dualism', and 'epiphenomenalism logics' onto the stage.

Given two events with different hierarchical positions, the *exclusion* logic worked towards a direct causal relationship between two eventssequential to each other. In that, it asserts that no other events were relevant in causing the second event other than the first event when the first event is causally related to the second event. In a less strict causal relationship, the *physical determinism* logic emphasises the sufficiency of a first-lower event to form the second-higher event. This position that is closely tied to the presence of hierarchical order assumes two conditions: each structure comprises of distinctive elements of properties (*dualism)* and only the higher events causally shape the lower events, not *vice versa* (*epiphenomenalism*). When either of the positions is adhered to in explaining how an event occurred, it will be automatically argued that none of the appearances of the second event is related to non-physical properties, such as purpose, distribution, special context, and socio-economic setting. This infers that every physical event can be fully explained by physical substances of the lower level, including the emergent phenomena of Islamic finance.

The problem with these two logical positions in explaining the emergence of Islamic finance rests on the implication of such logical reasoning in reading the origin of Islamic finance. As it is strictly relied on the initial physical properties are understood and recognised to be causally

connected with institutional emergence, the analysis of this phenomenon under logic falls short in building a strong case given its limited recognition to what was previously recognised as property and law, as well as, due to its reliance on initial physical properties. Humprey (2008) argued that *exclusion, physical determinism, dualism,* and *epiphenomenalism* logics implicitly stressed stricter rules of definition and application in setting the causal relationship between two sequential events in comparison to what was generally conceived. This is because most of the physical ontology in describing the two sequentially related and causally claimed events locate above the most basic level, which consequently entails that only the most basic physical properties are causally sufficient.

If the most basic physical properties are not singled out, the entire causal relationship claim become illegitimated and invalid. As properties of a basic case are often unknown, a causality claim and its subsequent causality derived claim became less relevant or irrelevant. This has been the case in deconstructing such *reason d'etre* of Islamic finance emergence. When it is assumed that all financial events were sourced from a sole financial precursor, one would end up imposing a speculative physical account with a strong reductive assertion.

In responding to this generalisation problem, such logic needs to be reinverted enabling the issue of determinism to acknowledge non-physical matters or non-financial matters in the case of Islamic finance emergence, to account for a causally connected property of emergence beyond a physical sense. This adjustment works under the assumption that each level of property has a distinct set of characters, in terms of both physical and non-physical properties, contains a unique identity. Unless it is causally connected, two properties remain distinct from each other. Therefore, the first proposition developed is as follows:

(i) For every emergence event, no physical event with no causal connection to the base of the emergence event is causally related to the emergence event.

Such a proposition states that an emergent commitment is not without consequence: non-reductive physicalism is inevitably assumed a supervenience assumption along with the proposition. Supervenience logic is devoted to a belief that a higher-level property is determined by lower level-property. As the first proposition advises that a property cannot emerge without the emergence of a lower-level base property, another property will have a downward causational power to the lower-level base of the earlier property, if it has a causal relation to that earlier property (Kim, 1992: 36). By recognising this causal connection,

emergentism implicitly asserts that emergent properties are inseparable from physical properties enabling these properties to rise, yet, distinguished by its unique causal power. This often led into the belief that:

(ii) The property of emergence is one that possesses novel causal determinism beyond physical property yet is attached to such property.

Nevertheless, when an emergentist assumes the causational power of property of emergence, they also implicitly hold a very strong assumption for this causational effect to play a part, which often misguided the emergentist in observing the process of emergence. If the base of the emergent event, which is the subvenient property, is generated by this causal connection, the supervenient logic will prevail. However, this single causation law will solely depend on the complexity of the situation surrounding the process of emergence, which often means a multiple realisation (Humprey, 2008). In addition, this generation process requires conversion and often utilisation of certain basic properties, which frequently leads to the disappearance of these properties when emergence takes place (Humprey, 2008) in the sense of the disappearance of a novel basis property, and its subsequent causal power.

This might be prevalent in the case of Islamic finance. As in the beginning of its emergence, the novel base property and its subsequent causational power are used up in the process of formulating the emergence property, as either it entangles in more complex situations with multiple directions of consequence, or it disappears along the process in order to generate the form it exists with. Therefore, in order to accommodate this *raison d'etre* in the emergence of Islamic finance, the third proposition is developed as follows:

(iii) If a downward causation consequence of a novelty requirement does not stand, the shift from the lower primary property to the higher secondary property through 'fusion' leads to the emergence of new property.

After identifying the propositions of this study, which guide the research, the next section rationalises the choice of the case, namely, the emergence of Indonesian Islamic finance, which will be the field through which these propositions are explored.

4.6. RESEARCH SETTING, DESIGN, AND METHOD

This research aims at deconstructing the emergence of IFIs in Indonesia by ascertaining the nature of its emergence and the process leading to this emergence. As identified above, three propositions were developed to guide this research.

The first proposition responds to the problem of the generalisation of *exclusion* and *physical determinism* arguments in rationalising emergent phenomena. By ignoring the role played by non-physical (unknown) properties, this argument only strongly avows to causal connections between physically known properties with this emergent property. Nevertheless, unlike these two positions, an emergence position to a new phenomenon does not restrict itself to known physical properties in examining the nature and the process of emergence. Instead, it argues that such an explanation can be derived from the combination of agent interaction as an articulation of its substantiation (non-physical properties) and the use of enabling capital (physical properties), depicting the relationship of the base of emergence and physical properties (Schumpeter, 1942). Foster and Metcalfe (2012) then argued that this could take place only when it was sourced from an agent's motivation unserved by current standards. This means that the first proposition only stands when the second proposition stands. Therefore, it can be argued that emergence is distinct in nature and process.

When the same rule applied in deconstructing the nature and the process leading to the emergence of IFIs, the analysis requires the identification of its authentic emergent base, as well as an agent's interaction and their utilisation of resources in facilitating the emergence of these. This can only be achieved when the reflective articulation of this emergent institution is observed and assessed along with the historical and socio-economic setting of the base of emergence in its natural form, as it is assumed and apparent. Such setting will provide this research with the access to the stock of knowledge attached to its social setting revealing the emergence experience of the institution in its original form and, importantly, as a product of interaction and social learning of the environment it is embedded to (Schutz, 1962). When this information is available, this research assumes relevant knowledge to investigate IFIs as an emergent phenomenon in its natural form, allowing this research to substantiate, trace, and contextualise the origin and novel elements of emergent bases, while making sense of the emergent process through an agent's interaction and learning process.

Nonetheless, the divergence critique of Islamic finance suggested that such a novelty character on the emergence of the institution might no longer possess the casualty power to the emergent institution. This would infer to the relationship proposed by Proposition 3, which argue that the inexistence of downward causational power of a novel element would imply that emergence is facilitated by the fusion process without the involvement of a novel character enabling the transformation from the first stage property into a second stage property. Such condition happens only when either the element of the base has disappeared during the emerging process or else due to the high degree of complexity given the multiple interests involved (Holland, 2000).

The consequence of having emergence that came out of spontaneous order without any original base generates what we consider as weak emergence or an emerging pattern, a type of emergent case that is difficult to distinguish from a similar physical case. If this occurred in the emergence of Islamic finance, it raises an existential issue regarding whether such an institution is distinguishable by the essence and its practical extent. Nonetheless, as this institution demonstrates strong progress, this research argues that the question should shift from the classic claim of exogenous shock (Greenwood and Hinings, 1996; Schneiberg, 2005; Guillen, 2006) to a new understanding of a field comprising multiple logics (Scott *et al* 2000; Schneiberg, 2002; 2007; Lounsbury, 2007). This somewhat represents an emergent position as a competitive process, involving a creation and negotiation process and coincidently naturalistic approach enabling us to account for this competitive process.

As the research is intended to reveal both the source and the process leading to the emergence of Islamic finance, this study is not only interested in the momentary situation of a particular case but also with determining longitudinal information in regard to the emergent process. This is where an ethnomethodological position plays an important role in designing the research. Even though it is often classified within a qualitative research tradition, an ethnomethodological position offers a particular treatment of the phenomena of interest, which can be outside the qualitative tradition.

While a qualitative tradition of embracing the perspective of the subject under study also sets the tone of the ethnomethodological tradition, ethnomethodology differs from an orthodox qualitative research convention in its focus of interest. Ethnomethodology aims at understanding how people observed constructs and comprehended the situation of interest, instead of solely producing a statement describing or explaining the situation of interest (Have,

2004: 174). As a consequence, an ethnomethodological approach often rests in between different research designs, as it has different points of interest. For the current study, it is inevitable that the research design acclaimed both the momentary perspective and longitudinal setting, as the point of interest is on capturing different stages of people's sense-making and their understanding towards Islamic finance, without ignoring that the process of sense-making still continues.

A tailored research design that the current study adopts leads this study to visit different research tools and materials. This might frame the work as a triangulation study, a form of approach that combines and analyses multiple data sources using mostly multiple methods and theories (Silverman, 2001). Nonetheless, such a trend of combining different data, methods, and framework are also recorded in the evolvement of ethnomethodological accounts. In the early years, this stream of a research approach was associated with the interpretative study of documented work. However, since then, an ethnomethodological approach has helped interpret many forms of phenomena utilising various sources of data, among other people's expression: conversation, as well as, interaction (Pollner, 1987: ix).

Such evolvement in the methods used in conducting an ethnomethodological study is somewhat expected as documentary-based evidence is by nature an inadequate source for understanding socially constructed phenomena or judging such phenomena (Hak, 1992). As Garfinkel (1991) suggested, a particular object of interest and its *modus operandi* can only be understood within the context of its presence and the purpose of its existence. In that, a document is not only considered as a product of human expression and interaction but also as an inseparable element causing or being caused by an order (Garfinkel and Bittnerr, 1999). In addition to the contextualisation and the attachment of any object of interest to its social order, ethnomethodology is also prescribed in relation to the assumption of natural attitude of its subject of interest. This would imply that an object of interest, such as a document, is independent on its own, containing a particular story and identity that is ready to be observed and assessed (Leiter, 1980). As a consequence of the philosophical position that ethnomethodology adopted, social observers have embraced other social phenomena utilising an ethnomethodological position and using objects other than the documented work.

This study acknowledges the need for taking into consideration multiple tools and resources in order to address the interests of the research. In qualitative-based research, there are various methods for data collection, among others: interviews, observations, and text-based analysis

(Silverman, 2004). In addition to these three, there are other analytical methods that can extract further information from talk-based documents to visually-based data (Silverman, 2004). As this study is explorative in nature, an interview setting is an appropriate mode of data collection as it offers in-depth and detailed information, allowing such research to make sense of complex issues within a short period of time and from a limited number of subjects (Sekaran and Bougie, 2011: 217). Importantly, this research method enables access to individuals' worlds of belief, expression, and experience, constituting knowledge and understanding of a particular topic (Atkinson and Silverman, 1997).

Nonetheless, the strength of this method in revealing relevant information also comprises a drawback. Interview data often contains a bias sourced from an interviewer's position towards the issue (Sekaran and Bougie, 2011). As a result, the expected information could not be grasped in the interview. Furthermore, the result of an interview also depended upon the friendliness and the support of the interviewee and the skills possessed by interviewer in obtaining the information needed from the interview (Marshall and Rossman, 1999). This is even more prevalent for sensitive information that related to an interviewee's situation or experience. Given such a condition, the use of interviews for data collection purposes should be considered in great advance. For the purpose of this research, elite interviews are selected as the main method of data extraction.

Elites are often considered as a small group of people within a population that are on top of the chain who possess great influence in society (Woods, 1998). Yet, this definition has been expanded beyond a structural position, space, or time and included any actor that not only becomes an influential figure within a system but is also linked to different social structures (Burt, 1992). Beyond such definition, elite interviews suit the purpose of this study. It is argued here that the emergence of Islamic finance in Indonesia is closely related to elites from different social institutions, including professional, cultural and social institutions, who are involved directly or indirectly in aiding the emergence of Islamic finance. Hence, elite interviews increase the validity and reliability of the research (Berry, 2002).

Furthermore, as the research is not only interested in a single event of interest in regard to the source of emergence but also a longitudinal process of emergence, another method of data collection should also be engaged to assist the narrative developed from interviews, especially in making this research contextually informed. For this purpose, archival sourced data collection was conducted prior to the interview. This mode of data collection is necessary for

this research due to a multitude of purposes. Firstly, archival sources help this research to identify important events and figures that contribute and engage to the emergence and the development of Islamic finance in Indonesia. This is essential to map out its elements of authenticity, which this research assumes to form an initial frame that together with physical properties lead to emergence. In addition to the identification of the original character of the base of institutional emergence, historical tracking of this emergent experience enables this research to picture such entrepreneurial activity on the creation of institutions of Islamic finance in both a global sense, as well as, at an Indonesian level. In addition to the identification of important events and figures, complementing interviews with archival sources helped to increase the validity and reliability of the information collected and analysed (Yeung, 1995), which increases the overall quality of the research.

4.7. DATA DESCRIPTION, SAMPLING STRATEGY AND ITS RELEVANCY

As this research aims to explore an understanding of the emergence of Islamic finance as a subject of interest, the main unit of analysis for this research is at a field level, comprising the institution and its logic. Beyond studying Islamic finance on an organisational entity, this research also considers social and cultural institutions, as well as, legislative institutions within Islamic finance emergence. This covers the history, important figures, roles, and actions taken or formed by any of these institutions, as an inseparable body of information on the emergence narrative. In addition to institutional level analysis, the context and environmental setting surrounding the initiation and the process of emergence of IFIs is also part of the unit of analysis. The combination of institutional interest and socio-economic context and setting enables the research to identify the base of this institutional emergence and the entrepreneurial creativity, if any, and other possible factors fuelling the process of coming-into-existence of IFIs. This leads the research to focus on the base of the institutions and its dynamism during the process of emergence.

In the beginning, this research visits historical records, in the form of literature, organisational ecology, law and legislation, and other institutional records, that can aid the creation of a trajectory of institutional emergence from early the 1980s until 2014. This involves collecting and hand-picking important, relevant texts and other publications that support the development of the discourse, confirms the feasibility of having such institutions, narrates practical implications of this proposal, and inform the process through which the Islamic economic movement emerged as part of an alternative paradigm making discourse. Furthermore, acts and

endorsement by government and regulators were utilised to examine the institutionalisation of Islamic norms and values. In addition to these three historical accounts, cultural institutions in the form of civil organisations and union developments were considered as part of the analysis of historical records.

After collecting the initial secondary material, this research utilised the information from secondary material to identify elites and activists engaged in the emergence of IFIs. As such, purposive sampling was adopted as a strategy, which is considered as more advanced than convenient sampling, while being less random than theoretical sampling. In convenient sampling, the researcher accesses data that is relatively more accessible and then follows by snowball sampling to connect ties between sources, whereas in theoretical sampling, a researcher sets a sampling boundary, yet, only lists the information as the data emerged (Bryman, 2008). On the other hand, purposive sampling starts with those who are relevant and reliable to respond towards the issue of interest, who then recommend other relevant contributors and participants for the research. This type of sampling method is found to be more useful for the current research as the information required is known by a selected number of people within Islamic finance movement and industry.

The rise of Islamic finance in Indonesia has been characterised by greater civil involvement in its development (Antonio, 2001; Choiruzzad, 2013). Hence, the sampling of this research emphasised civil society groups in the emergence of Islamic finance in Indonesia. For the purpose of this research, civil society is not only defined and categorised as non-profit and third-sector related as in many researches on the area (see among others: Hudson, 1999; Anheir, 2002), nor is it limited to non-governmental organisations (Clark, 2003). Instead, the definition of civil society that this research adopted follows that of Salamon *et al* (2003: 4) which also recognised informal networks, groups, organisations, and individuals beyond formally recognised ones. This working definition is important for Islamic finance emergence in Indonesia as the civil movement was rather initiated by informal arms of civil society.

The initial reading on an Islamic finance movement in Indonesia, for instance, suggested that the ideas and the concept of Islamic finance was introduced by several intellectuals, who attended the first conference on Islamic economics held in Mecca during 1976, including, among others, A. M. Saefudin and Halide. As most of these figures were university lecturers, such concepts circulated in informal discussions and meetings, as well as, lectures and seminars at university level. The proponents of Islamic finance were committed to the belief that interest-

taking practices were not only unlawful but also unjust. Figures such as A. M. Saefudin and M. Amin Azis were indeed vocal actors in the introduction and development of institutions of Islamic finance in Indonesia. Therefore, the early figures, as members of civil society should be among those names that can help unveil why and how Islamic finance emergence in Indonesia has taken place.

Kahf (2004) pointed out that the rise of Islamic finance, especially Islamic banks, in the Muslim world was made possible through the emergence of new power alliances between wealthy individuals and organisations and *Shari'ah* scholars. In Indonesia, a new power alliance, which led to the emergence of Islamic finance and banking, also emerged from the interaction and negotiation between Muslim intellectuals, technocrats, and *Shari'ah* scholars. The existing literature, provided by Antonio (2001), Hefner (2003), Juoro (2008), and Choiruzzad (2012, 2013), has highlighted this phenomenon. After the establishment of the first institutional experiment in the form of a cooperative-performing-microfinance-role institution, namely, Teknosa, the aspiration of these intellectuals was captured and accommodated by a coalition between the *Ikatan Cendekiawan Muslim Indonesia* (ICMI), an association of intellectual Muslims, and the *Majelis Ulama Indonesia* (MUI), the national religious scholars' assembly. MUI had taken the first initiative by holding a workshop on banking and interest in Cisarua, Bogor, in 1990, which forged a channel of communication between the future proponents of Islamic finance.

While MUI actively propagated the discussion on Islamic modes of financing, ICMI contributed to opening opportunities for the emergence of Islamic banking institutions. Hefner (2000) asserted that the special connection that ICMI enjoyed with the regime has been a major influence in the regime-confirming attitude towards the development of Islamic finance. In the later years, active involvement by Bank Indonesia, the central bank, in nurturing the expansion of Islamic banks and its related institutions should also be acknowledged (Choiruzzad and Nugroho, 2013). Therefore, the sample for the elite interviews should, therefore, also cover important members of these organisations, to address the research questions and the propositions developed here.

In addition to the elites from those organisations mentioned above, the Indonesian experience of Islamic finance has also been characterised by peripheral initiatives in the expansion of IFIs. Beside mainstream IFIs development, Islamic cooperative-performing-financing institutions were also experiencing rapid development. Since the emergence of the first institutional

experience in 1983, such concepts attracted interest from different stakeholders, including ICMI and *Dompet Dhuafa* (DD), a religious philanthropic institution. DD was rather ahead in promoting the BMTs by introducing '1000 BMTs and Islamic Rural Banks' program in Indonesia (Sudewo, 1994 cited in Choiruzzad, 2013) as ICMI came later in 1995 when establishing *Pusat Inkubasi Bisnis Usaha Kecil* (PIN-BUK), which is a Small Business Incubator unit of ICMI that has promoted development of BMTs.

Albeit the exact numbers were unclear due to geographical location and unregulated schemes of operation (Sakti, 2011), the number of BMTs has approximately reached 3,500 units in operation across Indonesia by 2015, which remained around this number by 2017. While the development of BMTs were supported by Bank Muamalat during the 1990s, later development was relatively independent, indicating a rise in a competitive atmosphere. Thus, information through interviews with the BMT supporters is also relevant to understanding the emergence of Islamic finance in Indonesia.

Furthermore, the position and the involvement of religious civil organisations in the emergence of Islamic finance in Indonesia cannot be disregarded in the constitution of elite interview sampling. Indonesia is home to the world's two largest Muslim organisations, NU and *Muhammadiyah.* These two organisations, as mentioned above, are civil society based and autonomous from the state, with strong roots in providing education, while *Muhammadiyah* added healthcare to its portfolio over the years. Albeit within the increasing debate questioning the legitimacy of contemporary *ulama* (Saeed, 2003), there has been an opposing trend supporting the modernisation of the *ulama* arguing for an increased influence and presence of the *ulama* in society (Zaman, 2002). In Indonesia, the latter prevailed over the former. The result of surveys conducted by several organisations in 2010 seeking to understand Muslim affiliation to religious organisations showed that 65% of Indonesian Muslims associate themselves with either one of these organisations (Fealy and Bush, 2014). Such a magnitude of affiliation gave an overview on the extent to which *NU* and *Muhammadiyah* influenced their followers. Given their important position within Muslim society, their attitudes toward Islamic finance can be considered instrumental in increasing awareness and acceptance of society towards such constructs. Therefore, the initial sampling should also account for group representation.

In addition to elites of the religious organisations, it is also important for this research to include the narratives of broader stakeholders apart from the core activists of the movement. For

example, Bank Indonesia (2002:3) identifies several stakeholders of Islamic financial industry, among others IFIs, regulatory bodies, National *Shari'ah* Council (DSN) of MUI, *Muamalat* Arbitrage Body (BAMUI), educational institutions, and other related organisations, as well as, the general public. As this research explores the emergence and the development cases, most of these stakes were relevant to the research interests. This is because the stakeholders were directly and indirectly related and involved in the emergence and the development of Islamic finance in Indonesia. Nonetheless, as research on stakeholders of Islamic finance was not popular, the names engaged with Islamic financial development were not always recorded and covered in many other studies. Therefore, the sampling of these stakeholders was conducted using the snowball method of sampling from the earlier important contributors identified through data archiving.

Based on the discussion so far in this section, Table 4.1 exhibits the lists of potential interviewee sampling, their position, and their roles, while the actual sample is listed in table 4.2, as the snowballing method helped to incorporate other relevant individuals. Table 4.2. also identifies the actual interview dates.

After identifying these 22 sources of names through purposive sampling, the subjects were contacted directly through telephone and e-mail. Consequently, 15 subjects were willing to be interviewed at different times. Then, another 15 interviewees were contacted through the recommendations of the first 15 subjects interviewed. Another six subjects were contacted and interviewed during January to February 2017 to address questions of interest. All 36 samples contain individuals who have been involved in driving and popularising the expansion of current Indonesian Islamic finance, both directly and indirectly. They represent activists from the first generation to the most recent generation.

Table 4.1: List of Contacted Samples for Interviews

No.	Organisational/Individual Name	Details	Status of Interviewee
1	ICMI	Intellectual Muslim Association	Chairman or High-Ranking Official
2	MUI	Semi-governmental Organisation	Chairman or High-Ranking Official
3	Bank Indonesia	Central Bank	Governor or Relevant Official
4	OJK	Financial Service Authority	Chairman or High-Ranking Official or Relevant Official
5	*Nahdatul Ulama*	the Largest Muslim Civil Organisation	Chairman or High-Ranking Official or Relevant Official

6	*Muhammadiyah*	the Second Largest Muslim Civil Organisation	Chairman or High-Ranking Official or Relevant Official
7	*Dompet Dhuafa*	Philantrophic Organisation	Chairman or High-Ranking Official or Relevant Official
8	*PIN-BUK*	Incubation Centre of ICMI	Executive Officer and Official
9	*DSN-MUI*	National Shariah Board of MUI	Chairman or High-Ranking Official or Relevant Official
10	*Masyarakat Ekonomi Syari'ah* (MES)	Association of Islamic Economics Activists	Chairman or High-Ranking Official
11	*Badan Waqf Indonesia (BWI)*	National Waqf Foundation	Chairman or High-Ranking Official
12	*Badan Zakat Nasional (BAZNAS)*	National Zakat Foundation	Chairman or High-Ranking Official
13	Ministry of Finance	Governmental Institutions	Minister or High-Ranking Official
14	Islamic Banks	Industry Representative	Executive Level and Middle Management
15	*BMT*	Islamic Microfinance Representative	Executive Level and Middle Management
16	Professor A. M. Saefudin	Professor at IPB	First Generation Activist
17	Professor Halide	Professor at Hasanudin University	First Generation Activist
18	Adi Sasono	Former ICMI official, Former Minister	First Generation Activist
19	Dawam Raharjo	Lecturer at IPB	First Generation Activist
20	Karnaen Perwataatmadja	Former Executive Director IDB	First Generation Activist
21	Professor Didin Hafidhudin	Former Chairman of Baznas	First Generation Activist
22	Ramzi Zuhdi	Former BI Official	First Generation Activist

Table 4.2: List of Actual Sample for Interviews

No.	Name	Institutional Attachment	Role	Code	Date Interviewed
	First Generation				
1	A M Saefudin	Bogor Agricultural Institute, Dewan Dakwah Islamiyah Indonesia	Intellectual	AMS	25/04/2016
2	Karnaen Permataatmadja	Trisakti University, Directorage General of Monetary, Ministry of Finance	Technocrat	KP	7/4/2016
3	Halide	Hasannudin University	Intellectual	HA	6/4/2016
4	Jimly Ash-Shidique	University of Indonesia, Association of Intellectual Muslim (*ICMI),* National Ulama Council (*MUI)*	Intellectual	JAS	1/4/2016
5	Didin Hafidhudin	Bogor Agricultural Institute, National Zakah Board (*BAZNAS)*	Ulama	DH	24/4/2016
6	Mustafa Edwin Nasution	University of Indonesia	Intellectual	MEN	23/3/2016
7	Ma'aruf Amin	National Ulama Council (*MUI)*	*Ulama*	MA	5/4/2016
8	Ramzi Zuhdi	Bank Indonesia	Technocrat	RZ	24/3/2016
9	Mulya Siregar	Bank Indonesia	*Technocrat*	MS	29/4/2016

10	Dawam Raharjo	*Muhammadiyah* University Malang, Association of Indonesian Intellectual (ICMI)	Intellectual	DR	30.1.2017
11	Charmeida	Ministry of Finance	*Technocrat*	CHA	18.2.2017
	Second Generation				
12	Muhammad Syafii Antonio	National *Shari'ah* Council - MUI, Former Islamic Banker	*Ulama*	MSA	4/3/2016
13	Nadratuzzaman Hosen	Bogor Agricultural Institute, Indonesian *Waqf* Bearau (BWI)	*Ulama*	NH	9/5/2016
14	Adiwarman Karim	*Karim* Business Consulting, Islamic Banker	Institutional Activist	AK	28/3/2016
15	H M Dhumairi	*BMT* Sidogiri, *BMT* Maslamah-Sidogiri	Institutional Activist	HMD	2/5/2016
16	Aslichan Noor	PIN-BUK	Institutional Activist	AN	29/4/2016
17	Muhammad Touriq	Capital Market Board, Financial Service Authority (FSA)	Technocrat	MT	14/4/2016
18	Irfan Syauqi Beik	Bogor Agricultural Institute, National *Shari'ah* Council - MUI, National *Zakah* Board (*BAZNAS*)	Institutional Activist	ISB	14/4/2016
19	Rahmatina Kasri	*Forum Studi Islam* (FSI), *University of Indonesia*	Institutional Activist	RK	8/4/2016
20	Ahmad Fauzi Nur	*Forum Studi Islam (FSI),* Bank Syari'ah Mandiri	Converged Professional	AFN	12/4/2016
21	Ruri Prasetya	Universitas Islam Indonesia, *BMT* Beringharjo	Institutional Activist	RP	3/5/2016
22	Sigit Purnomo	Student Activist, STIE SEBI	Institutional Activist	SP	8/1/2017
23	Nurmahmudi Ismail	Former President of Justice Party, Former Mayor	Intellectual	NI	2/2/2017
	Third Generation				
24	Ventje Raharjo	Former CEO PT BRI Syari'ah, Chairman PT Bank Syariah Mandiri	Converged Professional	VR	12/5/2016
25	Ascarya	Bank Indonesia	Technocrat	ASC	7/5/2016
26	Dian Masyita	University of Padjajaran, National *Waqf* Board (BWI	Institutional Activist	DM	27/4/2016
27	Achmad Iqbal	*Fossei*, *Masyarakat Ekonomi Syari'ah* (MES)	Institutional Activist	AI	13/4/2016
28	Tendy Ahmad	*Dompet Dhuafa* (DD)	Institutional Activist	TA	11/4/2016
29	Rifki Ismal	Bank Indonesia, University of Indonesia	Technocrat	RI	12/4/2016
30	Anwar Abbas	*Muhammadiyah, Muhammadiyah University of Yogyakarta, National Ulama Council (MUI)*	*Ulama*	AA	5/4/2016
31	Yunahar Ilyas	*Muhammadiyah, Muhammadiyah* University of Yogyakarta, National *Ulama* Council (MUI)	*Ulama*	YI	29/3/2016
32	Agus Sediarto	Islamic Banker - Bank Syariah Mandiri	Converged Professional	AS	16/4/2016
33	Suminto	Ministry of Finance	Converged Professional	SU	6/5/2016
34	Pungky Sumadi	National Planning Agency	Converged Bureaucrat	PS	19/4/2016
35	Farouq Al-Awyni	Former Islamic Banker, Former IDB Employee, Professional Consultant	Converged Professional	FA	19/01/2017
36	Setiawan Budi Utomo	Bank Indonesia	Technocrat	SBU	17/01/2017

Table 4.2 exhibits the actual sample of the interviews conducted in this research. As can be seen, 36 subjects contributed to the study, which includes leaders of national Muslim organisations, civil society leaders, influential figures in associations that support the expansion of an Islamic financial industry, Islamic economics and finance related academics, bureaucrats and technocrats, as well as politicians who have actively engaged and committed to turning movement aspirations into practices, through direct and indirect means stemming from the1970s.

It should be noted that the multitude of backgrounds from which the interviewees were derived reflects an important ethnomethodological position that this research adopted, as it allows this study to understand elite and activists' perspectives on what Islamic economics are, how it should translate into practices and reality. This is crucial in explaining the current stages of development and the characteristics of institutional emergence. In addition, this enabled the research to observe co-integration or even fragmentation within the group that pushed an Islamic finance agenda.

4.8. INTERVIEW GUIDELINE

The interview guidelines for this investigation were developed in line with the theoretical framework of the study focused on 'emergence', as well as, the research framework. As 'emergence' framework has guided the operationalisation of this research, the interview guidelines were developed in response to the research interests with a focus on the sources and processes of emergence of Islamic finance. For an 'economic emergence' to be considered as an emergence case in evolutionary tradition, as a phenomenon, it should be characterised by a novel character that propels the process of emergence. Hodgson (2000) suggests that such specificity could be understood when information on the background and the process of emergence is captured.

The background that Hodgson refers to as an economic emergence case accords with what Foster and Metcalfe (2012) believe as a combination of a knowledge shift, as well as, socio-cultural and socio-economic factors behind the emergence case. The knowledge change here is a result of an authentic imagination that yields information and shapes logic. The extent to which this logic is crystallised as knowledge depends upon socio-cultural and socio-economic settings, known as *meso* rules, which work as an enabling condition determining the production

of novelty knowledge, hence, emergence (Dopfer *et al.*, 2004). For the purpose of making sense of an Islamic finance background, the interview guide to this research incorporates a social construction of Islamic finance as a topical area, which is necessary to locate the conceptual and practical origins of Islamic finance in Indonesia to seek its authentic sources of origin as an attempt to explore it as emergence. In generating data through the interviews for this section, interviewees were questioned on the origins of Islamic economics, including its importance and its construction; the origins of Islamic finance as an institution of Islamic economics; the extent to which Islamic finance redefines finance and alters preferences; along with the current state of Islamic finance, to comprehend how imagination turned into reality as demonstrated in section 1.3. of the Appendix I.

While the identification of the source is traced to the social construction process of Islamic finance, the process leading to the emergence of Islamic finance as an economic emergence in an evolutionary tradition somewhat echoes entrepreneurial creative understandings. Within an evolutionary tradition, it is commonly understood that entrepreneurial creativity is sourced from novel ideas and imagination, which later brings the imaginary product to life (Foster and Metcalfe, 2012). Instead of assuming that new emergence is generated by self-organising patterns of multiple scattered systems, the process of emergence that consumed energy (Foster, 2011) is due to this conversion of imagination by creative and entrepreneurial individuals or its networks through a competitive process. This implied that the emergence occurred is to some extent created and negotiated.

For the purpose of understanding the process leading to emergence, this research argues that such processes take the form of social activism toward social movements from both outside and within the field of finance. Through this lens, this research is interested in understanding how meaning, symbolism, and discourse of the movement are interpreted and constructed in a more understandable and practical manner to inform and govern multiple stakeholders within and outside of activism (Gatlin, 1980; Gamson *et al.*, 1982; Zuo and Benford, 1995; Della Porta and Diani, 2006). This leads to the development of questions on a social movement perspective centred on the rise of Islamic finance following the tradition of a global Islamic economic movement, ranging from identifying how things emerged up to issues of how the popularisation of the movement affected the sustenance of the novelty of Islamic finance. This is captured in section 1.4 of the appendix.

The adoption of outsider-insider perspectives on a social movement-based understanding of Islamic finance inevitably brings the discussion onto what this movement has achieved. Previous studies initially pointed out that there are two possible products of social movement attempts to frame: transforming institutional logic or creating alternative institutional logic (Lounsbury *et al.*, 2003; Rao *et al.*, 2003; Arjalies, 2010). The difference between the two sources stems from the difference in the primary goal of the movement, which is either to change the existing structure or to generate a new field. Lounsbury (2002) and Arjalies (2010) underline the potential conflict within the internal structure of the social movement, which demonstrate the dualism of goals internalised within the movement. This helps to explain a trajectory of contemporary Islamic finance practice, including in Indonesia. Therefore, it is becoming important to incorporate the issue of convergence and divergence of Islamic finance not only to address the criticism to Islamic finance but also to seek answers as to whether Islamic finance is an economic emergence in an evolutionary perspective, or another story of weak emergence. For this purpose, the issue of authenticity, domination of paradigms, the role of *Shari'ah*, alongside further prospects have to be included. This can be located in section 1.1 and 1.5 of the Interview Guidelines in Appendix I.

Furthermore, as this research makes use of interviews as a method of understanding the case of emergence under an ethnomethodological influence, the interviews should also explore the necessary information providing the interviewee's side of the story, regarding their involvement with the emergence of Islamic finance which can be recognised as part of the analysis on the case of emergence. Thus, interviewees' friction, involvement, and contribution with Islamic economics and finance is considered as important components for the interviews to cover in addition to the background, the process, and the current state of Islamic finance related development.

As the interview targeted elites involved in the emergence of Islamic finance in Indonesia, whose time is limited and whose interest and expertise are varied, the interviewing strategy aimed to suit and adapt to the reality of the field. Hence, a semi-structured interview method was utilised to extract information of interest from interviewees, leading to 'following the interviewee' strategy. In addition, the semi-structured interview design also allows the interviews to expand beyond the topic highlighted in the questions.

4.9. DATA COLLECTION AND INTERVIEW ADMINISTRATION PROCESS

Data collection processes commenced during January 2016 after receiving the results of confirmation review revisions and adjustments to the work in progress were made. In particular, when designing the research, the researcher revisited the literature to seek a clear pathway on the philosophy of the research, along with its consequences for research strategy, methods, and data used.

The unit analysis of this research is at an institutional level, where it observes not only the organisation within the institutional ecology but also social institutions, cultural institutions, legislation, and the social context behind the emergence of IFIs. Consequently, institutional level data were mapped and identified for the purpose of the analysis.

Initially, available secondary data was collected, which included online reports issued by Bank Indonesia, Financial Services Authority, National Statistical Bureau (BPS), Islamic banks, and other related institutions, news in relation to Islamic finance in Indonesia, books, journals, and other supporting secondary material that assists in assessing the emergence of Islamic finance in Indonesia. At the same time, the researcher started to plan the field research, which was conducted from March- June 2016. As interviews are the main tool of the field research, the initial focus centred on developing interview questions along with listing subjects to interview who could offer insight on the topic under study. To develop interview questions, two months were spent, from early January to early March 2016, to determin the questions and their rationale. The highlighted areas to be covered in the interviews included interviewee's narratives on their inception and involvement in bringing Islamic finance into being, the context of the social construction of Islamic finance, the social movement on finance that led to the process of coming-into-existence of Islamic finance, and the authentication issue on IFIs.

While developing interview questions, the researcher also identified and mapped targeted interviewees from various backgrounds, including civil society leaders, technocrats, bureaucrats, *ulama*, professionals, and politicians, whose contribution and involvement were instrumental in the emergence and development of Islamic finance in Indonesia. This list was inspired by Kahf's (2004) new power alliance between *Shari'ah* scholars and businessmen, which coloured the emergence of IFIs in the Middle East. In addition, Choiruzzad's (2013) identification of influential agents behind Islamic finance emergence in Indonesia along with intensive research and reading on the Indonesian narrative, alongside insider information

within Islamic economics' movement was useful and helpful. These names represent multiple stakeholders behind the emergence of IFIs in Indonesia, especially through civil society engagement, in turning aspiration into a hybrid modern institution. Detailed of this information can be located in table 4.1. and 4.2 earlier.

As this research made use of purposive sampling and snowball sampling, half of the expected number of interviewees were selected and contacted through various modes of communication. The other half of respondents were people later recommended by respondents as important figures behind the development of Islamic finance in Indonesia.

In addition to designing an interview schedule as well as defining interviewee sampling and selection, ethics forms were also submitted to the relevant committee at the Durham University Business School as a procedure to obtain ethical clearance. The research involved interaction with living subjects; and therefore, both ethical forms A and B were submitted on the 18th February 2016. The researcher was informed of the approval of the interview process identified in ethical forms on the 19th February 2016, allowing the interviews to proceed.

The interview process was conducted in two halves. On 9th March 2016, the researcher travelled to Indonesia to conduct the first round of the field research for data collection purposes lasting about eleven and a half weeks. In that instance, 30 interviews were conducted in four cities, namely Jakarta, Yogyakarta, Pasuruan, and Makassar. The second round of data collection performed from January to February 2017 engaged six further interviewees in complementing the prior data collected in the first round of interviews.

With regards to the administration of the interviews, the shortest interview lasted for about 34 minutes while the longest took about 1 hour 48 minutes. On average, the interview duration was about one hour five minutes. Out of 30 subjects, 15 were recommended by the pre-contacted interviewees. Six subjects that follow in the second round were selected after early development narrative to complement area of interest, coming from those with considered to be Indonesian *Ikhwan.* In that, it satisfied both the judgement sampling and the snowball sampling.

In order to substantiate the data, secondary data archiving was also conducted to supplement the currently developed secondary dataset for reconstructing and tracing the emergence of Islamic finance in Indonesia within its historical background and forms. For instance, the researcher visited the Parliament Library and Media Communication Centre in Jakarta to

retrieve documents during the consultation process on the draft of Banking Act No. 7 Year 1992, its revision in 1998, and subsequent Islamic Banking Act No. 21 Year 2008, to observe the content of discussion with the objective of identifying the way Islamic finance is framed. On another occasion, the researcher visited *Masyarakat Ekonomi Syariah's* (MES) office in Jakarta, a civil-based organisation dedicated to the promotion of Islamic economics and finance and collected published material to observe how Islamic finance was articulated in communication through various media.

4.10. DATA ANALYTICAL STRATEGY: GROUNDED THEORY

This section is developed to explain the way in which the data is assessed and interpreted. The analysis of the data is an art of defining the meaning of the related information rather than just displaying it. Bryman (2008) states that analysing data is not solely a means to understand what is happening but also to comprehend and to delineate understanding from the data emerged. As this study built upon people's narratives and understanding of the topic that related to the phenomena under study, a qualitative-based data analytical strategy can be considered as an option for processing and analysing the data (Have, 2004; Myers, 2009). For this purpose, grounded theory is considered suitable for the purpose of this research, as by its nature it aims to extract the information to its saturation in relation to the research question. Nonetheless, this research is more ascribed to Strauss's version of grounded theory (GT) that is more socially constructed in nature (Charmaz, 2008). Since grounded theory is also a research methodology, this section touches upon its concept from methodology, yet, by specially emphasising grounded theory as an analytical strategy.

GT is a methodological concept coined by Glaser and Strauss in the 1960s. As it is stated in its name 'grounded', GT is by definition a method that attempts to generate a theory through full extraction of the data that reflect people's everyday concerns (Glaser and Straus, 1967). A study that adopt GT in attaining its goal makes use of a concurrent data collection and analysis, following inductive lines of unveiling the issue of concern (Morse, 2001). In other words, the data collected is continuously analysed until nothing else can be extracted from the data. This is where constant comparison become important. It is a number of formal approaches that help to construct theories from the data through continuously tracking from similarity and difference from an emerging data (Glasser and Strauss, 1967). Even though such structuration in the process of extracting information existed, this process is accompanied by informed inspiration

of theoretical sensitivity, questioning, and sampling to direct theoretical saturation from the data (Glaser, 1978; Strauss and Corbin, 1990).

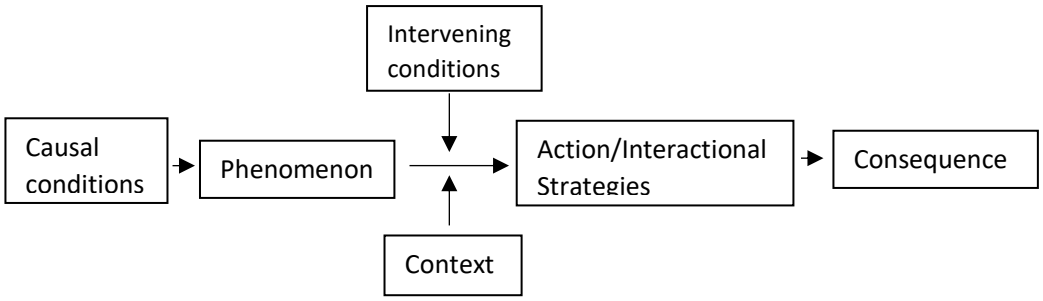
GT as a methodological approach has been extended beyond the initial seminal work of Glaser (1978) and Strauss and Corbin (1990). In fact, this process was initiated by the ontological and procedural gap that distinguished the latter engagement of the two founding fathers of GT in setting up a future direction for GT. The core to this divorce is in the recognition of what reality is: the traditional GT that Glaser supported suggests that truth lies on the data already reflecting what a reality is (Glaser, 1978), while Strauss shifted to a relativist position suggesting an 'enacted' truth (Strauss and Corbin, 1994). This ontological position inevitably distinguishes Strauss from Glaser in constructing theory through data. Beside the data that speaks by itself, the constructive GT that Strauss promoted with Corbin, stressed the importance of recognising a contextual setting, especially history in deriving theory and multiple realities, hence, truths (Strauss and Corbin, 1994: 280). Thus, Strauss and Corbin's (1998: 97) version of grounded theory argues that biasness is natural and in evocable. Therefore, theoretising is a construct in the making based on researcher's reading of the data adopting a particular perspective that the researcher subscribes to in understanding the reality (Strauss and Corbin, 1994: 279).

Considering that the present research recognises the multiple realities in the emergence of Islamic finance in Indonesia from its early conception to the current construction, as well as, the contextual setting behind its emergence and development, appears to support Strauss and Corbin's conception of GT rather than its traditional Glasserian concept. Hence, from this point forward, Strauss and Corbin's 'pragmatic' GT is discussed further as a data analysis operationalisation.

In terms of process of conducting the GT, in the early inception of GT, three stages of coding are used and recognised: 'open coding', 'theoretical coding' and 'constant comparison' (Glaser, 1992). Open coding starts with the theoretical extraction by identifying and labelling issues of importance, which is widely known as core category. This is then followed by theoretical coding, where the identified categories are linked and connected to higher-level properties (Glaser, 1992: 38). In the end, constant comparison is used to reach theoretical saturation (Glaser and Strauss, 1967). Realising the constraint that the original concept involved, Strauss and Corbin came up with axial coding to aid in organising and extracting large amounts of data through generating major categories (Creswell, 2006) and, importantly, to reveal detailed contextual information regarding the date, the place, the person, the reason,

the process, and the consequence within the data (Strauss and Corbin, 1998: 125). In so doing, categories are separated from subcategories, which are connected based on relevancy (Clarke, 2005). Strauss and Corbin (1990), therefore, use the terms such as conditions, action/interaction, and consequence, to help link categories by considering circumstances, a person's reaction toward a case and the outcome that arose. Such a relationship is then expressed as a diagram, as seen in Figure 4.1.

Figure 4.1: Paradigm Model for Data Analysis



Source: Modified version of Strauss and Corbin (1990: 127)

Only after completing axial coding can the grounded theorist identify core categories in a systemic manner. If the traditional grounded theorist moved from open coding to theoretical coding, the pragmatic grounded theorist will come up with theory 'only', when they were contextually informed. Hence, in the end, this form of GT will focus on selected core categories that can be systematically linked and confirmed (Strauss and Corbin, 1990: 116). This would mean that the last coding stage, which is labelled as selective coding, was of revising relationships and synthesising a systemic understanding or theories (Strauss and Corbin, 1998: 143). The paradigm model as illustrated in Figure 4.1 still became a powerful mode in executing the core categories suggested.

This research, hence, benefits from a grounded theory analytical approach in delineating the results from the interview to make sense of Islamic finance emergence with limitations: theoretical sampling was only conducted partially given the challenge in the field that limits the access to rooms of information. Consequently, adoption of Strauss and Corbin's model inevitably narrows down the focus of the selective coding into several major core categories, rather than being fully derived and driven by the data. The latter is due to an ontological and epistemological position resulting in such framing of the study.

The data analysis processes, consequently, are as follows: the interviews were transcribed and structured between questions and answers in order to develop the first meanings of data. The use of labelling was applied to assist in identification of the structure of interviews according to interview guidelines, which guided data observation, gathering, and analysis. This is followed by a deep-reading which aimed to extract codes, not solely on the base of frames structured within the questions, but to the meaning it is reflecting, recognising that it is contextualised within the questions that lead to the answers. In saturating the data and the story line, the reading on the interview is conducted multiple times to ensure no information is left behind and its storyline is consistent even under a continuous process of questioning. Hence, each interview not only produces its own open coding and axial coding but also its own storyline.

It should be noted that the original GT methodologically conducted the analysis as the interviews were conducted. This research, however, started the analysis in the end, with clustering based on the generation. In that, it did not adopt theoretical sampling in full as an element of its grounded theory. It only adopted a light snowballing effect on the recommendation of the previous interviewees and on the second round of interview, to fill in gaps within the information obtained earlier. In the process, open coding started at the very basic level questions.

The process of extracting the data, from open coding to axial coding to selective coding, are exhibited in Appendix II, III, and IV. In analysing the data, each question is coded separately, so that the response to each question should fall into the unique code related to its corresponding question. When a question is not rolled during the interview, it is clearly indicated in the interview coding. For a follow-up question, the coding is attached to the core original question from which it is departed. The expected outcome of this coding process is a table of codes for the interview with its relevant answers (Refer to Appendix II). The constant comparison that aims at recognising patterns and compare-contrasting information started at the individual question level through creating a memo (Strauss and Corbin, 1990). This initiative is also expected to help the researcher when synthesising the data later on.

In practice, constant comparisons are performed through mapping together, coded appeared and compared and contrasted within the meaning it refer to in a board. The most basic one is through the analysis of a common term, phrase, and concept, and explores various meanings behind this term, phrase, and concept (Strauss and Corbin, 2015: 93-95). One example is in the

concept ‘Development Response’ as shown in Appendix I. Development can refer to a bettering condition from less-developed and indebted to a state of developed. Development can also refer to a multidimensional process involving both individual and societal levels in reaching prosperity. In a more historical context, development is associated with the condition of the past. In bringing these together, the closest to all possible meanings was a dynamic condition toward betterment, considering the condition of the past, the context of the present, and the expectation of the future result that one anticipates.

Another common practice is a flip-flop technique, which Corbin and Strauss (2015: 97) describe as process involving overturning the given concept to obtain an alternative perspective. This method has helped in splitting innovation into two axial conditions, which are solutive innovation and real innovation. Although both encompass an element of innovation, an action that was intended to bring solution appears to be different from those that were associated with a given requirement and structural imposition. This suggests that its motivation, choice of action, point of consideration, and the outcome produces variation within innovative action. Often, language of an interviewee was used to derive a code, which is called an invivo code (Corbin and Strauss, 2015: 99-100). This is true in the case, for example, of *‘justice’* and *‘rahmatan lil alamin’,* where the exact words are used as the open codes in this case.

The result presented in Appendix II are the synthesis of revised memos after saturating interview information, taking into consideration properties and dimensions of the coded categories. This represents the heterogeneity in position that the sample demonstrated.

Within this research, a majority of the open codes were driven from a constant comparison technique. Other techniques, such as examining the use of language and emotion (Corbin and Strauss, 1990: 82), which formed a ‘*tawhid*’ code and reflected upon individual familiarity and theoretical sensitivity (Corbin and Strauss, 1990: 80), which extracted ‘*Rahmatan lil alamin’* Code, were adopted to complement constant comparison (Refer to Appendix II).

Open coding in this research started with MEN, a first-generation activist. The open codes obtained, trailed similar instances to the following interviews of other first-generation interviews, such as AMS, KP, and RZ, to look for shared categories along with additional potential open codes. In the end of performing open coding, 164 open codes were identified at

the end of analysis of the 36 interviews. Out of 164 codes, only 72 codes were useful in assisting the next process. Appendix II discloses all the instances of the open coding process.

Following this memo, categories were written from group of codes to highlight a bigger picture of the small detailed data. This is the stage where axial codes started to take place. As GT analysis process is often referred as a dynamic re-iterative process expecting the researcher to revisit an earlier code, it is expected that selective coding starts once the open coding began (Strauss and Corbin, 1990; 2008). This process is necessary to unwrap the hidden passage and meaning behind the statement that derived from the interviews. In this stage, the researcher has to bring onto the table the emotion shown, language used, and many other dimensions of a position that is not explicitly stated, but implicit. Later, such detailed information over context and conditions becomes useful in a selective coding process.

In this follow up process, the researcher applied theoretical sensitivity, which guides the researcher to identify categories and connect links between categories, and between categories and open coding using the information of the context and conditions. Although axial coding presented in Appendix II only labels the relationship between open coding at its higher-level categories of open coding, the codes emerged with the help of contextualisation that separated conditions from action-interactions and consequence suggested, as features of a later paradigm. The association between open codes, axial codes, and its related features within the paradigm can be located in Table 4.3. Corbin and Strauss (2008: 70-83) highlight various techniques that can aid when bringing about axial codes. Techniques adopted in this research include raising additional enquiry during the analysis to unveil where concealed convolutions lie within the instances; comparing cross-level coding, from open-axial to axial-axial; flip-flop concepts with the codes to determine its properties; considering similar terms and concepts; raising a flag providing awareness of difficult terms yielding potential bias; studying the language and expression of an interviewee; and tracing its antonyms.

It is natural that this technique leads to a simultaneous and joint analysis of different layers of coding. Axial codes, such as ‘alternative institutional exploration’ appeared immediately in the early coding of the interview. When the first thirty interviews were assessed and coded accordingly, 150 codes emerged with close to twenty axial codes identified (Refer to Appendix II). This was obtained after several rounds of a complete coding process and revisited in order to bring about potential codes to be analysed. The re-iteration process was possible through

posting the codes to multiple boards, which helped with the process of shuffling the codes within the analysis.

The simultaneous and joint analysis, indeed, raised complexity in establishing links between features determined by a paradigm model. Actions are often linked to subsequent actions, diluting the relationship between action-interaction and related events, while non-linearity between causal conditions, action-interaction, and outcome created extra layers of difficulty (Corbin and Strauss, 2015: 161). In order to overcome such complexity, each interviewee paradigm is mapped on a board to locate causal conditions, action-interaction, and outcomes. A collective paradigm is slowly developed through comparing the paradigms of all interviewees. Indeed, the end result of the paradigm was a result of continuously comparing the paradigm of each interviewee.

This process of comparing individual paradigm models aided in clustering causal conditions of groups that shared similar motivations. Axial codes of *ulama* epitome, intellectual epitome, institutional activist epitomes, technocrat epitome, and converged professional and bureaucrat epitome were all derived from awareness that the background of the actors resulted in variation in perspectives and value substantiation. Such exploration with the detail of each cluster's imagination identified within the interviewees as discussed, within the findings detailed in Chapter 6, raised through the theoretical sensitivity derived from Portes's (2010:54) economic sociology relationship. The early form of mapping can be located in the summary of categories, open codes, and its label is presented in Table 4.3.

Table 4.3. Categories, Open Coding, and Labels

Categories	Open Coding	Label	Open Coding	Label
Values	Existential	EXIST	*Tawhid*	TAW
	Collectivism	COL	Social Equality	SOC
	Holistic	HOL	Transformation	TRANS
	Justice	JUST	*Rahmatan Lil Alamin*	RAH
	Empowerment	EMP	*Authentic*	AUT
	Developmental Response	DEV	*Tawhid*	TAW
Norms	*Taqwa* Institutionalised	TAQ	Profit-Loss Sharing	SHAR
	Riba Circumvention	*RIBA*	Purification	PUR
	Profit-Orientation	PROF	Government Activeness Expectation	GOV
	Independency	IND		
	Global Islamic Economic Capital	GIE	Historicity of Indonesian Islam	INDO

Cognitive Repertoire	Historicity Acumen of Islam	HIS		
Characteristic	Bottom-Up	BU	Civility	CIV
	Heterogeneity	HET		
Action/ Interactional Strategy	Innovation	INNO	Profit-Loss Sharing Enactment	PROENC
	Solutive	SOL	Chanelling	CHA
	Real-Oriented	REAL	Concept in Search	ConS
	Stimulative Initiation	STI	Accomodation	ACCOM
	Explorative	EXPLO	Opportunistic	OPPORT
	Higher Education	HE	*Shari'ah* Implementation	SHARI
	Muamalah Oriented	MUAM	Branding Approach	BRAND
	Fiqhi-Approach	FIQH	Filtering	FILT
	Fatwa Based	FAT	Ulama Activeness	UL
	Institutional Orientation	IST	Standardisation	STD
	Independent Orientation	INDE	Enculturation	ENC
Intervening Conditions	Capacity	CAP	Resistance	RES
	External Awareness	AWAR	Infrastructure	INFRA
	Secular Rejectionism	ISPHO	Scale Barrier	SCA
	Ignorance of Multiple Motives	IGMO	Knowledge Gap	GAP
	BI Effect	BI	Imposed Effect - Dillema	SIE
Contextual Factors	Competitive Pressure	COMPET	Status Quo	STQ
	Imposed Effect	IMPO	Supervised Structure	SupS
	Opportunity	OPPO	Planned Islamic Economic	PIE
	Passive Government	PAG	Underprevilleged/Previlleged	UND
	Environmental Change	ENVC	Rationale	RAT
	Conventional Presence	CONV	Capital First	CAPF
Othering Motives and Initiative	Revitalisation Purpose	RevPur	Islamic Micro and Social Finance Development	MicSoc
	Islamic Capital Market and *Waqf* Development	ICMWAQ	Assigned	ASSIGN

The main process leading to the development of a paradigm model is called selective coding, where a process of validating a relationship established since an earlier stage, as well as, covering gaps of relationships, to further enhance the theory (Strauss and Corbin, 1990: 116). During this process, a core category is determined with its relationship to other codes refined and verified. This process is important in fulfilling the goals of the research in generating the

theory in a systematic manner with a validated interrelationship (Strauss and Corbin, 1998: 145). This process also shared a similar method to the axial coding generation process mentioned above. This coding extraction process is guided by a paradigm model that stitches together the codes to reflect a structure of process (Corbin and Strauss, 2008: 127). This model will be fully utilised in Chapter 7 to substantiate the process of Islamic finance institutional emergence in Indonesia and can be located in greater detail in Appendix IV. In order to reach integration and saturation in theories, a storyline is developed and essentialised within the theoretical positioning, and further visualised in the form of a diagram. In Appendix IV, the development of a storyline can be located in the thematic narrative while the essentialisation of the narrative is conditioned within core category identification. Awareness is drawn towards two theoretical arenas, which are the institutional arena and the political economy of Indonesia. An interest to the detailed process of selective coding should be directed to Appendix IV. Nevertheless, the summary of the axial and open codes is presented in Table 4.4.

As the coding process was conducted simultaneously, a selective coding process was initiated within the first ten interviews. The first core category of the paradigm model was identified as 'Negotiating Existence'. Along the process, this core category evolved along with the recognition of intergenerational points of emphasis, highlighting a purification orientation that subsequently took place along with greater institutional emergence. As an abstraction that include both analyses, the ultimate core category refers to the labelling of the entire process, following a trait of theoretical conception, within the negotiation of authenticity within identity building in Indonesia. It is discussed in greater detail in Appendix IV.

Table 4.4. Lists of Features of Paradigm and its Associated Axial and Open Codes

Features Within the Paradigm Model	Axial Codes	Open Codes		
Causal Conditions	*ulama* epitome	•*Tawhidian-Value* •Collectivism-Value •Existential-Value	•Holistic-Value •Authentic-Value •Transformational-Value	•Riba-Circumvention-Norm •Islamic Historicity Capital •Indonesia-Islam Historicity Capital
	Intellectual Epitome	•Development-Value •Existential-Value	•*Riba*-Circumvention Norm •Lawfulness Norm	•Indonesia-Islam Historicity Capital •Global Islamic Economic Capital
	Institutional Activist Epitome	•Existential-Value •Collectivism-Value •Holistic-Value	•Empowerment-Value •*Rahmatan Lil Alamin – Value* •*Independency – Value*	•*Riba*-Circumvention Norm
	Technocrat Epitome	•Just-Value	•Transformational-Value	•*Riba*-Circumvention Norm
	Converged Professional and Bureaucrat Epitome	•Competitive-Norm •Government Activism-Norm	•Islamic Historicity Capital •Indonesia-Islam Historicity Capital	
Contextual Factors	Space Availability	•Opportunity Creation •Environmental Change	•Passive Government •Structural Imposition - Supervised	
	Dominant Logic – Mainstream	•Competitive Pressure •Capital First	•Rational •Conventional Presence	
Intervening Conditions	Perceptive Influence	•Secular Rejectionism	•Resistance	•Confusion
	Institutional Capital Pressure	•Activism Capacity	•Infrastructure	•Scale Barrier
	Awareness Problem	•Internal (Ignorance)	•Internal (Knowledge Gap)	•Knowledge Gap
	Financial Structure Imposition	•Structure-Imposed Effect	•BI Effect	
Action/Interactional Strategies of Emerging Roles	Solutive Experimentation	•Solutive •Independent	•Explorative •Stimulative	•Concept in Search •Sharing on Profit
	Solutive Innovation	•Solutive •Innovative	•*Muamalah*-Oriented •*Fiqh*-Basis	•Profit-Basis

	Compromisation	•Islamisation	•Accomodation	•Filtering
	Alternative Institutional Exploration	•Islamic Microfinance Exploration	•Islamic Capital Market Exploration	•*Waqf*-Exploration
Action/Interactional Strategies of Incorporated Roles	Realist Innovation	•Realist •Standardised	•Innovative •Reaction	•*Fiqhi-Basis*
	Task Performance	•Assigned	•Compliance	
Shared Action/Interactional Strategies	Collaborative Action	•Cooperation-Basis •*Ulama* Activeness	•Intellectual Involvement •Regulatory Engagement	•Channeling
	Norm Institutionalisation	•Institutionalisation-Oriented	•*Muamalah*-Oriented	•Branding Approach
	Collective Socialisation	•Real-Proposal	•Higher Education	•Educative Enculturation
Consequences	Value-Oriented IF Institution	Similar Open Codes		
	Hybrid IF Institution			
	Cosmetic IF Institution			

The result of the model developed through GT is then confirmed, verified, and enriched by secondary data material on several different grounds. While, at the beginning, the secondary material helped in filling the gaps in different parts of the puzzle on the issue of emergence of Islamic finance in Indonesia and, importantly, in identifying the sample, the result of the primary data is analysed in pairs, with supporting secondary data analysis. Eventually, the core category identified is 'Authentic Negotiation within Institutional Presence', which is better visualised within a drawn paradigm in section 3 of the selective coding.

In Chapter 7, the process substantiation is revealed acknowledging the presence of inter-generational variation on the motivation and action along with roles performed. Eventually, the sub-core category will also be discussed recognising the dynamicity across time and the extent to which authenticity is negotiated within an institutional presence.

The result of the analytical strategy displayed in Appendices II, III, and IV that led to exposing the nature of Emergence in Chapter 6 and its process in Chapter 7, which helped in providing discourse for the debate on the political economy of the emergence of Islamic finance in Indonesia, as showcased in Chapter 9.

4.11. CONCLUSION

Thus far, the philosophy of this research has elaborated along with the interest of the study generating a specific research strategy and propositions regarding how the Indonesian case fits into the framing developed. Within this in mind, this research attempts to draw the novelty and the process of emergence of Islamic finance through a multiple presence of meaning, shared and interacted, among elites of Islamic economic activism across generations, as the bearers of the aspirations and value substantiation of Islamic economics taking into consideration a socio-historical context attached to the process of institutional emergence.

Applying triangulation analysis with a greater weight to interviews, a stock of information is drawn making use of a social constructivist grounded theory paradigm and analysis, filtered further through positioning open codes, axial codes, and selective codes with a socio-historical relevancy and multiple hierarchies of knowledge within political economy and economic sociology.

The next chapter displays an initial contribution of the research in its early stages through a search for ‘historicity’ sources and reflections of Islam in the political economy of resource and opportunity distribution across time in Indonesia.

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Chapter 5

EARLY NARRATIVE BUILDING: INDONESIAN ISLAMIC ECONOMY AND FINANCE EMERGENCE

5.1. INTRODUCTION

The previous chapter proposed a methodological account of this research following a philosophy of emergence as an approach. In substantiating the methodological account, the discussion here aims to develop an early narrative building on the emergence of Indonesian Islamic finance on the basis of a political economy understanding to substantiate the cause and process leading to the emergence in post-modern times. As an overview, the analysis covers snapshots from previous activists' articulations relevant to challenging downward causational impositions to the contemporary development of Islamic economics and finance in Indonesia. In particular, it emphasises grounded initiatives in instating Islamic approaches to the economy or Islamically-aspired institutionalisation.

The search for an Islamic approach to economic practice in Indonesia was recorded as early as 1980s with the first conference covering developmental issues within Islamic perspectives, followed by institutional experimentation within the same year. While this was considered a triggering event towards instigating a project of an Islamic system of economy, such events only exhibited a fraction of a narrative leaving the bigger picture unexposed. Indeed, the background of this search remained a mystery as the study on this subject was unpopular, and, if any, did not attempt to unveil the issue into a subject of importance. This left the current study with a duty to connect the dots in making sense of the natural appeal to the emergence case. By applying an emergence theoretical approach, it becomes an integral process of this study to accumulate information on the relevancy of modern Islamic economic activism within the historicity of Indonesian socio-economic life, by tracing back to the historical roots before the era of the nation state.

The rise of Islamic finance institutions represents a double movement of Islamic economic activism in challenging pragmatic institutions of finance. With the ability of an institution to intervene within a course of development, its presence exhibits a cause to instate Islamic economic articulation and approaches through reforming institutions of finance, to the extent that alternative independent institutions emerged out of Islamic logic. As an institution that emerged out of a negotiation process of society's aspiration on the distribution of opportunity and resources, Islamic financial institutions had to cope with a series of challenges to reach a mature state that depends on various issues and factors. Hence, the issue such as the deviation of the institution from its original expectation cannot be simply reduced as an inherited problem of *fiqhi* implantation in the modern financial institution.

The modification of modern economic practices through the introduction of profit-loss sharing arrangements, on the other hand, suggests an attempt by a Muslim society to reform institutions of finance to reflect a particular society-economic relationship. While pre-modern society emphasise the importance of subsistence and reciprocity, the introduction of institutions of finance transformed social relationships, initially influenced by social values and norms, into an institution that reiterated individual value, allowing that shift of social power held by society into individualism. Islamic finance emerges as a response to this disembedding project that conventional finance proposed, aiming at restoring the society-economy relationship and the function of economy as society's vehicle for the fulfilment of society's needs (Shiller, 2012: 7). In that, Islamic finance is part of the transformational movement to change industrial logic to allow for the emergence of institution and practice (*eg.* Haveman and Rao, 1997; Ruef and Scott, 1998; and Lousbury *et al*, 2003).

In reflecting upon such matters within an Indonesian context, this chapter is organised as follows: an enquiry to the roots of emergence of Islamic finance develops theoretical constructs guiding the exploration of political economy of Islamic finance in Indonesia. This exploration is then trailed by an investigation to the process of emergence following a sequence developed to track its trajectory. Finally, concluding remarks fulfil the story of emergence in its natural setting.

5.2. INDONESIANESS WITHIN THE RISE OF INDONESIAN ISLAMIC ECONOMIC ACTIVISM: THE INFLUENCE OF INDONESIAN ISLAMIC HISTORICITY TOWARD THE PROJECT

The inception of Indonesian Islamic economic activism emerged in the 1980s, illustrative of a delayed movement in comparison to the experiences of some other Muslim countries. The Gulf states and Pakistan, for example, embraced Islamic economic activism in 1960s and 1970s. The propeller of the emergence of Indonesian Islamic economic activism is not due to the presence of excessive oil wealth and revenue surplus, but rather it is related to an Islamic articulation in Indonesia that depicts an element of manifestation that is adaptive and deeply rooted in the acumen of the historicity of Indonesian Islam as reflection of a grounded Islamic value system into a pre-Indonesian and current Indonesian context. In other words, an identity search and authentication motived Indonesians towards Islamic economic activism. The following section will explore the source and process of this identity search and authentication within Indonesian Islam, and its exposure to economy from the arrival of Islam.

5.2.1. Historicity of Indonesian Islam within Political Economy from Islamic Kingdoms and Sultanate to the Colonial Period

The presence of a body of evidence related to social life during the early-recognised time of Islam has allowed an identity search to re-emerge, suggesting that there was a living presence of Islam related to economic activities as a reflection of this identity. In particular, this evidence was more convincing with the documents related to the arrival of Islam in Indonesia through trading movements, which later allowed the transmission of Islamic values through cultures forming identity. The role of commercial activities in cultural transfers, as well as, ideological conversion had allowed economic-related issues to possess certain degrees of Islamic influence by definition (Tichelman, 1980: 106). Not only through the commercial side had Islam influenced the economy, there was also a presence of philanthropic activities through Islamic social institutions, such as, *zakah, waqf,* and *sadaqah* in the historical trajectory of pre-colonial Indonesia, strengthening an assumption that a living Islamic economic presence existed (*see* among others: Morris, 1983).

Since the arrival of Islam through commercial activities that transmitted values and ideology into economic activities of *Nusantara,* value internalisation and formalisation as the foundation of authentic Islamic acumen in Indonesia has been recorded since the arrival of Islam in the

archipelago penetrating Aceh, Central Sumatra, and Java through the conversion of the rulers or via educative socialisation by *ulama* and its educative institutions, or due to a combination of such factors. Either in a formalised manner or as an informal reflection, the influence of Islamic values was traceable in the reformation of social relationships, customary rights, and (*see* among others: Morris, 1983; Hurgronje, 1906: 88; Geertz, 1963; Dobbin, 1983; Geertz, 1968: 26). On the periphery, the methods of dissemination through educative institutions not only aimed toward Islamising people and society but also enlightened everyday peasants with knowledge transfers (Siegel, 1969: 56-58; Dobbin, 1983). An Islamic articulation contributed towards the development of society through bottom-up processes alongside top down approaches.

In relation to economic activities, internalisation and adoption of Islamic approaches within economic realm exhibits a manifestation of normative endorsement into action. The teaching of Islam encouraged local Central Sumatran peasants prior to the colonial period to engage in trade activities and mobilise activism in the market (Dobbin, 1983: 122). At the same time, a modest way of living and the importance of reciprocity were implemented as teaching values for the *santri* or Islamic pupil of Javanese peasantry (Fauzia, 2013: 120; Burhanudin, 2007; Geertz, 1960; Geertz, 1956). Furthermore, the economic institution of Islam, such as, *zakah* and *waqf*, were also integrated into society as a mechanism for redistribution of resources and as an empowerment mechanism. Multiple portrayals of transformations induced by the Islamisation of behavioural norms and distributive mechanisms, suggests that dynamic contributions were incurred.

While acknowledging differences, one can recognise that the magnitude and the layers of Islamisation depend on the penetration and the structure of the polity. The Islamisation in *Aceh* took place from the conversion of the sultanate, bringing jurisprudence and a structural formation of Islam into the reign (Morris, 1983). This conversion, however, faced an autonomous structure of regional elites over which an Islamisation through structures had struggled to transform the polity and its social formation (Siegel, 1969: 56-58). In Central Sumatra, the Islamisation took place mainly in the periphery, from a contribution made by *surau* in spreading the value and the teaching of the region (Dobbin, 1983:122). In Java, a centre-periphery dynamism was observed in the Islamisation of the island through which a change in the polity, as well as penetrative orientation of Islam was recorded, leaving Java as one of the most attractive Islamisation narratives in Indonesia (Laffan, 2002: Geertz, 1968: 26).

Such trends, however, would experience a break from the arrival of imposing colonial power structures at the end of the 19th century. This emerging power had contributed to the dynamics of convergence towards Islam in the archipelago.

During colonial consolidation, the sustenance of internalisation processes of Islamic teaching and practices was retained by the educational institutions, from *surau* to *pesantren,* led by scholars of Islam. Beyond a mere symbolism, the educational space of Islam in *Nusantara* is accounted by Dutch colonials as indigenous terrain of self-reflection away from the intervention of outer forces (Reid, 1993; Fogg, 2012: 22). The vivacious nature of its teaching that blended together numinous elements of spirituality with ritualistic routines derived from Islamic traditions brought together strictness and elasticity to address the social challenges (Federspiel, 2001), including a religiously derived response towards a colonial occupational presence. In this regard, resistance to the Dutch presence was predominantly linked to Islam and its educational institutions (Kartodirjo, 1966: 141; Fogg, 2012: 22). Simultaneously, its role in the provision of accessible education for commoners gained increasing importance given the limited access that Dutch-run schools provided. As a result, religious schools flourished, which educated local indigenous populations until the early 20th century (Ricklefs, 1995: 290).

While full colonial provision facilitated the running of the Dutch schools, Islamic educational institutions, such as, *pesantren* ran through the support of the local community via reciprocity between *kyai* and the peasants. This enabled such educational institutions to remain independent through the course of the 19th century, although a small number of schools started receiving financial support from the colonial administration (Fauzia, 2013: 120). The preservation of its independency in the teaching process as well as in responding to colonial expansion helped the dissemination of value prepositions of Islam promoting humble and abstinent living based on morality and social justice. This can be considered as the seed of anti-colonialisation against attempts considered coercive and unjust in nature.

Overall, the beginning of the 20th century was illustrated by the consolidation of Java and the Outer Island. The economy of the colonialised land was continuously integrated into a global order and moved into export-led economic expansion. This occurred in a steady state manner instead of radical change taking the form of co-existence with the peasant economy of the smallholders with its internally intensified approach to production (Van der Eng, 1993: 102). However, different understandings were noted between the experience of Java and the Outer

Island, where the local economy of Java contracted in response to liberalisation (Dick, 2002: 126), while the Outer Island tended to adjust well to the trend (Zed, 1996; Lindblad, 1989), enlightening the effect of colonial policy. Nevertheless, the stratification of the society remained untouched and co-existed with the consolidation and integration process that the colonial ruling pursued, with the introduction of Dutch origin as a separate class in addition to the existing one.

This situation was not prolonged as the adoption of the ethical policy in the beginning of the 20th century was replaced by coercive pressure of the colonial power in 1920s, which sparked resistance leading to the emergence of Indonesian Nationalist Movement from *Budi Utomo* in 1908 to *Partai Nasional Indonesia* (Indonesian National Party) in 1927. The rise of *Budi Utomo*, in particular, is significant as it marked the resurgent of othering initiatives fostering the formation of a nation (Federspiel, 2001: 29). Following *Budi Utomo*, Islamically aspired initiatives was also present within the course of the formation of the nation. *Sarekat Dagang Islam* (SDI) or the Islamic Trading Union, established in 1911 was the early emergence of an Islamic initiative in the formation process of Indonesia. This trading union was known for its pro-cooperative initiatives. While such emergence was in response to the domination of Chinese businessman in the Batik industry with the objective of empowering local entrepreneurs (Shiraishi, 1990), this union was later transformed into *Sarekat Islam* (SI) or the Islamic Union, departing from trading oriented into an organised political movement earning popularity on the ground due to its pro-indigenous stand (Adam, 1995: Jaylani, 1959).

The transformation of SDI to SI marks the departure of an initiative on the basis of economic resistance of commoners toward unbalanced competition with non-indigenous traders and a pro-colonial *bourgeoise* class (Gani, 2004: 10; Khuluk, 1997: 252) to a nationalist movement (Benda, 1958: 42-43). Such transformation has led to increasing complexity and heterogeneity of the movement (Kahin, 1963), testing the solidity of the cause. In particular, the conflict aroused as a result of a marriage of idealism with its non-originated ontology among diverse members harmed the movement leading to its downturn and, importantly, distorted the process of the formation of a shared Islamic identity (Smith, 1957: 109). In the economy, the primacy of capitalism introduced by colonial rulers was disguised and labelled as unjust, and hence, considered un-Islamic. This led to a growing association of Islam with socialism, a Western concept directly challenging the dominancy of capitalism, with the leading figures of SI intensively writing on this (*see:* Tjokroaminoto, 1924). The combination of multiple forms of

idealism and interests have reduced its original resistance to fierce competition and pro-colonial elites, to target colonialisation and its cultural penetration.

Albeit its mixed origin, the emergence of nationalist-oriented initiatives with Islamic influence drew the link between the formation of a nation and the impact of Islam in relation to the rejection of a colonial presence (Noer, 1980). This implies that the force of Islam was located as a transforming element of society with the emphasis on gaining independency from a controlling and imposing colonial presence. Not long after the formation of the SDI and SI, another Islamically aspired organisation was established in 1912 under the name of *Muhammadiyah*. This organisation adopted a different approach in the formation of the nation, one where it focused on the area of education and modernisation of the society.

The emergence of *Sarekat Islam* and *Muhammadiyah* movements are important to the discussion as each initiative constituted a particular articulation of Islamic teaching within a modernising frame. Formal organised movement that these two initiatives were subjected to, depict the similarity and connections of these movements to the nationalist movement pioneered by *Budi Utomo*. Nevertheless, Jaylani (1959) argued that the force of Islam provides more effective leadership in supporting nationalist movements and the formation of the nation, which underpinned the rise of *Sarekat Islam*. Earlier writers even located Islam as the nationality of the Javanese as an expression of its importance within the formation process (Fromberg, 1911; Adriani, 1917). Henceforth, Islam is an important element that laid the foundation of nationalism and the nation. Despite its breakthrough as resentment towards occupation, its political nature drove *Sarekat Islam* as the target of repression of the colonial presence in curbing the space of nationalist activism in the war of seeking independence (Poeze, 1994).

Unlike *Sarekat Islam*, *Muhammadiyah* emphasised social welfare programmes as an articulative resentment to social conditions during the colonial era, which did not experience riddling pressure from the colonial power. Ranging from educational provision to health services to orphanages, and many others social programmes, *Muhammadiyah* assisted the public in overcoming grief. It serves as the model of modern Islamic philanthropy, mixing together the spirit of modernism with puritanism (Fauzia, 2013: 148). The establishment of educational institutions, health service facilities, and orphanage facilities have been the product of modernism's influence and its rationality logic, while the act that the *Muhammadiyah* organisation performed has been services delivery for the larger public motivated by the

Islamic worldview that fall into a puritan spirit. This approach represents an important departure from mythical and mimicking forms of reflection of Islam associated with a traditionalist Islamic stream. By focusing on authentic and pure forms of Islamic reflection through educational and charitable practices, a new interpretation of Islamic accentuation has been rolled forward, since the formation of *Muhammadiyah*.

Although *Muhammadiyah* is Islamically principled, its philanthropic positioning removed its presence from the list of threats toward colonial rule. This avoids repression by the colonial power towards this socio-economic initiative. Indeed, economic and socially oriented initiatives managed to achieve spaces of exploration under the colonial reign. The most renowned of these initiatives centres on the emergence of cooperative movements, which formally aimed to develop institutional capabilities in responding towards the growing influence of Chinese traders (Ingleson, 1979: 167). This aspiration was welcomed with suspicion as it matched with the interests of the colonial administration in fostering economic activities on the one hand, while closely attached with a nationalist movement, on the other hand (Boomgaard, 1986: 76). Albeit its limited contribution to the real economy of the peasant (Van der Eng, 1993: 127), this contributory initiative at a national level along with the shared characteristic of Islamically-induced initiatives, emphasised the importance of collective attempts in the formation of the nation.

5.2.2. Historicity of Indonesian Islam within Political Economy of Independence Indonesia until the New Order

It should be noted that the emerging elite class possessing Dutch and Western education sparked the adoption of a secular position toward nationalism. Noer (1980) observes this by arguing that, at the beginning, Islam was part of national identity, which was replaced by a secular nationalism to the point that its dejected Islam from the centre of Indonesian identity. This can be considered as the point of inception of enduring traction between Islamic-related initiatives and secular positioning. The contraction, however, not only occurred between Islamic initiatives and secular orientations, as Islamic circles branched out into a new stream of modernism. This created dualism in the public sphere where a locally embedded one is referred as traditionalist, while the emerging one embodying a renewal spirit is labelled as modernist.

Traditionalists were defined as the ones that blended local customs to religious interpretations and practices, generating a form of accentuation that modernist viewed as impure (Fananie and Sabardila, 2000: 2). Modernist positions on Indonesian Islam, on the other hand, emphasised *ijtihad*, or logical reasoning in the interpretation of the Qur'an, which dis-recognised acumen of religious derivation constituting social control that traditionalists' follow (Noer, 1980). Prior to independence, initiatives, such as, *Serikat Islam* and *Muhammadiyah* fell into the Islamic modernist category, emphasising a purification orientation to essentialise authentic forms of Islam. Hence, an interaction between the traditionalist-modernist-secular interpretation spanned across the consequences of religion.

As Indonesia gained independence and a nation-state formed in 1945, a consolidation of power was conducted by the regime in order to redirect and rehabilitate the economy. Old order and new order both faced similar challenges of political turbulence and economic unproductivity. The two regimes, however, separated the approach to addressing the issues. The old order focused towards ensuring *laissez faire* through balancing economic structures and nationalising ex-colonial businesses within the idea of guided democracy. Local-first orientation was set as the agenda of economy. Nevertheless, this socialist-reflected economic policy of the old regime struggled to attain economic rehabilitation, left alone *laissez faire* goals due to a lengthy turbulence in politics, as well as, structural retrogression that hindered economic growth by the missing the engine of growth. In contrast, the new order regime's political economy approach echoed the military-dominated authoritarian approach in delivering growth through liberalisation. In that, the popularity of Islamic socialism thesis declined, albeit intellectual interest remained (*see* Yunus, 1955: Rasjidi, 1966).

In the face of the formation of the nation and the consolidation process of the political economy from 1945 to the early 1990s, Indonesian Islam entered a new phase of manifestation where its articulation was conditioned by the boundary of Indonesia as a nation. Indeed, its relevancy to the construction of the national identity of Indonesia while prolonged during the old regime period, mainly contracted against secular imposition in the organisation of the state and the economy. Yet, the contestation of Indonesian Islam positioned in safeguarding the articulation of the nation against secularist influence, resulting in the rise of new order regime in Indonesia (Emmerson, 1978: 82-136). Beside the contraction against secular force, another highlight to the acumen of Indonesian Islam saw the interaction between modernist forces and traditionalist sources. Such interaction was a continuation of the rise of modern interpretations of Indonesian

Islam on the road towards independence (Noer, 1983). The emergence of Indonesia as a nation-state provided opportunity for this transforming orientation of Indonesian Islam to expand and to grow in maturity, indicated by formalisation of an Islamic value orientation in an organised manner. Consequently, the relevancy of traditionalist-modernist contraction continued forward and cemented as an alternate articulation of Islam, within differing essentialisation.

With the liberalisation attitude of the new order regime secured by an assertive approach, traditionalist-oriented Indonesian Islam had a contrasting reaction to modernist ones when approaching the new order of political economy. The traditionalist-representative organisation of Indonesian Islam, *Nahdatul Ulama* (NU), reacted through confrontation with the exclusion motive of the regime from the political economy of resource organisation and opportunity distribution. This is natural as the traditionalist group was more akin toward the old regime's attitude and policies, prioritising Indonesia first rather than foreign interests. In a different stance, the modernist-approach to the articulation of Islam in general, and its economic extension, in particular, was not homogenous, and, if any, emerged into a form that is contributory in nature, filling the gap that the liberalised market was not performing by providing universal services, from health, to education along with orphanage provision. In that, a modern reflection of Indonesian Islam is more welcomed and integrated as opposed to the state agenda of liberalisation.

Acknowledging the new arena of accentuation within the nation state, Prawiranegara (1963) contributed to the search for Islamic models in economy through exploring a possible model of an Islamic economic system. Unlike previous traits that locate Islamic articulation within a socialist discourse, Prawiranegara dejects Islamic economics from a socialist attachment and opens a debate of a middling economic system located between two extremes of liberal and socialist. He emphasised a harmonious principle between individual and public interests, where proactiveness is promoted along with moderate consumption, and government is tasked with maintaining justice (Prawiranegara, 1963: 29). The use of Islamic almsgiving instruments of *zakah* was also located within increasing distribution while circumvention of *riba* was seen as an attempt to restrain unlawful gain through deceiving or imposing interest rates (Prawiranegara, 1963: 37). Within the latter lies the pluralism in considering this Islamically unlawful act for later generations.

5.2.3. Indonesia Islamic Historicity as the Seed of Authentic Values of an Indonesian Islamic Economic Movement

So far, Indonesian Islam historicity is located from its potential seed of reflection during a pre-Indonesian period up until the new order era, where an Islamic economic movement emerged. It has been demonstrated with a range of value accentuations from its soft-articulation, encouragement to commercial activities, promotion of moderate living, emphasis on reciprocity, resentment toward coercive acts, and even transformational orientation. Its versatility covered an element of reflection toward subsistence as an epitome of tradition up to a reflection of a moderate modernisation of society. In that, value accentuation of Indonesia held dynamicity accommodating moral essentialisation within a transformative accentuation.

The contextualisation upon Indonesian Islamic economic emergence to Indonesian Islamic historicity led this research to locate such a movement within a reformist orientation in the economy within modern times by pursuing an authentication of Islamic economics that blend together with its global roots. This means that its partial frame entailed an element of global Islamic economic capital as a formal repertoire of its potential structure and dissention towards social inequality created by the system of the regime. Within this understanding, Indonesian Islamic economic activism possesses capital that not only enables activism but also defined its essentialisation encompassing the idea of *kaffah* within the progress and filtering of Indonesian Islam. The progress of this reformist cause on Islam in the Indonesian economy also centred around the area of Islamic finance, following the trait that the global Islamic economy was driving.

The main difference was on a pragmatic break that activism adopted, where, instead of adopting an ideal form of Islamic economics in a comprehensive and holistic sense, Indonesian Islamic economic activism developed in partial and became aspect oriented within the arena of finance (Raharjo, 1999: 166). This is where Islamic economic search and articulation shared similarities with a global movement. Nevertheless, a local-oriented approach delivering what is possible is rather driving the articulation, suggesting a differing institutional accentuation and emergence process. Islamic articulation of cooperative-acting-Islamic-Microfinance of *Baitul Tamwil* demonstrated an exploration within a possible arena in 1983, which is earlier than a common establishment of an Islamic bank. Such an approach within a cooperative frame was not new and existed since end of the 19th century with the first establishment, *Hulp en Spaarbank*, recorded in Purwokerto by 1896, aiming to address loan-shark problems (Nasution,

1990), which capital was derived from *zakah* collection (Hendar, 2010). It is even propagated by Muhammad Hatta, the proclamator, and the first vice-president of Indonesia, as a development technique that suited Indonesian values beyond striving for an ideal form to cure inferiority and to enable economically weak Indonesia to deliver prosperity to the nation (Hatta, 1957). This cooperative movement sustained during Suharto and provided greater space for exploration, a space that BMT explored.

Such developments outlined above explained disagreement over the definition and scope of *riba*, which is the central core of an Islamic finance principle, in the beginning, but not as the main propagator of activism. Elite-figures, such as, Syafrudin Prawiranegara, Muhammad Hatta, as well as, Kasman Singodimedjo, an elite member of *Muhammadiyah*, clearly argued that conventional financial practices did not fall into a *riba* definition. Kasman, for instance, published work that clearly underlined that modern interest practice is not *riba*, hence, in his opinion, a conventional banking institution is not prohibited for Muslims (Singodimejo, 1972). Even, he advocated the importance of this institution for the development of society and recommended Muslim society to support this cause. Applying a similar tone, Prawiranegara (1986) stressed that the essence of Islamic economics' teaching was not narrowed towards the issue of the prohibition of interest, but rather on the moral and ethical teachings of Islam that spanned to economic matters. The positions of these figures reflect popular understandings of this Islamic teaching in Indonesia, in the early institutional period.

Despite disagreement, Islamic economic articulation within Islamic finance in Indonesia finds the momentum of substantiation when *riba* as interest practices were considered to fall into unlawful and unjust categories. Figures such as A. M. Saefudin and M. Amin Azis were indeed vocal actors in the introduction and development of institutions of Islamic finance in Indonesia. In that, *riba*-circumvention atmosphere attains substantiation in the later period.

Overall, the movement managed to push 13 Islamic commercial banks into operation along with 21 Islamic windows, 167 Islamic Rural Banks, 6 Takafuls, 41 Takaful Windows, and more than 5,000 *BMT*s by 2017 as shown in table 5.2 and 5.3. This progress is minor in comparison to overall financial institution development as its total assets of Rp. 534.15 Trillion only accounted for 8.24% of the total market share of the financial sector in Indonesia. Again, such struggle on articulating presence is inseparable from the context of secular influence undermining even a reform on the basis Islamic articulation.

A structural hindrance has been located even to the globally endorsed Islamic banking operation that the Indonesia government endorsed through its involvement in IDB (Perwataatmadja, 2002) and remained to find an oddity to Islamic articulation in finance and banking. Instead of accommodating the articulation on the basis of its value orientation, the accommodation resorted to the area of modification to the current regulated practices, recorded in the recognition of sharing practices on banking operations within the Banking Act No. 7 of 1992 and cemented further with the regulatory grasp to Islamic banking practice backed within Banking Act No.23 of 1999. Consequently, the attention of the regulatory regime to Islamic banking drives activism to focus on such areas, creating the dominancy of Islamic banking, which assets accounted for Rp. 435.02 Trillion or 81.4% of total assets of Islamic financial institutions.

Such dominancy, however, is not without challenge as other articulation emerges in three areas, namely, Islamic capital markets, *waqf*, and Islamic microfinance. Among these three, Islamic capital began to crowd out Islamic banking domination in term of assets with Sukuk remained dominant and accounted for Rp. 555 Trillion, turning the focus of both the regime and movement to the development of Islamic capital markets as the next phase of Islamic economic articulation. This suggested that a continuation of secularly endorsed articulation of Islamic economics in Indonesia persistently challenging Islamic economic articulation in Indonesia, whose origins relate to the stage of Indonesian Islam historicity

In drawing the narrative on the process of institutional emergence of Islamic finance, the following discussion is developed out of the periodical categorisation on the basis of literature on social movements of institutions (*see:* Lounsbury *et al*., 2003: Scott *et al.,* 2000: Arjelies, 2010) capturing different stages of emergence and development within the idea of field framing. In that, highlighted instances from the rise of organisations, conferences, seminars and meetings held, social institutions formed, important legislation, and events were traced and classified by periodical categories set to substantiate the emergence process within framing, as shown in table 5.1. In particular, documentary and historical analysis offer evidence to track change of issues and challenges on the framing, overtime, especially during the process of pioneering into mainstreaming. By focusing on important proceedings, such as, the establishment of organisations, meetings, and any form of transformation, it is expected that the periodical shifts in activism is captured (Goodrick, 2002). As an early narrative building, the order is set upon the assumption of social movement process within a sequential setting

(Langley, 1999). For the purpose of grounded analysis, initial core variables were identified within the sequence, in this regard, divided into introduction, recognition, and crystallisation.

In organising the extraction data in a processed manner, the qualitative categorisation of the emergence and development timeline stems from 1983 to 2017. While events and its periodical grouping is drawn from interview analysis, quantitative analysis was also performed to observe patterns and developments over the period. Key institutional instances, such as the number of Islamic banks, Islamic business Units, Islamic rural banks, and BMT were tracked over years from early 1990s to 2017. In addition, patterns of change of assets was also observed to substantiate periodisation and, importantly, institutional emergence and development from the available time period. This is shown in tables 5.2, and 5.3.

Within the introduction period, institutional presence started to grow and, mainly, made a impact in a side stream form of BMT. As the presence of Islamic financial institutions gained recognition within a constitutional framework with the introduction of Banking Act No. 7 in 1992, a substantial jump of its experimentation in the form of BMT was recorded, along with increasing consolidation. In a similar manner, Islamic rural banks continue to flourish, exemplify institutionalisation and consolidation. Within the recognition period, a break created by Asian financial crisis led to a re-framing process, where Islamic financial institutions driven by activism was favoured as a potential alternative financial framework to address fragility within the country's financial system. This situation led to a further crystallisation of the Indonesian financial institution to the mainstream finance stage, allowing for exponential growth of Islamic banking. The emphasise on banking development is even more instrumentalised from 2007 to 2017, seeing banking sector assets jump tenfold. The following sections, hence, aims at discussing the trajectory of development of Islamic finance in Indonesia through periodisation determined through important corner stones.

5.3. EARLY NARRATIVE BUILDING: INDONESIAN ISLAMIC FINANCE EMERGENCE (1983-1992)

Bottom-up characteristics of Indonesian Islamic finance can be traced to a series of grassroots ingenuity in the process of institutional forms coming into existence, including experimental actions adopted by Islamic finance proponents in establishing Baitul Tamwil and its perfected model, *Baitul Maal Wa Tamwil* (BMT), Indonesian-versions of genuine IFI combining Islamic models of social distribution and modern financial models for commercial purposes, whose

seeds can be traced back to the earlier 1980s, as well as, the later initiatives of new emergence coalitions that pursue and shift the attitude of Suharto's regime, allowing for the foundation of Bank Muamalat Indonesia, the first Islamic commercial bank of Indonesia within an unfriendly political economy environmental setting. This trajectory drew upon a non-supportive political centre disallowing a presence of enabling regulatory regime, such as law and regulation, which only moved against variable change in the political economy to legally facilitate Islamically articulate institutional construct as part of the aspiration and needs of the grassrotts.

5.3.1. Experimentation

The beginning of the 1980s witnessed several events that can be regarded as an important stepping stone in the emergence of Islamic finance in Indonesia. The first important event was the first National Conference on Islamic economics held at the Islamic University of Bandung (UNISBA), in Bandung, in 1983 (Choiruzzad, 2013). This was the first conference of its kind in Indonesia, where many leading figures participated in the conference, including those names that attended the first Islamic Economic Conference in Jeddah in 1975. In that event, for the first time, the alternative model of financing in the form of profit-loss sharing mechanisms was formally introduced and discussed, and even extended into a discourse of establishing Islamic versions of financial institutions. Nevertheless, such a notion on establishing legitimated and legal IFIs did not meet the expectation due to unfavourable political environmental settings, and inexistence of its supporting legislation (Indrastomo, 2016). Despite such structural hindrance, early proponents of the idea propelled its aspiration through experimentation, encapsulated in the establishment of *Baitul Tamwil* Teknosa on 4th of July 1984. This highlights the beginning of an institutional presence to Islamic finance in Indonesia.

The initial emergence of Islamic finance in Indonesia in the form of *Baitul Tamwil*, a modified model of traditional cooperatives that possess additional functions of collecting and disbursing funds from non-members, not only demonstrates the fact that structural hindrance was present in the year of an Islamic finance movement, but also shows the distinct link of Islamic finance in Indonesia with community aspirations. In particular, the presence of this Islamic-cooperative operating as microfinance had a close attachment to a cooperative project that is regarded as a closer reflection toward the spirit of an Indonesian economy (Choudury and Mariyanti, 2006: 245). The form that Islamic financing imagination took is connected to the social problems of the lower class who had very limited access to financing, yet, in need of financing for fulfilling everyday objectives of life

Table 5.1: Highlighted Instances: Organisation, Conference and Event, Social Institution, Legislation, Important Event

Highlighted Instances	Introduction (1984-1995)		Recognition (1995-2004)			Crystalisation (2005-2014)		
	Experimenting	**Institutionalisation**	**Consolidation**	**Re-Framing**	**Legitimising**	**Mainstreaming**	**Popularisation**	**Re-Orientation**
Organisation	The Establishment of IDB The rise of *Baitul Tamwil*	The Establishment of Bank Muamalat The rise of *BMT*	First Indonesia Islamic Insurance The Establishment of Islamic Mutual Fund	PT. Bank Syari'ah Mandiri	ReINDO Shari'ah Amanah Finance *Shari'ah* Interbank Monetary Facility	1st Sovereign Sukuk Shari'ah Window Delivery Channel	Indonesia Shari'ah Index ETF Shari'ah	
Conference, Seminar and Meeting	Conference on Islamic Economic in Mecca First National Conference on Islamic Economic in Bandung	Workshop on the issue of *riba* organised by MUI						
Social Institution		The Fouding of ICMI (Indonesia Muslim Intellectual Association			The Establishment of *Masyarakat Ekonomi Syari'ah* (MES) Islamic Banking Accounting Standard			ICMI's *Waqf* Microfinance Orientation
Legislation		Banking Act No. 7 year 1992		Banking Act No. 23 in 1998 Central Bank Act No.12 in 1999			Act No. 21 in 2008 Act No. 19 in 2008 Act No. 3 in 2008 on Religious Court	
Important Event				Asian Financial Crisis			Global Financial Crisis	

Table 5.2: Number of Islamic Banks, Units, and their Offices with Total Asset and Market Share

	1992	1999	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Islamic Commercial Bank	1	2	3	3	3	3	3	6	11	11	11	11	12	12	13	13
Islamic Business Unit	-	1	15	19	20	26	27	25	23	24	24	23	22	22	21	21
Islamic Rural Bank	9	78	86	92	105	114	131	138	150	155	158	163	163	163	166	167
Offices	10	40	355	550	636	711	953	998	1477	1737	2262	2990	2910	2747	2654	2610
Total Asset (In Trillion)	0.085	1.2	14	20.9	27.14	36.5	49.5	66.1	97.2	145.47	195.02	256.04	290.78	319.54	384.14	459.16
Growth of Asset	-	131.20%	78%	49%	30%	34%	36%	34%	48%	49%	34%	24%	16.07%	22.38%	29.84%	19.83%
Islamic Banking Market Share	-	0.10%	1.15%	1.42%	1.68%	1.58%	1.84%	2.14%	3.24%	3.98%	5.00%	4.89%	4.85%	4.87%	5.33%	5.78%

Source: Bank Indonesia (2002; 2003; 2004; 2005; 2006; 2007; 2008; 2009; 2010; 2011; 2012): OJK (2013; 2014; 2015: 2016: 2017)

Table 5.3: The Development of BMTs in Indonesia

No	Phase	Period	Number of BMT
1	Initial Growth	1990-1995	300
2	by Association	1996	700
		1997	1501
		1998	2470
3	Slowing-Down of Growth	2000	2938
4	Stagnation and Decline	2001	3037
		2003	2856
5	Growth	2005	3101
		2006	3200
		2010	5200
		2011	5500
6	Decline and Formalisation	2014	3900
		2015	3500
		2016	3500

Source: PBMTI (2016), Riwajanti (2014), Sakti (2011), Seibel (2008)

On the other hand, the available platform for financing was provided by moneylenders that charged sky-high rates of interest. Hence, the emergence of *Baitul Tamwil* institution aided to solve the real issues in the periphery (Nugroho, 2001: 149). Albeit such commitment to opening tailor-made financing access, Teknosa did not last long following a large portion of non-performing financing, which dried up its capital and forced for liquidation (Antonio, 2004). A similar experimental attempt to build an Islamic micro financial institution responding to loan-shark moneylenders was also recorded in Bandung in 1988 in the form of a cooperative named, *Koperasi Ridho Gusti*. Even though this institution benefited from a linkage program that helped to strengthen the capital, it failed to self-sustain when the funding was stopped (Nazirwan, 2015). Albeit for the failure, the emergence of these two institutions paved the way for further development of IFIs.

5.3.2. Institutionalisation through Collaboration and Initiation Period

The failures of two earlier cooperative-performing microfinance institutions did not stop proponents of Islamic finance moving forward. Instead, their aspiration grew bigger and reached greater crowds. Such aspiration was then accommodated by the coalition between *Ikatan Cendekiawan Muslim Indonesia* (ICMI) representing intellectual Muslims and *Majelis Ulama Indonesia* (MUI), the national board of religious leaders and scholars, which took the leadership in bringing this peripheral initiative onto a national agenda.

MUI was slightly ahead in aiding a messo-institutional realisation by hosting a workshop on banking and interest in Cisarua, Bogor in 1990. This meeting became an avenue for establishing communication between various stakeholders that later benefitted via the rise of Islamic finance. Following the workshop, MUI's Fourth National Summit extended the concerns raised in the workshop and generated a mandate that aspired the formation of MUI's working group that seek to establish an Islamic bank in Indonesia (Antonio, 2001).

While MUI moved with its working group, ICMI acted as a vehicle for the movement to change the attitudes of the regime, especially Suharto himself. The centralistic decision-making process that left the executive power in the hand of Suharto and his close aide inevitably required the movement to approach the central power. The presence of Habibie, who was a Suharto close aide, as the chairman of ICMI enabled this organisation to gain blessings from the regime for many of its agenda and programmes (Hefner, 2000). This special connection between Suharto and Habibie facilitated the proponent of Islamic finance to secure their interest

aiming at obtaining the consent of the highest authority. After being convinced, Habibie, then, led the project in lobbying for the establishment of an Islamic bank and directed the formation of two teams responsible for safeguarding potential institutional issues that could arise as a result of this establishment and collecting capital (Uchrowi and Usman, 2000).

Together with MUI's Working Group, the lobbying process finally reached its goal when Suharto granted blessing for the formation of the Bank Muamalat and even lent out Rp. 3 Million for the initial capital of the bank. This led the fundraising for the bank in *Istana Bogor* on 3rd November 1991. The important game changing points that the elites made in convincing Suharto was the similarity between profit-loss sharing practices with the *paron*, a Javanesse-based mechanism of sharecropping, where a harvested product was halved between a landowner and farmer (Moertono, 1968: 115).

5.3.3. Formal Institutionalisation

A structural hindrance in the formation of Islamic banks in Indonesia raised questions over the umbrella within which this bank existed and operated. In terms of legality, the presence of Islamic banks was not recognised in the Banking act year 1967 that became the foundation for the establishment and the operationalisation of the bank (Perwataatmadja, 1996). Similarly, Bank Indonesia as the regulator of banks in Indonesia has no regulatory umbrella, knowledge and experience in establishing and supervising Islamic banks (Harian Jurnal Nasional, 2011). Albeit this structural hindrance imposed doubt on the possibility of forming an Islamic bank, this situation did not demotivate the movement to seek an entrance channel. Karnaen Perwataatmadja, a secretary to Directorate General of Monetary Affairs in the Ministry of Finance, saw an opportunity in the *Deregulasi Perbankan* or banking deregulation on 1st June 1983, and within the later government economic package, known as, *Paket Oktober* (Pakto) in 1998. "Since the deregulation was affected, the bank had the autonomy to set its own deposit and lending rate, opening the opportunity to establish a zero-interest rate. In exchange, a profit-loss sharing agreement can be established between the bank and its customers for sustaining this business". (KP, First Generation)

Karnaen argued that such practices were already present as a business culture in society, especially in the agriculture sector; hence, this culture would be institutionalised in the Islamic model of banking (Ismail *et al.*, 2002).

Karnaen shared his view among several figures and received firm support for this idea, especially, after the meeting with MUI's Chairman, KH. Hasan Basri, during the 1990s, who led MUI in pushing through the agenda. Later, his views inspired MUI's move to hold the workshop and the later conference that specifically brought Islamic banking and finance into mainstream discussions between the ulama, government, Bank Indonesia, and civil society's leading figure, including A. M Saefudin, Amin Aziz, and Jimly Asshidiqie (Referred to Table 4.2).

Although the government had not expressed explicit support for establishing an Islamic bank in Indonesia by then, the Indonesian government's involvement in the establishment of Islamic Development Bank (IDB), a multilateral development bank established by the then Organisation of Islamic Conference (OIC) that later institutionalised in the form of a Presidential Decree No. 5 year 1975, which implied that the state has no issue with the idea of a bank operating on the basis of *Shari'ah* principles (Saefudin, 2002). This condition increased the confidence of Islamic finance supporters to realise this idea into an institution. Nevertheless, this issue was not always welcomed and agreed upon in society. While the supporters of this idea believed that their interests were not well-accommodated by the state, Adrianus Moy, the governor of Bank Indonesia, at that time, argued that this proposal had to undergo rigorous study before it could be granted (Kompas, 1990). At that time, the government had recently adopted a tightening monetary policy and, hence, the proposal for the establishment of a bank without interest was received with scepticism in the light of a liquidity problem within the banking industry (Ismail *et al*, 2013).

In fact, this scepticism outlined above, was not only extended by regulators but also by leading figures in Muslim organisations. One of the most vocal figures was K.H. Abdulrahman Wahid, the chairperson of the biggest Muslim organisation, *Nahdatul Ulama* (NU). He questioned the efficiency of an Islamic bank working on the principle of profit-loss sharing and argued that it would offer a lower return on investments. Therefore, Islamic finance activists' proposal could not be directly facilitated within the current conditions.

Albeit different views emerged surrounding the proposal, Islamic banking supporters were firm that the key success on institutionalising this proposal was earning Suharto's blessing. This was proven following the meeting between Islamic banking supporters and Suharto, which resulted in the establishment of PT. Bank Muamalat Indonesia (BMI) in 1st of November 1991 and its soft launching on 1st May 1992. This blessing not only meant the institutionalisation of

the proposal but also applied to converting public support for the establishment of an Islamic bank.

While BMI received capital's support from various stakes that amounted to RP. 85 billion on the day of its establishment, the bank also gained support from 4,500 individuals that attended a meeting with the President aiming at launching the bank publicly in the form of capital, increasing the stakes from Rp. 85 billion to Rp. 110 billion and passing Rp. 10 billion capital requirements for establishing the bank under Bank Indonesia Regulation over time (Noor, 2006).

Furthermore, the institutionalisation process of the profit-loss sharing mechanism that resembled Islamic values went beyond the establishment of BMI and rested in the later Banking Act No. 7 year 1992, that was prepared to replace the 1967 Banking Act. While this act was proposed to accommodate the banking deregulation initiative in 1983, this new Act was also revised to facilitate Islamic banking operations under the profit-loss sharing mechanism. Although this Act did not formally recognise the presence of an Islamic bank in Indonesia, this Act allowed banks in Indonesia to operate under two mechanisms: interest-based and profit-loss sharing arrangements (Saefudin, 2002; Ismail *et al*, 2013). This development marked the beginning of an institutionalised Islamic financing practice that not only formally accorded presence in the form a bank but also institutionally crystallised under the umbrella of the Banking Act.

5.4. EARLY NARRATIVE BUILDING: INDONESIAN ISLAMIC FINANCE RECOGNITION (1992-2004)

The progress made by Islamic finance activists in the institutionalisation of Islamic principles in the form of a bank and in certain sections of the Banking Act did not necessarily give Islamic finance activists a strong position. As a newly emerged institution, Islamic finance had to encounter a series of challenges that related to its operationalisation, lack of expertise, and limited public awareness, hindering its ability to deliver an impact that is in line with the initial agenda of the movement. Furthermore, the solid stronghold of exiting financial operations and practices inevitably moderated BMI's standard operating procedures and its modus operandi (Choiruzzad, 2013).

Nevertheless, this situation changed following the Asian Financial Crisis in 1998 and banking sector reforms followed. The two events were contributed to the opening of a wider opportunity for the accommodation of a unique orientation and operation of Islamic banking, as well as, the promotion of Islamic finance principles that remained strong and adequate in the face of the crisis. This changing environment also granted the movement with a strong supporter, Bank Indonesia, which would play an instrumental role in increasing the capacity of Islamic financial industry and in promoting the concept of Islamic economics and finance. In addition, this period witnessed the increasing involvement of the civil society in maturing the industry.

5.4.1. Consolidation

Albeit huge expectations on delivering the mission to open access to economically marginal elements in society, BMI was occupied by various challenges encountering its presence. Beside poor human capital capacity, limited product diversification, and low public awareness, limited understanding and recognition of Islamic banking operations in the Banking Act no. 7 1992 to a sole profit-loss sharing mechanism caused the regulator to treat this bank in similar manner to a conventional one. As a result, this, then, recently established bank had to cope with the standards that often were difficult to fulfil when a profit-loss sharing mechanism is applied. This hindered BMI to take-off and perform an ideal IFI function in its early years of operation.

While BMI development was impacted by these challenges, the emergence of BMI increased the confidence level of Islamic finance activists to transform the financial sector. Many initiatives were introduced after the birth of BMI, including the establishment of the first Islamic insurance company in Indonesia, PT. Asuransi Takaful Indonesia, in 1994, the flourishment of Islamic rural banks, which reached 75 entities in 1997, and seminars and informal sessions propagating the concept of Islamic banks. Yet, none of these initiatives made a more significant progress than *Baitul-Maal-Wat-Tamwil* or BMT, a modified model of *Baitut Tamwil* that incorporated the function of *Baitul Maal*, or a social house and utilised this fund for productive financing of un-bankable small and micro enterprises (Choudury and Mariyanti, 2006: 245). Albeit its legalistic form as a cooperative, BMT was operating more like a microfinance, collecting fund and disbursing it using alternative structuring and avenues.

“Nevertheless, this unregulated cooperative framework has offered this entity greater flexibility in mobilising funds for financing small businesses.” (AN, Executive Director PIN-BUK).

In 1994, ICMI's affiliated philanthropic organisation, Dompet Dhafa, announced its program to push the establishment of Islamic micro-financial institutions, including BMTs across Indonesia. Since then, many BMTs have emerged and mushroomed across Indonesia with an estimated presence of 1,200-1500 in 1997. This development shed some light in ensuring that its initial agenda of the movement that closely related to poverty alleviation and wealth distribution could be accommodated.

The emergence of the two poles of development in Islamic finance, where one strived towards a modern Islamic financial institution, while the other overcame the need for financing in the periphery, were indeed necessary in strengthening the presence of IFIs. Even though the regulation was not in favour of their operation, the sustenance of Islamic commercial banks and the further penetration of Islamic micro-financial institutions, especially BMTs, demonstrated the attempt to justify their cases by proving that an Islamic model of financial institution could serve the same function as a conventional one, in addition to widening access to economically weak individuals and businesses. Furthermore, the channelling effort between the commercial institutions and Islamic micro-banking institutions, which later channelled Islamic microfinance institutions, exhibited a special tie and commitment to work in harmony to strengthen the presence of Islamic finance.

Hence, it is clear that the movement expanded its approach from a 'marginal experimental' movement to a conforming movement, by framing the movement's institutional logic on the logic of the *status-quo*'s financial approach, yet, with greater cooperation. Therefore, an Indonesian experience in the early years of institutionalised Islamic finance exhibits a collective mobilisation, both in the mainstream, as well as, in the side stream, in increasing the capacity of the industry to be recognised as a firm and legitimised industry.

5.4.2. Momentum Change: Field Reframing

There are two significantly interrelated events that changed the fate of Islamic finance movements and institutions in the late 1990s, the Asian Financial Crisis in 1997/1998 and Banking Act Reform in 1998. Firstly, the Asian Financial Crisis initially began in neighbouring Thailand, which affected Indonesia when investors started losing confidence in the strength of the Asian economic miracles, included countries such as Thailand, Malaysia, South Korea, and Indonesia, which experienced low flows of foreign capital under growing pressure on current account deficits and fixed exchange rate regimes (Hanratty, 1997). Indonesia's Rupiah suffered

a hit when a massive capital outflow exited the economy and depreciated its value to a historical low. This depreciation in the value of the rupiah skyrocketed the value of debt consumed in the economy and harmed the private sector holding unhedged foreign debt (Bank Indonesia, 1999).

As the crisis dragged down the economy, especially the banking industry, authorities saw the need for reform to build a sound and resilient financial system on top of several measures to redeem the crisis. One important reform was the proposal to replace Banking Act No. 7 year 1992 with a rigorous act assisting the formation of a strong and resilient banking system. In 1998, the draft of this act was formalised and became the Banking Act No. 10 year 1998. Beside the change in the authority to issue banking permit, the ownership structure, openness and accountability requirement, limitation in the operation, deposit insurance, banking supervision, the new Act formally recognised the uniqueness of Islamic banking operations by extending the their recognition from a sole profit-loss sharing principle to a wider set of *Shari'ah* complaint mechanisms. Such recognition was found in four verses in Chapter 1, clarified in the last verse, whereby it expands profit-loss sharing to include other partnership-base, sale-base, and lease-base practices (Sekertaris Jenderal DPR RI, 1998).

In addition to formal recognition, the institutionalisation of an Islamic model for banking within the law covers a number of issues. These include: the establishment of the bank; types of banks; conversion mechanisms; office opening; *Dewan Syariah Nasional* or National *Shari'ah* board functions and roles in plotting its members to be part of functions and roles when facilitating its members to become part of a *Shari'ah* Supervisory Board; penalties against misconduct, and Central Bank supervision of Islamic banks.

The changes in the Banking Act led to a following revision of The Central Bank Act that gave birth to the issuance of Act No. 23 year 1999, enabling the Central Bank to conduct banking supervision independently which utilised *Shari'ah*-based instruments for monetary policy. Since this amendment, the Bank Indonesia, as the Central Bank has been actively involved in nurturing the development of Islamic banking and finance. Although it was not stated clearly in a series of reforms introduced by the Bank Indonesia, an Islamic banking model received attention from this regulatory body, as BMI was the only bank unaffected by the crisis. This positive stand of the Islamic bank during the crisis was considered in line with a banking restructuration agenda proposed by the Bank Indonesia (Harian Jurnal Nasional, 2011). Not long after the enactment of the Act, Bank Indonesia responded by forming a team to oversee the development, as well as, research into Islamic finance in general, and Islamic banking, in

particular. This marked the beginning of Bank Indonesia's active involvement in the development of an Islamic bank, lining this institution among the supporters of Islamic finance which strengthened further the position and the bargaining of the Islamic finance movement.

5.4.3. Legitimisation

The active and increasing involvement of Bank Indonesia in foreseeing the development of Islamic finance institutions has been instrumental in the following progress made by the movement. In a short period, Bank Indonesia has assisted in the conversion of PT. Bank Susila Bhakti (BSB) into PT. Bank Syariah Mandiri (BSM), fully-fledged Islamic commercial banks, in 1999. This conversion was important for the Islamic finance movement because BSM was formed not on the basis of political decisions, but rather on determining that opportunity lies in the future of the market. "When BSB was taken over by PT. Bank Mandiri (BM), there were only two options, either merger or conversion to an Islamic bank. When a merger seemed unviable, conversion was chosen" (AK, Founding Partner of Karim Business Consulting).

The decision made by a state-owned conventional bank to acquire and converse a conventional bank into an Islamic one, transforms Islamic financial industry from an experimental venture into a highly viable business opportunity. Within three years, another conversion was taking place when a financial institution owned by a private conglomerate, PT. Bank Mega, acquired Bank Tugu and turned it into Bank Mega Syariah, cementing further promising business opportunities in a Muslim-dominated environment.

In responding to the progress of the industry, Bank Indonesia upgraded its level of supervision twice in four years since the revision of Bank Indonesia Act, from a small team responsible for supervision and research in 1999, to a bureau level in 2001, onto a directorate level in 2003. This internal evolvement within Bank Indonesia's Islamic banking unit yields a positive correlation to the level of initiative (Choiruzzad, 2012). For instance, when an Islamic banking supervisory role was in the hands of the bureau level, the unit released the Regulation No. 4 in 2002, that became the legal umbrella for the conversion of a conventional bank, branches, and units into an Islamic one, as well as, for the establishment of Islamic sub-branches and units under conventional branches. In 2004, another initiative was made when a single-presence policy was exempted from Islamic banks, allowing a conglomerate owning a conventional bank to have the opportunity to own a stake in an Islamic bank. All these initiatives demonstrated Bank Indonesia's firm commitment to the development of Islamic banks.

While the commitment of Bank Indonesia in fostering the development of Islamic banking and finance in Indonesia has resulted in the growth in numbers, the involvement of the Bank Indonesia in Islamic finance project has provided the movement with resources and mobilising structures for the entrenchment of Islamic finance values through public education and public awareness programmes. In educating the public, BI funded the establishment of *Pusat Komunikasi Ekonomi Syari'ah* (PKES), an institution whose task is to educate the public through public talks, seminars, and publications, together with all other Islamic banks, in 2004. The emergence of this centre for communication aided emerging support from society, that taken place within the same time.

In fact, collective mobilisation of action and shared resources have been identified earlier in the formation of *Masyarakat Ekonomi Syari'ah* (MES), a community-driven association which was tasked with promoting Islamic economics and finance, to raise public awareness, and to get involved in capacity-building programme, in 2001. Choiruzzad (2012) argued that this association emerged as an important institution in the development of IFIs, replacing ICMI that experienced a decline in the new faces of society. The presence of this organisation and Bank Indonesia strengthened the roots of support in society and increased collective bargaining of civil society, enabling the rise of a professional association, such as, the Islamic Bank Association (ASBISINDO) or even the grass-roots oriented association of BMT (ABSINDO) and Islamic Cooperatives (INKOPSYAH). In that, Islamic finance movement in this period experienced a professionalisation of its movement to a more structurally and institutionally oriented development.

Furthermore, the increasing legitimacy of Islamic finance industry was also related to a strong commitment and support from MUI, as a social religious institution pioneering the institutionalisation of Islamic principles in financial institutions. The formation of National Council of *Shari'ah* (DSN) in 1999 by MUI has contributed to the formalisation and operationalisation of IFIs, as it functions as *fatwa* issuers, that set the boundary of what is acceptable in accordance to the *Shari'ah*. This fatwa has become reference for Bank Indonesia to issue legally binding regulations.

In 2004, MUI issued a *fatwa* on the prohibition of interest, which strengthens the position of IFIs. Albeit, the ununiformed position of various stakes in the society on the issue of interest, MUI's position has been responded positively by supporters of this construct. Following MUI, *Majelis Tarjih* of *Muhammadiyah*, the second largest Muslim organisation in Indonesia

declared interest-practices as non-permissible acts. Interestingly, the fatwa issued also contained the endorsement for collective action to realise an Islamic economy. Such initiatives from a grass-root oriented organisation undeniably represented the extent within which the Islamic economic (finance) movement has expanded.

5.5. EARLY NARRATIVE BUILDING: INDONESIAN ISLAMIC FINANCE CRYSTALISATION (2004-2014)

The development of IFIs in Indonesia after 2004 could be considered as a sign of Islamic finance going mainstream. The increasing involvement of Bank Indonesia has led to IFIs adjusting to financial standards in terms of prudence, efficiency, and sound and stable orientations, without forgoing the principle of *Shari'ah* that it held tightly (Bank Indonesia, 2004). Such pressure undoubtedly played a significant role to what Choiruzzad (2012) considered as the 'moderating' effect of the Bank Indonesia.

Albeit this situation, IFIs as a concept were benefited in the second round of financial crisis happened in 2007. Again, IFIs remained resilient in responding to this wave of the crisis. Since then, IFIs raised into the mainstream stage and have been considered as a concept that potentially resolves the structural problems of conventional financial institutions, notably banks, adopting the interest-taking problem given that it has a closer attachment to the real sector and prudent economic practices, contributing to a sustainable economic and financial practice.

5.5.1. Mainstreaming Process

When Bank Indonesia decided to upgrade the unit overseeing the development of an Islamic banking sector to a level of directorate, in responding to the increasing challenges that might emerge as a result of the industry's rapid development, this offered an indication that Bank Indonesia has taken serious action towards the deepening of Islamic financial sector. As the main regulatory body to the banking sector, Bank Indonesia possessed the power to set the direction of the industry through many of their policies. In regard to an Islamic banking system, BI's position was clear from the early inception of Islamic banking in Indonesia that it saw this construct as an opportunity to improve financial inclusiveness through alternative frameworks, especially, for those that had an opposite position toward interest practices (Bank Indonesia, 2004). Hence, the presence of IFIs was expected to complement existing banking and financial

systems. The Banking Act reform in 1998 and the following change of Bank Indonesia's Act expressed such a position given that Indonesia formally recognises a dual banking system, without imposing a condition that it would drive Islamic finance and the banking sector to replace the existing one.

Choiruzzad (2012) argued that Bank Indonesia's 'moderate' view toward Islamic financial concepts was not openly contested by Islamic financial movements. In addition, Bank Indonesia's active position was regarded as an important stepping-stone to bring IFIs to a higher level in term of awareness and outreach. For this 'moderating' effect, Choiruzzad (2012) directly pointed out Bank Indonesia's adoption of a common marketing strategy standard ruled out by Indonesian marketing guru, Hermawan Kertajaya, to re-brand Islamic banking industry with an outward-looking strategy through the establishment of an international network, allowing further professionalisation of the industry. However, it is hardly proven whether such a position has a direct correlation to the 'moderation' of IFIs and its movement.

Instead of taking Choiruzzad's (2012) argument as the basis of such position, this study argues that this 'moderation' effect should be reflected in the policy and the direction that Bank Indonesia put forward in overseeing the development of an Islamic banking sector in Indonesia. This information could be observed in Bank Indonesia's report (BI, 2003; 2004; 2005; 2006; 2007; 2008; 2009; 2010; 2011; 2012) on the development of an Islamic banking sector in Indonesia that acts as the platform to communicate the progress of the industry, as well as, Bank Indonesia's positive measures to support the industry's upbringing. After examining the report dated from 2003 to 2012 and paying special attention to the first five years as the early period of this position, it can be drawn that Bank Indonesia has explicitly emphasised four points of measures that should be carefully integrated into the practice of an Islamic bank. These are the compliance to *Shari'ah* principles, prudent banking principles, efficiency in term of operation to boosts its competitiveness, along with systemic stability and its impact on the economy as a whole (Bank Indonesia, 2003;2004;2005; 2006). These 'strategic' initiatives were explicitly highlighted both in the executive summary of the report and in the body of the report. Albeit the shift in the report's orientation of such 'strategic initiatives', these four points are still touched upon in the report dated after 2008. This coverage gave an indication that Bank Indonesia has been concerned with the implementation of modern financial practices in Islamic banks, that might lead to further professionalisation.

5.5.2. Another Change in Momentum: Institutionalisation of the Mainstream

The mainstreaming pattern was accelerated further by two main events that seasoned the development of Islamic financial industry in Indonesia: The Global Financial Crisis 2007/2008 and the issuance of Islamic Banking Act and Sukuk Act in 2008.

The Global Financial Crisis was not directly accentuating the strength of an Islamic finance model but rather raising public questions over the soundness and resilience of the conventional financial system in facilitating economic development. While the magnitude of the crisis was milder than the crisis a decade earlier, the source of this crisis was more structural than the previous crisis. The end of the 1990s crisis was believed to be sparked by a combination of poor debt management and speculative behaviour in the market. Such conditions were not one of the causes of the 2007-2008 crisis, as the latter crisis began externally and spread through increasing connectivity due to a more globalised world. Hence, the contagion effect was more prolonged and determined the extent to which the latter crisis gave effect to the industry.

Nevertheless, as the past experience with a financial crisis was unpleasant, it has exaggerated public examination of the healthiness of the banking sector, earning Islamic banks a greater attention than any other issues. The dominancy of the conventional banking sector that possessed more than 95% of the total banking assets was played as an indicator of Indonesia's dependency on this sector (Bank Indonesia, 2002). While this demonstrated a potential loop whole in the economy, the interest-taking practices have been taken as antagonistic practices that are not in line with Indonesian just and equitable principles.

The solid and consistent performance of the Islamic banking sector during the global financial crisis has flushed a positive wave onto the side of Islamic finance proponents in general, and Islamic banking sectors, in particular. To some extent, this has contributed to the rising popularity of Islamic banks and Islamic financial concepts. Nevertheless, this was not the main issues that aspired the discourse on Islamic Banking Act in 2008. It has been highlighted as a case that the emergence of IFIs was a response to the inequality and weakness of conventional financial standards and practices (DPR-RI, 2008). While it was sourced from the *tawhidian* perspective of Islam, an Islamic banking system offered more legal certainty than the conventional one, given its reliance on the contractual basis (Chapra, 1985).

In addition, Islamic finance conveys a strong message towards what is believed as the true spirit and identity of Indonesia as a nation that recognises the multidimensional approach in its

everyday practices. This implies that the crisis in the financial sector is inseparable from a more multidimensional crisis caused by the incompatibility of developmental orientation and practices in the past. Thus, this Muslim initiative, namely Islamic banking and finance is regarded as a proposal to end the multidimensional crisis that rooted deep in the everyday customs of Indonesians. The adoption of *Shari'ah* principles in the positive legal structures of the nation, including in the form of the Islamic Banking Act, is an initiative to realise a more just and equitable legal system for the nation.

Beyond the issue of the prohibition of *riba* and profit-loss sharing mechanisms, the primacy of *Shari'ah* compliance exemplifies not only the conformity with religious principles, but also its consequential context behind this conformity attitude in presence for the sake of greater interest. This principle is a crucial measure to answer a moral hazard problem that has been harming society, as well as, economic stability. In that, Islamic concepts in the economy were contended to provide a more legitimated foundation of practices beyond the issue of outreach and greater inclusion that is promoted since the beginning. In fact, this concept not only spread in the form of a bank but expanded to the capital market. The rise of Islamic capital markets in Indonesia and across the globe underlines the universality of this growing concept as it has been adopted by both Muslim countries and non-Muslim countries, similar to its organisational institutional form.

Nevertheless, the potential for Islamic capital markets in Indonesia has not met the accelerated growth of the mainstream sector. At the end of 2017, 17 *sukuk* instruments were issued in the local market amounting for Rp. 2.2 Trillion. This demonstrates a lagged development of Islamic capital market in comparison to other sectors, such as banking, insurance, and mutual funds. This has motivated the Indonesian government to come up with a proposal to accelerate the impact of Islamic capital markets through introducing a bill to legitimise government presence in expanding the size of the market through the issuance of sovereign *sukuk.* Beside the complementary effects that this initiative made to the development of Islamic financial industry, as a whole, Islamic capital market instruments were foreseen by the government to mobilise public funds and obtain additional funding for the budget to finance the economic programme of the government. As stated by the SU in the interview, the Director of Islamic Finance at the Ministry of Finance, "SRI (*Sukuk* Republik Indonesia) can assist the government in covering the budget deficit by mobilising public fund."

Islamic finance development, hence, was regarded as an avenue to move the market for greater benefits. This move by the government not only highlights the potential use of Islamic financial markets for government programme purposes, but, importantly, government interest in fostering the development of Islamic finance through direct action and provision of a legal umbrella. This has contributed to further mainstreaming Islamic financial practices into popular markets.

5.5.3. Re-Orientation Initiative

While the positive trend of development of the Islamic banking industry have been acclaimed as the success of the movement, this achievement not necessarily pleased all factions in the movement. Early generations voiced concerns centred on the displacement of initial aspirations that Islamic finance brought forward in term of re-distributing resources and opportunity. As stated in the interview by the JAS, the Chairman of ICMI stated: "We are trapped in Islamic economic romanticism, believing that one single institution can change the way we distribute resources and opportunity… when needs are used as the justification of any innovation."

Such an argument asserts that such an institution is not in favour of avoiding capital accumulation and, as a consequence, the purpose of greater stakes was only secondary to the interests of capital owners. Some other voices searched for other avenues for greater involvement and rested the choices in the development of Islamic capital markets. Therefore, SU, the Director of Islamic Financing, Ministry of Finance stated in the interview that "Islamic capital market instrument, such as *sukuk*, has the potential not only to cover the budget deficit but also to improve public involvement in public projects that contributing to greater goods."

The criticism made by this group of Islamic finance activists were directed to the inability of mainstream IFIs to re-distribute resources and opportunity, which was not the only negative voice that coloured the mainstreaming and crystallising of IFIs. Other factions within the movement have pinpointed their objections long before this voice was articulated. This line of supporters specifically pointed out their disagreement towards the mainstreaming of Islamic finance institutional development. In supporting this, for example, NH, Vice Chairman of BWI stated in the interview that: "The biggest mistake in the development of IFIs was its banking-oriented development, disregarding its grass-roots aspiration that rested in the form of microfinance institution."

This objection was somewhat linked to the original aspiration of the Islamic finance movement. The emergence of Islamic finance in the form of microfinance was part of the agenda to open access of capital to economically marginalised households and businesses. Nonetheless, the mainstreaming of IFIs that resulted in banking-centric development led to a further convergence of IFIs to standard financial practices and purpose. As a consequence, the goal to provide financing access to greater masses were the priorities given the limitation and orientation that mainstream financial institutions adopted.

On the other hand, such goals were not fully forsaken by the supporters of Islamic finance. Since the inception of the concept, some proponents of Islamic finance, especially in Central and East Java, have focused on developing Islamic microfinance to respond to this aspiration. There were two groups responsible for the evolvement of Islamic microfinance: PIN-BUK and Dompet Dhuafa's affiliated association, PBMTI. Each of these groups were overseeing the development of their members in addition to performing functions as an incubator. Albeit similar purposes that both groups were working towards, nonetheless, each group has its own view and approach in breeding Islamic microfinance in Indonesia. In the interview process for this research, TS, GM of Economic Programme, Dompet Dhuafa, "… for BMT to grow, we believed that it needs to be professional and independent. This approach is different from PIN-BUK that set its program close to government program…".

Even though the two groups were separated by their approaches, the two both belong to the same peripheral marginal Islamic finance movement that seeks to utilise this micro institution as a platform to fight against loan-shark financing practices by offering affordable and reasonable financing.

Whereas the peripheral Islamic micro-financial supporters within the Islamic finance movement have been pursuing their goals and interests since the early 1990s, the dissatisfied voices sourced from the lack of distributional effects of banking institutions began to take action during the beginning of the 2000s when *waqf*, an Islamic-based endowment system, earned the interest of the elites in regard to its potential to increase productivity and economic development (MS-RevPur; DM-OPPORT; TM-WAQF). Even though this initiative was initially proposed to strengthen IFIs funding, some factions of the movement considered the institution of *waqf* as a potential force to increase people's prosperity (JAS-RevPur; NH-ICMWAQ). Since then, the *waqf* movement has gained resonance and support from an organisation like ICMI.

5.6. CONCLUSION

This chapter argues that the emergence and the development of Islamic financial institutions in Indonesia was an inevitable consequence of Islamic economic movements' changing approaches to realising its goals, from an experimental outsider initiative, to an internally generated initiative framing and mimicking original social movement tools and procedure. This marked the beginning of an Islamic finance movement that led to a mainstreaming process of Islamic finance through the change in stakeholders with the direct and proactive involvement of the centre or state apparatus.

As the discussion in the initial part of this Chapter identifies, the initial movement, however, is characterised by a process of identity search that commenced since the arrival of Islam in Indonesia through trade. This identity related to the internalisation of Islamic values, which promoted a series of value accentuation, from moderate living, reciprocity, independence, and even entrepreneurship akin to moral economy. This suggests a transformative orientation of identity with a dynamicity to moderate modernisation and, even, to demonstrate resentment toward cultural colonialisation. Within this contextualisation, Islamic economic movement is part of a reformist-oriented activism aimed at the authentication of Islam within an influence of global roots, especially with the exploration within Islamic finance. In that, the identity of Indonesian Islam and its reflection in the economy encountered with the wave of Islamic articulation in the economy within the institutions and operations of economy.

In the early years of its inception, Islamic finance was a marginal concept known only by a circle of Islamic economic enthusiasts. It emerged as a concept that was aspired by the spirit to fight against loan-shark financing practices that led household and small businesses into long-term financial difficulty. As a result, the first institutional experimental in Islamic ethos came in the form of cooperative-performing-microfinance function and which depicts the eagerness of the early proponents of the concept to turn their aspirations into practices, providing an institution that could offer fair financing and prevent those households and small business from *rentenier* practices. Such a proactive approach resembles an Islamic trading union (SDI) case, where its essentialisation related to the accentuation and response of Islam to a situation that contrasts to a condition expected within an Islamic understanding, a sign of activeness within Indonesian Islam.

Albeit the success of early activists in producing an authentic institution, the institution has failed to self-sustain due to poor managerial practices and a lack of capital. Afterwards, collective action was recorded in the formation of BMI, the first Islamic bank in Indonesia, involving greater actors and groups in the process. This collective attempt marked the beginning of a social movement of Islamic finance aimed at transforming the financing sector, such that Islamic values and norms are accounted in financial decisions and Indonesian engagement with hybrid forms of institutionalisation of Islamic finance.

The establishment of BMI had not necessarily transformed the common institutional practices as the movement struggle to expand and to attain its goals in the early years. This condition persisted until the onset of the Asian financial crisis, where banking sector was heavily affected and underwent a series of reforms. This game changing event benefited Islamic finance institutions as the immunity of such institution during this period successfully attracted interest of stakeholders toward the concept, allowing a further recognition of its unique operation in the legislation and converting Bank Indonesia as a strategic partner. Since then, Islamic finance transformed from a proposition into a feasible business venture and attracted institutional investors to tap into the opportunity by establishing Islamic financial institutions. This demonstrated that the external pressure was also crucial in the success of the movement. As only during this changing momentum, proponents of Islamic finance had the opportunity to develop a structure for mobilisation in the form of NGOs to unify different perceptions and expectations, and, importantly, to signify its public presence.

While the crisis successfully turned the faith in BMI in particular, and Islamic financial movement, in general, in a positive manner, it changed the attitude of Bank Indonesia to Islamic finance and triggered a professionalisation of the movement with the rise of *Masyarakat Ekonomi Syari'ah*. This trend of development also imposed challenge to the development of Islamic financial institutions and its movement. For Islamic financial institutions, the active involvement of Bank Indonesia offered two sides of the coin: increasing the legitimacy of institutional presence and increasing the interest of Bank Indonesia to create a sustainable financial institution applying prudence and efficient banking practices.

The former was important in raising confidence, as well as, an awareness of the public towards Islamic financial concepts and practices. On the other hand, the latter, which was deemed to be crucial in ensuring the sustenance of these institutions, has inevitably placed these standard financial practices into institutional priority, causing a deviation between the initial aspiration

and the current orientation of the institution. Such a deviation in the motivation of the movement when it turned mainstream not only identified in the case of an Islamic finance movement but also in other cases, such as, cases of fair-trade (Genron and Turcotter, 2007), recycling movements (Lounsbury *et al.*, 2003), or even SRI movements (Arjelies, 2010), albeit the latter assumes that the SRI movement target was to transform dominant institutional logic.

The popularisation of Islamic financial institutions and its success in earning legitimacy as a mainstream institution seem to suggest that the movement has achieved its goal in transforming financial logic. Nevertheless, several initiatives were aroused to bring back the movements' agenda into the stakes, including the revitalisation of *waqf* movement, capital market movement, and BMT movement. These 'purification' programmes aimed at transforming the diverged social movements on Islamic finance to this authentic purpose. The rise of these movements advises readers that there was endowed dissatisfaction within the movement as a result of its mainstreaming orientation. In the CSR discussion, this situation has been commonly discussed under the 'niche *vs* mainstream' issue. However, the main concern would not necessarily centre on the articulation of such emerging movements in curbing capitalism, but rather on the fact that the emergence of this new movement might lead to the death of the initial movement as the observed transformation identifies. For Islamic finance in Indonesia, hence, the rise of these purification movements raises the question as to whether mainstreaming leads to the end of the movement.

The next chapter delves into the nature of Islamic economic conceptions and activism in Indonesia within an Islamic finance articulation to map out the substance that this activism has propagated in the modern times.

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Chapter 6

UNDERSTANDING THE EMERGENCE OF ISLAMIC ECONOMICS AND FINANCE IN INDONESIA: A NOVELTY IDENTIFICATION

6.1. INTRODUCTION

The previous chapter focused on how emergence orientation chartered the research through a 'grounded theory' process to reveal the meaning and conception of emergent Islamic economics and finance in Indonesia. In doing so, the social constructivism based grounded theory of Strauss and Corbin (1990) stressed and recognised the importance of developing an informed understanding surrounding the context of emergence. From the outset, the data assembled through interviews were openly coded to provide the necessary material for the purpose of this research. As detailed in Appendices II, III, and IV, providing data analysis, the abstraction process began by applying open coding, which then helped to construct a higher level of abstraction called axial coding. In the end, the selective coding process aided the completion of analysis supported by a paradigmatic model and a conditional/consequential matrix.

This chapter aims to utilise the extracted codes to sense the nature of the emergence of Islamic economics and finance in Indonesia by locating code derived from the first stage of coding which gathers identifiable instances, patterns, and events and labels them accordingly, as Strauss and Corbin (1990) define. The presentation of the code is integrated into the early model identified as the element of novelty of Islamic economics' articulation in finance in Indonesia, with a description and condition that encapsulate the coding presented in Appendix II. Indeed, this is not a product of theoretical saturation within the grounded theory process, which would be relevant for the latter chapter on the investigation of the process and the political economy view of the emergence of Islamic economics and finance in Indonesia.

Nonetheless, it provides the base for the identification of the emergence characteristic, which constitutes the foundation for extending data saturation in the later process.

This chapter, initially, discusses the process of developing an understanding of emergence, including the initial assumptions made, the initial frameworks used to approach this emerging phenomenon, and how it was referred and related to guiding the search for this understanding. These assumptions and frameworks are, then, continuously refined and restructured within a grounded discussion allowing the emergence of the narrative relating to Islamic economics and finance in Indonesia. In the end, the emergence flow is established in a grounded manner in its initial form.

For the purpose of the presentation, direct reference is made to the codes that constitute the open codes suggested in Appendix II, where the first two alphabets refer to the interviewee's code while the rest present the context of the referral.

6.2. PRELIMINARY REMARKS ON METHODOLOGY AND FRAMEWORK BASE

It is important here to recall the implication of 'emergence' as the paradigm of this research. By recognising the difference between systemic properties and emergent properties, this paradigm elucidates the existence of the non-resultant characteristic of the property, which is irreducible from the properties of the whole in facilitating a causal process to take place (Lewes, 1875; Kim, 1982; Lewis, 1983). What made the emergence position different from the metaphysical is that this irreducible property is made of matter, hence, the irreducible form could come out of the 'whole' and is highlighted even within the full recognition of reducible properties and forms (Stephan, 1998). With this paradigm in place, the challenge arose in operationalising research based on it, as the focus moved from the current form of the reducible and mechanistic view of reading the phenomena, increasing its complexity. While the focus of analysis shifted from the predominantly reducible and mechanistic view, the lack of established concepts and theories on Islamic economics' emergence, due to its 'pre-ordained conclusion' (Warde, 2010: 9), increased the degree of uncertainty within the research process. As the emergent narrative of Islamic economics in Indonesia remained fractured, the established concept on the higher structure of emergence is borrowed for use, projecting the course of analysis into the emergence case in Indonesia.

The absence of established theory on the emergence of a particular form of economics and finance inspired this research to adopt a grounded theory approach. Grounded theory approach

requires non-predetermined categories within an inductive line while remaining informed with existing social theory (Morse, 2001), facilitates the emergence paradigm that is expecting non-resultant characteristics to emerge with the resultant characteristics of the properties observed. In other words, the data extraction process did not suffer from a dependency on a particular framework and setting derived from a particular theory, but rather explored the room between the conditions and the settings that differentiate the emerging case from the previous construction of analysis (Charmaz, 2008). This is taken to the extent that the development of codes and categories were not framed by the question, but rather from the issues generated out of the interview data. Codes emerged in different ways, from constant comparisons to theoretical referencing.

As it is subscribed to the emergence paradigm within a grounded theory analytical procedure leading to the mining of the antecedents of emergence. Exploration recalls eight features of emergence that guided the research as previously mentioned in Chapter 2, which are as follows:

(i) Naturalism;
(ii) Systemic properties *vs* emergent properties;
(iii) Hierarchy of structure;
(iv) Novelty;
(v) Deterministic;
(vi) Irreducibility;
(vii) Unpredictability;
(viii) Downward causation.

Critical assessment is given to assumptions underpinning emergence that institutionalists use to define novelty. The most classical position is provided by transactional economists, suggesting that new organisational forms arise when striving for an efficient organisational form (*see* among others: Williamson, 1985, 1991; Langlois and Robertson, 1995). This leads to defining the novel nature of economic emergence within efficiency pursuance. This position was later challenged by neo-institutionalists who reject the industrial revolution supremacy of the transactional economist view on organisational and institutional emergence, subscribing to a non-efficient reference to the establishment of new organisations or institutional forms (Scott, 1995; Ruef, 2000). Hence, economic emergence within an evolutionary economic perspective and institutional point of reference probes emergence issues by recognising that there are motives related to both efficiency and non-efficiency pursuance, within which a construction process facilitates emergence.

This exploration refers to the development of institutional emergence from both perspectives, leading to aspired efficiency (*see* among others Fligstein, 1985; Williamson, 1985; Nee, 1992), as well as non-efficiency aspired emergence, such as legitimacy and power (*see* among others: DiMaggio, 1988; DiMaggio, 1991; Aldrich and Fiol, 1994; Haveman and Rao, 1997). For instance, Nee (1992) studied the emergence of a hybrid form of organisation within Chinese transitions to a market-based open economy by arguing that the new arrangement is more cost-efficient than the other governing structure. This accords with Williamson (1985) on the organisational form of General Motors, seen as the hallmark of organisational emergence based on cost-effective measures. While, a number of studies on the General Motors' case (Fligstein, 1985; Freeland, 1996) have produced a variety of conclusions, efficiency-aspired institutional researchers still follow the belief that economic emergence is based on efficiency pursuance. In contrast, institutionalists are interested in emergence as long as it traces a particular historical case related to the taking place of an emergence. Pioneered by DiMaggio's (1991) work on 'art museum transformation in 19th century America', which draws upon the active engagement of 'institutional entrepreneurs', institutionalists emphasise the role of related actors in driving collective action that accommodates the motives of these actors and the operation of new organisations or institutions within the broader socio-political context. Such broader recognition of the motives of emergence expand its nature beyond solely economic efficiency purposes, even though institutional emergence occurs due to the institutional suitability to the existing system of belief, interpretation, and categorisation.

During the development of institutional emergence studies, other approaches have surfaced, moving on from the investigation of whether it is sourced from an efficiency motive or other motives beyond efficiency, or institutional fitness to the established system of meaning, onto broader ecological issues. For example, Polos *et al.* (1998) observed emergence through the lens of the commonality shared between organisations in a particular population. This study suggested that emergence was made possible on a low degree of density within its environment. This opened up a new discourse on the source of emergence to include the condition accommodating emergence to take place. Beyond the atomistic view on observing the case of emergence, the process of the emergence of institutions was understood in the contextual setting of its existence. Indeed, this approach has been adopted by neo-institutionalists through its recognition of the 'organisational field' (Dimaggio and Powell, 1991; Scott, 1991), which is a space consisting of a collection of organisations with a shared meaning, where stimulated interaction by members of the space takes place. This conception would account for elements

within the field with an influential role, including the government, financers, trading partners, associations, dedicated associations, and society in general.

This organisational unit of analysis is not the only form of contextual framing as others have referred to similar forms at institutional, (*see:* Fligstein, 1990; DiMaggio, 1991) or societal and environmental levels (*see*: Scott and Meyer, 1994; Powell, 1991). As a consequence, this suggests that actors are supported by a 'Network of Social Relations' set by normative values, cultural norms, and an enforcing structure (Scott, 1995). In later years, a combination of both internal and external dynamics has been applied determining the nature and process of institutional emergence in different contexts, considering that both played a role in facilitating the emergence process (*see* among others: Ruef, 2000). This research recognises both the internal and external dynamics within the emergence of Islamic economics and finance in Indonesia, especially within its institutional form. Debate and discussion on this is elaborated in Chapters 7 and 8.

The aim of this chapter is to identify the form of emergence rather than the form of institution. The emphasis on economic emergence leads to the selection of an approach within institutional emergence fronting 'why' and 'how' questions. Following an evolutionary position of economic emergence, it is bound to the assumption that economic emergence should source and be defined by a distinct intrinsic property, besides being pursued by entrepreneurial creativity (Foster and Metcalfe, 2012). The fact that Islamic economic movement is religiously driven also adds to the presumptive position that its emergence is not necessarily due to economic efficiency, hence, it is naturally unmatched to the transactional cost economist position toward institutional emergence. As it presumably emerging from a non-efficient motive, the exploration comfortably fits into the neo-institutionalist tradition in approaching institutional emergence, in which an emergence takes place when it fits into the existing system of belief and meaning.

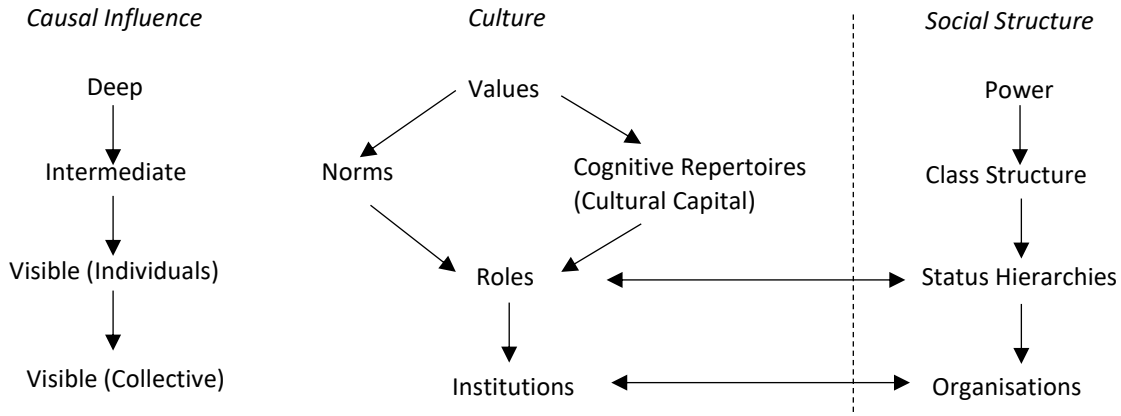
As Weberian analysis demonstrates that how protestant spirit resulted in detaching and disembeding economy from society. It subscribes to a social constructivist view on emerging reality, it follows the tradition of Berger and Luckman (1966), continuing the work that was started by Meyer and Rowan (1977) and Zucker (1977) who recognised shared understanding as a product of negotiation beyond an idealised free and open contested market (*see* among others: DiMaggio and Powell, 1983: 150, Scott and Meyer, 1995: 122). The consequence of such a position leads to a social constructive approach to institutionalism, whereby it seeks to

release itself from the existing framing and categorisation of the environment, from the public-private and profit-non-profit dichotomy, as well as competitive-Isomorphism, and return this framing and categorisation to its original form as an analytical strategy rather than factual segregation (Vidal and Peck, 2012). This means that the presence of this condition is not completely rejected but rather formulated with a constructive attitude of institutional process as part of a potential frame that allows for heterogeneity without covering other potential frames and categorical appeal, especially those beyond the market (Powell, 1991: 187). Such a position resorts to the assumptions that accommodate both novelty predicament and entrepreneurial creativity as each market emerges and is formed in a distinct manner within its social institutional setting, producing a unique character of its own (Vidal and Peck, 2012: 603), which situates the interest of economic emergence within the evolutionary perspective.

Studies on institutional emergence on the basis of a social constructivist understanding have evolved and recorded emerging facts in support of its position. In general, it has managed to reveal that the institutional environment is a contested ground that allows heterogeneous characteristics to exist, which are aggregately encompassed into institutional logic (*see* among others: Friedland and Alford, 1991; Schneiberg and Soule, 2005, Lounsbury, 2007). As the logic of the institutional environment is negotiated, this opens up a new space of negotiation beyond the initial framing and categorisation to include factors constituting the institutional values, norms, and roles that form the market (Vidal and Peck, 2012: 604). This strengthens analysis indicative of observable elements within an institutional emergence case, including values in an open form not only within the efficiency-profitability issue, but also beyond such issues and norms as competitive framing, to include potentially isomorphism or beyond to the existence of unique norm derived from novel values, and extending the roles of the institution defined by contested institutional logic. As suggested by Scott (2008), the landscape of institutionalists embraced in the differentiating layer of institutions, consists of three elements constituting the roles and law: cognitive, normative, and formal. Often, this is combined with a recognition of the form of organisational emergence as an element of analysis as suggested by Vidal and Peck (2012). Nonetheless, this was not seen as the focus of exploration. Here, the exploration touches upon cognitive, normative, and formal institutions with the objective of exploring the value, norms, and roles contributing to the institutional emergence of Islamic economics and finance in Indonesia.

Portes (2010) points out that there are three elements of social life, which are causal influence, culture, and social structure as shown in Figure 6.1.

Figure 6.1: Elements of Social Life in the Emergence of Institutions



Source: Portes (2010: 54)

Figure 6.1 depicts the components of the social element, departing from a Weberian understanding of the social structure over which power lies within the control of factors and tools of production, and internalises Williamson's view and recognition of hierarchies impacting on both the structure and cultural environment. Two elements are of interest here: 'culture' and 'social structure'. Culture refers to the indicative and essential features of an environment which determine interaction, order, and even shared understanding, while structure comprises an existence built by individuals implementing the culture in the form of established roles within a particular status of hierarchy (Portes, 2010: 51). The separation between the two is important in this regard to draw out the intention of action as well as its outcomes. In that, it helps to make appearance of the ideal form and its realisation in multiple framing.

Within culture and social structures, social constructivist-oriented institutionalists propose a hierarchy of causal conditions, where a lower antecedent decisively influences a higher visible antecedent. This chapter, hence, focuses on the issue of culture and leaves the discussion of social structure and its further elaboration to Chapters 7 and 8**.** For culture, values were at the lowest level showing immaterial and relatively constant characteristics, as foundational determining elements of a society, whether lived in its abstraction or cemented within custom, underlying the practical aspect of society and guiding a point toward a desirable outcome (Portes, 2010: 52). The presence of values imposes a restraint toward a liberalist position that neo-institutional economists have ascribed to (*see* among others: North, 1990). At an intermediate level, values are transformed into norms that are often postulated into formal form

and order beside their informal imposition (Portes, 2010: 52). They are more material than values and have a rather direct implication for one action, which is often misread as a limiting condition to construct and order.

When a collection of norms determines the boundary, involving both constraint and inducement, of a task, a role is set as a predicament for such a task to perform. This expectation toward action is relevant within a located situation in the structure, hence, there is a degree of specificity on its performance (Portes, 2010: 52). In addition, roles also encompass an element of 'cultural capital', without which skills to perform roles would not exist. With the term originating from Bordieu's (1976 [1972]) work on marital approaches in a French village, it acknowledges the effect made by the educational system on regenerating symbolism and structure related to class interaction and power distribution (Bordieu, 1977: 486). This can be considered as standards and qualities, language form and implementation, evolving into a humanistic tradition, and even personalised attributes that remain intangible in nature (Lamont and Lareau, 1988). It functions as tools without which roles would not emerge by themselves through established norms. Therefore, roles constitute both an element of norms as well as cultural capital.

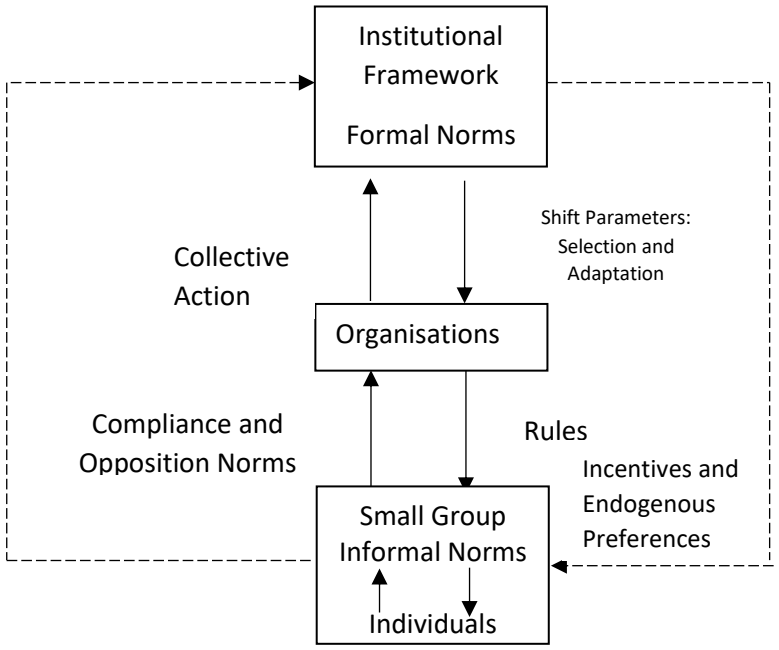
In the higher and visible level of cultural formation, the institution emerged as the figurative design of an organisation (Portes, 2010: 55). It embodied both the formal and informal rules enabling the relationship of those within an institutionally constituted structure in social life, including the economic sphere. This implies that the institution is not a social construct by itself, but rather a blueprint for the establishment of a social structure (Gidden, 1986: 31-55). Detailing the institution requires discussion of organisations, without which a confusion and overlap of understanding may appear. The organisation differs from the institution, as it encompasses a social structure and it is a tangible form of a particular structure. In Portes (2010) delineation, the organisation originated from the expression of power and its relational consequence, formed by power itself at the very deep level, and class structure and status hierarchies at a rather intermediate and visible level.

Power, as equivalent to value in culture, was originally centred around control of the means of production delineated within a Marxian tradition (Marx, 1906; Mintz and Schwartz, 1985; Fligstein, 1990; Roy, 1997; Perrow, 2002); however, the branch of sociology situated the definition of power within an actor's aptitude to extend its will in the face of resistance (Weber, 1978). The later discourse included possession of knowledge, communication channels, and

even stretched to the extent of direct control (Portes, 2010: 53). Power determined the structuration of class, where differentiation in the possession of power gives rise to the class structure (Portes, 2010: 53). This was not always wealth related, as it also related to the issue of power conferring resources as well as opportunity. While class structure was power-related, status hierarchies could only form upon acquirement of legitimisation from authority. Hence, it has a tangible underlying base and it is often transformed into a particular role with constraint and incentive attached (Portes, 2010: 54). When it was transformed collectively, status hierarchies accommodated organisations to emerge in different forms.

The landscape of social life in Figure 6.1 suggests the existing bond between institution and organisation. While the classical position entails institution as influencing and dominating a set that leads to phenomena such as isomorphism (DiMaggio and Powell, 1983), the landscape in Figure 6.1 emphasises 'deep causal influence' as a mechanism by which the institution affects the organisation. This implies that institution does not necessarily possess the static and absolute power of imposition as the bearer of roles but is also involved in continuous refinement and reform (Portes, 2010: 56). The organisation, as a visible form of social structure, contributes to this process of refinement and transformation on the ground of 'embeddedness' as a consequence between culture and social structure. With this view, it accommodates an understanding of the interaction between culture and social structure

Figure 6.2: A Model for the New Institutionalism in Sociology



Source: Nee and Ingram 1998: 31)

Figure 6.2 attempts to illustrate this process of the continuous negotiation and transformation of the visible form of culture and social structure, institution-organisations, as proposed by Nee and Ingram (1998: 31). This model acknowledges the sphere within which formal and informal existed. In particular, this separation helps to locate a space where informal norms rested, namely individual and micro groups. The consequence of formal norms within the hierarchy structure imposing limitations on the individual and groups is also accounted for in the model. With the existence of constraining norms, institutions also offer an incentive to the individual to conform and translate power at an institutional level. These conditions complement the initial deep causal relationship located within the landscape of social life exhibited in Figure 6.2. The main differences embody values, norms, and cultural repertoires within the individual and groups, as bearers of these three elements.

The model in Figure 6.2 has two additional explanations that help to set institutional emergence beyond deep causal influence. First, it allows the analysis to understand the bargaining and negotiation process in shifting organisation and institutional norms and forms. Individuals and groups hold options to either comply with or oppose the norms imposed, introducing and inserting informal norms to be elevated to the organisational level. Even within organisations, rules and roles are continuously refined by the members as part of the pursuance of the normative purpose of groups beside the organisation. Organisations also have that power to adjust formal norms through action in the socio-political sphere. Second to this action-related explanation, such a model also accommodates the path-dependence related transformation of the institution as suggested by Campbell (2004). Hence, it allows the analysis to anticipate both active engagement as well as change in the institutional environment in institutional transformation, leading to institutional emergence. The current chapter focuses on identifying rather than elaborating emergence, which is the task of Chapters 7 and 8.

Referring to these prepositions mentioned in chapter 5, this chapter aims to locate three elements. Firstly, the non-physical matter of the emergence of Islamic economic institutionalisation in Indonesia is aimed to be shown. Beyond the general *raison d'etre* of the emergence of the Islamic economic institution, that is related to abundant resources and the Islamisation argument, the exploration in this chapter attempts to identify the underlying values of this emergence without imposing argument by claiming a rational, or an irrational basis. Novelty equates to unique based on its value preposition, which is set by its own ontological-epistemological foundation, paradigm course, and prioritisation within a normative

approaching positive attitude as the lower-level base property (Kim, 1992:36). Whereby, a deep causal influence is subscribed to, a social construction mechanism is considered to be the instrument applied. When it is related to the assertion that the property of emergence with its novelty also holds causal determinist power beyond the physical property, yet, is attached to it (Humprey, 2008), individual involvement is not only seen as part of a property but is also held into these values and contextualises as part of the accentuation of paradigm and prioritisation. In this regard, the emergent properties of this causal determinism are suggested to take the form of this consideration of urgency, unique recognition, important normative goals, and its causal condition to the established institutions.

This research began with the assumption that economic emergence could only arise under a social movement mechanism, where collective motives translate into collective action. This position keeps the downward causation consequence of novelty intact. Nonetheless, this is preliminary in the postulation and subject to rejection when conditions do not reflect the data collected. Where this is the condition, the third preposition is affected through which the matter is analysed within a 'fusion argument'.

While not explicitly mentioned, this analysis implies a particular condition of embeddedness, as discussed earlier. This understanding commingles embeddedness as defined by Polanyi (1944); it rests its argument on the historical root of society through which social context is relevant before the rise of the modern liberal market economy and a more recent postulation by Granovetter (1985) that moves the discussion to the meso-level within the organisation and institutions. This deconstruction process recognises a historical trajectory and contemporary struggles, finding a balance layered within economic structures from micro, meso, through to macro level. Elaboration on this debate is located in Chapter 8. Generally, embeddedness is recognised, but not imposed, to the extent that it is a governing condition. The purpose, therefore, is to capture embeddedness, if any, as a condition that emerged from the data.

To summarise, emergence analysis centres on institutional emergence, and, by adhering to the deconstructivist tradition, maps the nature of the institutional emergence process. Here, attempts are informed by a branch of institutionalist theory adhering to the social constructivist position, arguing that institutions, and even organisation as their tangible form, are formed through a deep causal process from the base to its visible form, which also recognises the *supervenience* condition of the higher form of culture and social structure to its lower form (Beckerman, 1992). Focusing on institutional formation, it recognises the influence of role in

structuring the institution, the contribution of the organisation in shaping the institution, and the indirect influence of values, norms, cultural repertoire, and status hierarchies on this emergence, by giving special recognition to the role of the individuals filling the organisation in shaping the institution. Through this, the novelty of its emergence and its carried-forward novel deterministic influence is observed. The following discussion aims to expose and examine the data assembled for this research by also considering sociological, institutional awareness.

6.3. VALUE PROPOSITION

For Portes (2010: 54) value is regarded as the initial base of an institution within a causal cultural analogy. Its indiscernibility from the realm of life is not necessarily suggestive of its absence, yet, its reflection is located as an embodied existence within institutions, and within the process of the emergence of the institution as part of the negotiated idealism of the actors supporting its emergence. The following exposition of values emerged among the elite of Indonesia's Islamic economic experience as part of the continuous pursuance of realisation of this deepest level of the institution.

6.3.1. Oneness of God (*At-Tawhid*)

In applying, the methodology developed by Corbin and Strauss (2008), *tawhid* as a code emerged after examining the interviewees' language and emotions. Within Islamic economic activism in Indonesia, *tawhid* has two dimensional references, where one acts as the source of definition and authenticity, while the other dimension refers to its attachment to the existential condition. These two dimensions could be seen as conflicting in nature; however, both dimensions exist and contributed to shaping the definition of *tawhid* within Islamic economic emergence in Indonesia. Hence, *tawhid*, in this regard, is observed within both staticity and dynamicity, which consist of an element of authenticating source, as well as, existential articulation.

Tawhid as a nucleus of existence of conceptions of Islamic economics refers to a value that becomes the origin of the subsequent consequence in the higher form of the Islamically-induced product in the economy (AMS-TAW), which is its recognition of *God* and its divine framework and the mechanism to achieve *falah* or salvation. This value is central to the authentication, within which it is assumed that the Islamically-constructed imagination and presence in the economy is established by the knowledge framework that stands on the ground

of its deep causal relation with the recognition of the oneness of God (Naqvi, 1994; Choudhury, 1997; Asutay, 2013). Hence, *Tawhid* is central to the recognition of Islam as a belief system (DH-TAW) with a reflection in both the higher stage of abstraction until its appearance within its existential basis. Ultimately, this deep causal influence intends an economic and financial construct that does not violate the principle of *shari'ah* as an epitome of *tawhidian* value (YI-TAW, FA-TAW).

Tawhid embodied within an existential condition suggests a living *tawhid*, which has its negotiated degree of presence. The existence of its presence defines a stage of *tawhid* recognition and realisation (AFN-TAW). Hence, the recognition of *tawhid* as a nucleus of Islamic economics is seen in terms of its consequence, leaving a deep causal trajectory as a deconstructing element. One relation is as an element of economic activities beyond the materialistic. Thereby, *tawhid* sets the recognition and the importance of the materialistic and non-materialistic element of the economic approach and activities (DH-TAW).

Tawhid as a nucleus of existence contains a degree of losing itself within the economic equation to serve the greater purpose of Islam within a *Tawhidian* reflection (AK-TAW). The consequence of this position concerns individual contribution even in a non-organised manner, for achieving a realisation (AFN-TAW). This refers to the important attachment of the existential to the refinement of *Tawhidian* understanding. What is important here is the commitment sourced from *Tawhidian* understanding at the individual level where individual contribution is performed for the existential reflection of *tawhid* (AK-TAW). This contribution follows a framework that brings an integrated consideration of *ibadah*, codified rituals and activities performed by the Muslim worshipper demonstrating commitment to the oneness of God, *and muamalat,* the articulation of this oneness of God upon the Muslim's relations to other worshippers and God's creation. In that, a reflection of *tawhid* came with both the preservation of *ibadah* as a force of confinement and the extension of *muamalat*, as a force of expansion (MSA-TAW).

With an expanding understanding of *muamalat* within the *Tawhidian* aspiration, it is suggested that Islamic economic construction was pushed by ontological knowledge leading to creativity and innovation as the characteristics of Islam that are sourced from *Tawhidian* value. Hence, creativity bridges between *Tawhid* and presence and articulation (ASC-TAW) in a staging basis. While *tawhid* contains its degree of expanding nature beyond the static condition (RP-TAW), reflection of *tawhidian* value also comprises an element of confinement where it is

conditioned by the requirement of *Shari'ah* (FA-TAW). Within this, one would ascribe to the position that the *Qur'an* became the legal source as well as the moral foundation of even a construction of Islamic economics (MSA-TAW). This is clear from the following articulation:

> … when we are entering the realm of *shari'ah* bank as a Muslim, it is integral to its worldview of Islam as a way of life in the sense that we are not only focusing on prayer, fasting, and other [ritualistic activities] but also on economic life so far that it does not contradict with *shari'ah*… i.e. the adoption of competitive orientation was ultimately an articulation of this [creativity and innovation central in economy within *shari'ah* ruling… (FA-TAW)

During the era of the third generation of Islamic economic activists, the approach of Islamic economic construction tends to develop within the confinement nature of *tawhidian* value. This has shaped the *tawhidian* conception to loosen a grip of its freedom to align more toward a limiting understanding of the *tawhidian* position (FA-TAW). This is often reduced to *tawhid* as *haram*-ness or an unlawful filter, within which a dimension of the Islamic economics extension only specifies avoiding norms (YI-TAW). At the same time, Islamic economic construction entered a stage where its consequence turned into preferential determination as well as the forfeiture of action and form that was deemed to be un-Islamic (ASC-TAW). In this, *tawhid* elevates into a norm creation with the particular promotion and avoidance consequence (AA-TAW) that affect freedom through the creation of a role that the Muslim performs directly in influencing the facilitation of interaction to the level of absolute preference.

While the *tawhidian* conception within postulations of Islamic economics in Indonesia that embraced this pattern of confinement and norms crystallised during the third generation, its realisation in the latter period was observed by an earlier generation who detached from *tawhidian* value and orientation. Instead of *tawhidian* primacy within the Islamic economic institution, accruing profit has become the prime value abandoning *tawhidian* value when it hinders profit accumulation (AMS-TAW). Such an observation inevitably raised questions on commitment to the *tawhidian* concept as an orientation that balances between expansion and confinement. This was often essentialised as the misalignment of Muslims supporting the Islamically-acclaimed existence, whereby it is important to hold *tawhid* at the centre of the existential (AFN-TAW). Hence, this situation suggests that a degree of *Tawhidian* realisation missed not only its expanding of the formative basis but also the supportive element on its realisation, leaving a condition of *tawhidian* accentuation to be partial toward its norm articulation in support of its existential basis.

6.3.2. Collectivism (*Ukhuwwah*)

This code emerged after continuously comparing incidents (Strauss and Corbin, 1998; Corbin and Strauss, 2015) and trawling relevant literature (Tripp, 2006: 56). As the analysis indicates, collectivism within the context of Indonesian Islamic economic activism has two dimensions, where one is related to the Islamic economic idea based on propagating its logic and practices, while the other related to the implementation of such values within activism. The presence of this two-dimensional collectivism within Islamic economic activism depicts an image of a holistic system, whereby not only was collectivism seen as a promulgated value within the product of Islamic economics but also as a living norm of activism. Such a multi-dimensional view on locating and realising collectivist thought can be discussed to facilitate different views and expectations of activism's goal and objectives.

The earlier generation of Islamic economic activists consider collectivism as one of the main thrusts of Islamic economics within the objective of 'achieving social good', as a defining characteristic of the functioning and operationalisation of this Islamic mode of organising resources and opportunity. Instead of promoting extensive free competition, the collectivist orientation within Islamic economic proposals suggest that free cooperation needs to be promoted (AMS-COL), which is clear from the following positioning:

> … we [Islamic economic activist] had to adopt free cooperation, not liberalised one. While in liberal system, the stronger consumed the weaker, in free cooperation, the stronger (big institution) operation also (support) the development of the weaker (smaller corporation). (The result will be) the stronger will get stronger. (AMS-Col)

The adoption of this value-orientation is expected to produce harmony in existence, whereby exploitation of the small by the large is not present. In this, economy is a space where both ends work in a collective manner to realise common Islamic purpose. In the beginning, the collectivism spirit in presence with the promotion of cooperation and the rise of coalitional power, facilitated action such as channelling, and proceeded to the later generation (AN-COL).

While collectivism was described clearly by the earlier generation, the later generation did not stake a claim to collectivism's value within the parameters of Islamic economics discourse. Instead of promoting collectivism, it inclined toward a systemic understanding of organising the economy, whereby each element serves a particular function allowing competitiveness to develop. In other words, collectivism has become a language of action rather than values. This constriction of language resulted in the reduction of collectivism from a normative value to an

action-only orientation (ASC-COL). The action orientation of the latter generation of Islamic economic activists has shifted collectivist expansion and realisation from the product of activism to the operationalisation of activism. This has taken place in the post-Suharto era (AN-COL).

The second-generation Islamic economics activists recognise collectivism as cooperation within activism to further generate products. Here the stakeholder-ship view developed further within activism, suggesting the dialogue and involvement of multi-stakeholders as key to its success. As the *Tawhidi* worldview essentialises that everything created by God has to be considered as part of stakeholding, this view substantiates the extended stake-holding paradigm. This perspective is based on unlocking *jamaah* or the group-basis as the social capital enabler of Islamic economics expansion (NH-COL). This position on collectivism inevitably suggests an expectation for collective contribution, sourced from a unitary vision and collective spirit (MA-COL).

The third generation of Islamic economic activism approaches collectivism as an idealism strengthening and solidifying movement in order to create a snowball effect for multiple contributions in the future. This signifies further the idea of collectivism as movement oriented rather than a product of an end. Consequently, collectivist values are no longer located as a defining characteristic of Islamic economics' logic, institution, and practices; hence, it no longer relates to the sustenance within the outcome of the activism (AFN-COL). Within this consideration, collectivism is then transformed into a macro-level understanding, with an orientation of leaving the government leading and coordinating Islamic economic realisation for better planning. Indeed, it has moved toward the macro-level, yet, this was not due to it being fully embraced as a philosophical position *per se*, but rather due to the institutional failure to internalise and realise collectivism philosophy as such (DM-COL).

6.3.3. Justice (*Al-'Adl*)

In pursuing Corbin and Strauss (2015) and Strauss and Corbin (1998) in analysing the data, justice code emerges out of the constant comparison of incidents referring to a conditional expectation on collective improvisation, with the underlining rule of greater people achieving the benefit of this improvisation (JA-JUS), which is in line with Asutay's (2007) conceptualisation of *'adl'*. It is considered as the pillar of Islamic economics emerging from *aqidah* and *shari'ah*, which consider both the degree of *maslahah* or public interest and

harmony (SBU-JUS). When it is contextualised within Indonesian Islamic economics expectation, this pillar assumes acceptable profiting to widen the spread of the benefit. In that, it postulates a proposal of a sharing economy with the importance of the collective motive, equitable distribution, and *manfaah* or a spread of benefits. Hence, it does not deny profit-orientation as norms (JA-JUST).

The earlier generation of Islamic economic activists deemed justice as a missing value within the existing economic systems during the emergence (MEN-JUST). In the process of becoming a counterhegemony to *dzalim*, or the oppressed system of economy, the activists embarked on a search for an alternative economic system that was initiated within academic circles, yet, aimed at offering a people's perspective on attaining such a goal. During this time, the BMT experiment in Indonesia emerged as an articulative action toward searching for an alternative for providing access to just finance (TA-JUST) in addition to avoiding *ribawi* transactions.

Within the second generation, the observed injustice expanded, indicating that the problem's source lies within the domination and interest of elites within the world order, such as the IMF, who ensure the fulfilment of their objectives at the expense of local Indonesian advancement and development (ASC-JUST). In responding to this growing domination, the search for a fairer and more just model aspired to the formation of Islamic banks. In particular, it emphasises an economy with a less-to-none barrier of entry to support productive activities. In the early time of its emergence, the vision of this Islamic banking system was to address the micro-sector requirement of capital (AK-JUST). With a profit-sharing proposal, the relationship between capital provision and capital need is at a levelling state with proportional risk-return attachment.

During the third generation, the expression of justice resulted in the search for a balance between preserving individual freedom and meeting the regulatory mandate of a planned and rigorous structure. It is important here to mention that justice was not providing a legitimacy for absolute individual freedom, but rather it offers a degree of freedom over which a responsive mechanism is maintained during the corporation-awakening regime (AA-JUST). Under this shift in the expression of justice, the discussion remained on allowing the capitalist system to allow provision of society needs, which directs Islamic economic institutional development to meet its agenda within the primacy of competitiveness and affordability (YI-JUST). The focus again targeted the transformation of the distribution system.

The reductionist pattern of the expression of justice across the period suggests that its institutional presence and capacity limited such a realisation. The most basic actualisation of greater access and proportional financing was impeded by a market pricing mechanism which undermined the potential of the micro-sector (TA-JUST), which can be identified in the following statement:

> … [Islamic economic institution, such as] BMT has the network in the grassroot that we expect extensive collaboration. There is a channelling mechanism, yet, hindered by profit taking [as a] margin of profit. This caused the margin spread to be wide ... equivalent to a bank…As the margin is indifference with the conventional, BMT [as part of Islamic economic institution] play its role to open a just access to finance [in difficulty] … (TA-JUST)

Ultimately, the articulation of justice within an Islamically-induced motive has only been left with the institution of the *Shari'ah* bank and cooperative-acting financing to translate justice into the stage of *maslahah* and harmony. This left the pursuance of this motive to negate *riba* as part of *haram* avoidance (SBU).

6.3.4. Empowerment (*At-Tamkin*)

This code is derived from constantly comparing incidents (Strauss and Corbin, 1998; Corbin and Strauss, 2008). Empowerment as suggested within Indonesian Islamic economic activism refers to a value which creates an orientation in promoting and facilitating the expanding scale of productive activity (HA-EMP). It is recognised as a determining characteristic of Indonesian Islamic economic activism that sets a distinction between this activism and political Islam on *shari'ah* articulation (Wiktorowicz, 2001; 2002). It is considered as articulative rather than imposing, with a focus on enabling individual, groups, and society (MSA-EMP). When it is contextualised within existential value, empowerment is only possible when capital is available as a proportion of the resources, which is important in ensuring productive activities keep running. Empowerment value stimulates pursuance of tackling the issue in finance, to link and to target production activities (HA-EMP).

During the first generation, empowerment value inspired experimental attempts to cater for the problem of the small and micro sector in acquiring funding, in the form of a cooperative-acting-financing institution, to the extent that even institutional emergence and presence was inspired by this value of self-empowering (AN-EMP). The accentuation of this value was extended and cemented into the vision of the early Islamic banks, within which the main focus was on empowering small and medium-scale businesses (MSA-EMP), as trialled by Mith Ghamr, the

first Islamic bank. Hence, the accentuation not only takes place in a less regulated institutional framework but is also identified in the regulative institutional framework to support an empowerment value (AI-EMP). This was intended to solve the missing link within modern finance, which is to connect finance to real economic activities, by substantiating the importance of broadening the filtering mechanism to go beyond a narrowly defined financial requirement (HA-EMP). Not only has it sparked institutional emergence, but this empowerment value has acted as a stimulation to demand creation through capacity building and the promotion of its cause (CHA-EMP).

As it moved to the second generation, this value was seen in a wider context, whereby empowerment could be translated into a facilitating concept to tap into investment that could boost *ummah* productivity. Ultimately, it aimed to increase buying power and indirectly empower the middle classes and the less-privileged segment of the market (RI-EMP). Its peripheral orientation remained within the importance of actualising Islam in the line of creating an ontologically Islamic understanding and articulation in solving the productivity problem. Hence, there are two streams of empowerment, where one refers to a systemic orientation of empowerment while the other remains relevant to the original stimulation in micro and Islamic enterprises (RP-EMP, SP-EMP). This expanding coverage of empowerment is made possible through advocation and internalisation, which not only invites a newer generation to engage in institution building and development but also allows for the provision of checks and balances in its realisation (NH-EMP).

With the expanding scope of empowerment orientation, to the macro-sphere from the micro-institutional level, this direction, emphasised acceleration shaping Islamic economic articulation. Subsequently, empowerment is translated into a levelling and synergising activism and an institutional product to take full benefit of modernity. This is attainable through the incorporation of good governance as a value for activism. The newly emerging condition inevitably creates a distinction to the proponent of self-empowerment that holds to the development of BMT as the tool to provide access to empower and nurture economic activities (AI-EMP). Along with this acceleration orientation, the empowerment value is also contextualised within the revival orientation of traditional Islamic economic institutions, which serve a function on the provision of public goods unfulfilled by the private sector and the government (RK-EMP). This introduced a dimension of supplementation to the empowerment

value ascribed by Islamic economic activism. In defining the scope of Islamic economics, hence,

> …In term of the macro (economy), (the main distinction of) *Shari'ah* economic system is on (the existence of) institution of *zakah*, institution of *waqf*. Institution of *zakah* primarily assist the needy and the poor... to distribute resources in just and equitable where *waqf system* one function is to provide public goods that can not be fulfilled by the government. Then, there are public (society) participation in term of *waqf*... in education system… hospital (heath system), and so on… (RK-EMP)

The transformation of the empowerment value accelerated further during the third-generation era. The articulation of the empowerment value expands beyond assisting the poor as it began to develop an interest in the middle class and corporations. In turn, the articulation, in terms of the innovation and services provided, moved from its original orientation given that the risk exposure of the initial project is considered to be commercially not viable within conventional consideration. This raised consideration as to what extent empowerment value was fought forward (TA-EMP).

6.3.5. Developmental Response (*At-Tanmia*)

This code emerged using life experience and theoretical sensitivity according to the methodology of Strauss and Corbin (1998) and Corbin and Strauss (2008). The Developmental Orientation within the Indonesian Islamic economics experience refers to a substantiation of improvement and progress as a core value of the Islamic socio-economic orientation (JA-DEV). This contains a dimension of material enlightenment as a defining characteristic of development value within Islamic economics. While it is materially relative, its conception has not been clearly defined. Development as a value has not been operationalised or contextualised and, as unspecific, it remains subject to future challenge. Consequently, its conceptualisation remains a dynamic concept rather than a specific concept.

Lacking clarity, its original root can be traced from the first generation as the initial embarkation toward Islamic economic existentialism. The background of its substantiation is linked to the less-developed condition of the Muslim state and even the debt problem in its early period (AMS-DEV, DH-DEV). This primary condition is shared with additional cases of emergence observed in other Muslim countries (*see* among others: Henry, 2004; Stiansen, 2004; Smith, 2004; Gullen, 2004; Malley, 2004; Baskan, 2004; Parks, 2004). Pursuing development as a value orientation coloured its articulation, Islamic economics are well-acquainted with the capitalistic economy (DH-DEV). Nevertheless, its development has been

limited to available capital (DR-DEV). This has caused development to begin by establishing infrastructure for financing encompassing a substitutive capacity to its premier conventional standard (AMS-DEV).

The emergence of IFIs within a developmental orientation may be viewed as the pooling of funds to facilitate economic development within an Islamic-aspired developmental orientation (Asutay, 2007). Hence, an institutional push-over within the first generation sourced with the view of stimulating economic development to solve the financing problem of small-to-medium enterprises (DH-DEV). In accommodating this developmental orientation, the first generation promoted a profit-loss sharing mechanism as a platform to shift toward investment and a productive basis (KP-DEV). What made this particular approach unique from capitalistic approach is its proposal for collective and interconnected development, where economic mobilisation was not only facilitated by an incentive-driven transaction but also on the basis of social relations and networks (JA-DEV).

As it passed to the second generation, developmental values began to be shaped by a more individualised dimension. When underdevelopment is observed as a condition affecting one's commitment to subscribing to Islam (MSA-DEV), the trend acknowledges the non-contributive nature of the internalised understanding of Islam as an emerging problem (AFN-DEV, AI-DEV). This condition sparked an expectation for the change and transformation of the Islamic mindset to embrace and address this issue (AFN-DEV). Institutional presence, such as a *Shari'ah* bank or IFIs, acts as an agent of change that not only performs its function as an intermediary institution but assists with transforming mind-sets by propagating good corporate governance. In the mind of second-generation activist:

> …The presence of BSM [and alike] is to act as an agent of change of the nation in term of the economy. Importantly, we foresee ourselves as contributor of umah development. How can we do that? First, we have to perfom, as intermediary and as a agent of outreach….[second], providing best services, giving best product, emphasising improvisation in the making… (AFN-DEV)

The trajectory of the development of the Islamic economic institution in Indonesia, entrenching into a micro-related issue, did not mean that its presence changed the direction of its developmental value. This orientation within Indonesian Islamic economic activism also broadened its coverage to touch upon the macro-economic poverty problems. A stream of articulation, identified to propose macro-contributions by benefiting from modernity, was taking place during the second generation (MSA-DEV). While conceiving a grand idea, its

institutional articulation was reduced to innovation in the practical sense, focusing on the modification of the mindset in obtaining developmental purpose. This leaves its realisation to be bounded by institutional capacity.

As Islamic economic activism enters the third-generational era, developmental value is located within attempts to enhance the capacity of the Islamic economic sub-system as a whole (DM-DEV). The third generation realised that development was not at the centre of Islamic economic articulation, as it no longer targeted macro-prosperity (DH-DEV). In particular, the notion of collective prosperity was missing from the objectives of Islamic economics (DM-DEV). This includes a tendency to return to the triumphant periods of Islamic history as a conceptual reference for forming the developmental value of Islamic economic projects (AA-DEV), while others have embarked on transforming religious thinking that promotes hard-work and goodness, departing from previous understanding of Islam (AA-DEV). The latter even argues that the declining quality and influence of *ulama* has contributed to the failure of the developmental realisation of Islamically-aspired developmental values (AA-DEV).

Clearly, the third generation are entering a modernisation trend, whereby, a slowing phase of institutional emergence and development is concomitant to the initial concept not being modern (AA-DEV; DM-DEV). In this regard, awareness is an important factor to the third-generation mind, even without determining how awareness directly contributes to the development of both scale and substance (SBU-DEV). The latter debate narrowed into reflection on its developmental scrutiny related to stakeholders not responding and acting in favour of Islamic development values (AI-DEV).

6.3.6. Holistic/Ecumenical (*Kaffah*)

Holistic or an ecumenical code emerged from constantly comparing incidents in line with the methodological explaination by Corbin and Strauss (2015) and Strauss and Corbin (1998), which, for Indonesian Islamic economics' activism, refers to a value that is derived from an expectation of reaching *kaffah*, a state of ideal form that is sourced from *tafsir*, which suggests that Muslims should follow Islam in its complete form (MEN-HOL) or what Siddiqi (1981) refers to as 'complete conviction'. In other words, the consequence of subscribing to Islam is linked not only to spiritual endeavour, but also to action-related acts of the individual and society in approaching this comprehension (CHA-HOL). When this value is contextualised within Islamic economic activism in Indonesia, holistic is translated into an attempt to bring

back values which have been dismantled by the capitalist system, hence, enacting *Shari'ah,* consideration should be cogitated as an attempt to postulate an economy with a multi-dimensional consideration (DH-HOL).

Adoption by the first generation of a holistic approach began with the preservation of *Shari'ah,* signifying codified values and norms of Islam. Reacting to the dismantling of other values, the holistic or ecumenical requirement within Islam emphasised again the importance and imposition of *Shari'ah* on the basis of its *hakiki*, its core values, and to some extent, its contextual dynamicity (MA-HOL). This commitment is expressed in the following statement:

> …we can not deviate from the principle…so that when we are aiming at preserving the *Shari'ah,* it is attainable, automatically. When *Shari'ah* forbid, it is there ...When Shari'ah allow [or promote], it is there …There are two forms, hakiki and assumption…there are those with assumption that's not necessarily right. Hence, it is not viewed from people's perspective, yet, it is seen from the purpose of the *Shari'ah*. Hence, whether *Shari'ah* or not, [it is not] on people discretion…(MA-HOL)

In that, it attempts to address the problem of instrumentalism by introducing collective purpose that is defined by *Shari'ah*. This was outlined within the rule of the game expressed in Qur'an and Hadith deploying concepts of *rahmatan lil alamin* as an implication of *Shari'ah* mind. In the beginning, the Islamisation approach was embraced as a consequence of this holistic value. Inspired by the Islamisation of knowledge, the modification of social institution inserts Islamic values within the framework. While executed within mass institutional production, the peripheral interpretation was action-aspired rather than knowledge aspired, suggesting an element of grafting.

As the generation matured and changed, the recognition of holistic values as the spirit of Islamic economics remained in the discussion with ritual and other forms of social life expected to be synchronised (RK-HOL). Nevertheless, its contextualisation became more personal with the involvement of the self-experiencing individual. This transformation has caused holistic actualisation to become narrowed and localised since the second generation. Indeed, there was an accentuation of achieving *kaffah* in the economy. Yet, it focused on expanding the institution of Islamic finance (HMD-HOL). This brought about a reflection on holistic accentuation in a collective sense to go beyond finance as the refinement of holistic value to echo the position that the early generation preferred (ISB-HOL).

6.3.7. Social Equality

This code is familiarised within the everyday understanding researcher, compared to relevant theory (Strauss and Corbin, 1998; Corbin and Strauss, 2008). Social equality within the Indonesian Islamic economic experience refers to a value that sets the orientation toward levelling and spreading the benefit created by socio-economic relations and activities. This value emphasises the importance of alleviating the position of less economically powerful individuals and poverty, which lead to actions aimed at spreading opportunities for financial generation. The phenomenon of Islamic economic institutional emergence is related to this value, whereby its presence is expected to play a role in spreading and expanding socio-economic benefits to a broader range of recipients (JA-SOC).

The problem of inequality is exacerbated by, amongst other things, the gap between the proportion of benefit claimed by the capital owners and both the workers and their customers (JA-SOC). The economic frame and process in a capitalistic sense allows the owners of capital claim the majority to the surplus created in the economy. At the same time, the economic regime promotes unlimited pursuance of economic benefit, leaving the inequality condition as a natural situation (DH-SOC). On the other hand, the realisation of this value requires a condition where the distribution of opportunity for benefit generation takes place in both contractual arrangement as well as the voluntary interaction of material and capacity sharing (MEN-SOC). While creating such a condition cannot be achieved instantly under a non-aligned regime, stimulative pursuance is needed to mobilise less-privileged individuals to benefit from a contractual economic relationship in order to improve people purchasing power (CHA-SOC, RI-SOC). Nevertheless, the platform and media of the realisation is not present (CHA-SOC). Hence, there is a gap between the existential framework and its targeted problem as articulated in the statement below:

> ... [*Shari'ah*] economics or *shari'ah* banking is a concept and its application require a media [for articulation], seeking for frame for implementation. The space used for implementation was problematic as economic move in responding to problem. In Indonesia, the source of the problem is on the issue of disparity, poor, and alike. We are going into that direction [whereby] Islamic economic is there to address the issues... (CHA-SOC)

Instead of addressing social equality problems at their core, solution-focused action can only generate economic institutions with the capacity to create opportunities for the less-privileged that are labelled as sub-prime among the economic actors (DM-SOC). Indeed, the target

remains fixed on alleviating the issue of the poor that has lasted from the first generation to the third generation (AN-SOC, DM-SOC, RI-SOC) with the issue of access and affordability remaining at the centre (TA-SOC). Nevertheless, the scope of realisation is focused on looking after the micro-agents in the economy within the continuous pressure from the dominancy of conglomerations (FA-SOC). Islamic economic institutions, such as Islamic banks and Islamic micro-financial institutions, act upon the stimulation of employability and business through the development of an instrument to support capital for its contextualisation (AN-SOC).

When the latter generation reflects upon the actualisation of this value, there is an emerging practical problem, where realisation of social equality is impeded by the imbalance of focus toward commercial orientation (TA-SOC). For instance, as identified by critics (TA-SOC), Indonesian BMTs have been seen to be embracing commercial orientation rather than social orientation. As such, the intervention of Islamic economic institutions in realising social equality values has not made sufficient impact, whereby expectations remain diminished from its ideal condition (MEN-SOC). This leaves this articulation of this value as an ideal yet to be realised.

6.3.8. Blessing to the World (*Rahmatan Lil Alamin*)

Rahmatan lil Alamin or 'blessing to the world' is a code that extracted out of individual familiarity with the term that is complemented by literature reading in line with the methodological explaination by Corbin and Strauss (1990: 80). Similar instances identified within this extraction of the code was difficult to be labelled, yet, the help of theoretical sensitivity assist in ensuring biasness due to the use of personal experience. Within the context of Indonesian Islamic economic emergence, it refers to a key determining value that shapes the characteristics of activism orientation and articulative action. This value is often regarded as an extract from the teaching of Islam, even equated with ideal Islamic reflection. Nonetheless, it is often generalised within a context of problem solving, where this approach is adopted only when the deductive hypothetical delineation of the solution cannot be obtained. *Rahmatan lil alamin* comes with a procedure that positions the Qur'an as the main resource for addressing the problems of society. With its deductive hypothetical derivation, it opens room for multiple interpretation and exploration on its articulation and, inevitably, conception, sparking multiple forms of *rahmatan lil alamin* considerations.

In the pursuance of the Islamic economic concept, *rahmatan lil alamin* often refers to a standard of attaining prosperity in terms of its accentuation. This form of defining the value is ideal in its standardisation, yet, faces difficulty in its articulation (HA-RAH). The most common portrayal of this value is set within the relevancy of the modern context and is contextualised within the *maslahah* orientation. *Maslahah* is a method of demonstrating whether one action or ruling is permissible or prohibited on the ground of its social benefit (Vogel and Hayes, 1998). When this value is framed within this conception, the sphere of the translated action becomes widened to include endeavour claimed and considered to bring about social benefit (AA-RAH).

The latter framing has claimed its root within the emergence of Islamic banking, where it served the *maslahah* orientation in providing a banking service while adhering to the principle of *shari'ah* beyond five pillars of Islam (AFN-RAH). This approach is often considered as a middle way in contextualising modernity within Islamic influence for greater benefits. In the broader picture, a degree of facilitation to Muslims in doing business is strived for within the corridor of the *rahmatan lil alamin* orientation in its *maslahah* focus. Its presence covers emotional clients that strictly avoid *riba*, while requiring capital for fueling the project (AN-RAH). At a more significant level, the contextualisation of *rahmatan lil alamin* within a *maslahah* basis has demonstrated a contributive orientation in comparison to its political articulation. This particular outlining has marked the beginning of a universal role and norm articulation of *rahmatan lil alamin* as a causal value (MS-RAH). This is demonstrated in the statement below:

> …I have a huge expectation to the development of Islamic economics that it is in a better shape and situation than Islamic politics…those involved in the emergence of Islamic economic… is not accentuating in the form of *haram* and *halal* but rather discussed it in substantial form in term of *maslahah* or the benefit it offered…showcasing *manfaah* to *ummah*… (MS-RAH)

Indeed, there are negative comments on this reduction of *rahmatan lil alamin* into the problem of solving the *maslahah* basis. From its non-constructive manner into its tolerance-for-all, the reflection of *rahmatan lil alamin* value has not presented its best potential. However, one should not neglect the spirit of this value that has inspired activists to embark on a journey of searching for a fair and just system that generates prosperity and even reaches consensus to rest its aspiration in the most unlikely situation with a middle-way existential consideration (AA-

RAH). Therefore, *rahmatan lil alamin* value has this dynamic proportion within its conception, allowing for continuous pursuance of the condition as an ultimate goal.

6.3.9. Transformational Orientation (*Tajdid*)

The transformative characteristic within the Indonesian Islamic economic context refers to a value of breakthrough that has sparked the emergence and construction of Islamic economic imagination and its institutional articulation (HMD-TRANS). This code is drawn out after studying the language and expression of interviewee (Strauss and Corbin, 1998; Corbin and Strauss, 2008). While the reference to this transformative articulation is linked to the Prophetic experience in the post-*hijrah* (emigration to Madinah), it is regarded as a tangible example of this value accentuation. This value is, therefore, embedded within the teaching of Islam that has often come in a gradual and staging basis, moving from an individual to a relational basis, then to a societal basis (KP-TRANS). It should be noted that this is associated with the fact that the teaching of fasting was validated prior to the avoidance of *riba* and the requirement to pay *zakah*. In that, it is referred to as a staging basis of how Islam targeted multi-level transformation from the personal level to a relational-societal level, as fasting and *zakat* aim at providing moral training, and *riba* prohibition relates to outer exercise to complement the inner transformation with the outer one. Thus, such value is comprised of two dimensions, where one poses an element of internalised transformative value while consuming a degree of dynamicity beyond dogmatic pursuance as a triumph of *rahmatan lil alamin* realisation (SBU-TRANS). This point is emphasised by the statement below:

> ...The philosophy of *shari'ah* finance [and] *shari'ah* economics is on its purpose for the betterment [of mankind and environment], subsequently, *rahmatan lil alain.* This is its [core] value. Thus, it is not limited to *aqidah* issue [covering and targeting] Muslim.. It is part of the belief...when it is agreed upon by the people becoming national values… (SBU-TRANS)

Similar to the narrative of the post-*hijrah* experience of the Prophet, the emergence of the Islamic economic imagination and its subsequent institutionalisation is related to both the specific and multi-dimensional economic problems that appeared during the Indonesian consolidation period of the 1970s-1980s (KP-TRANS). It is conditioned within a transformative atmosphere that characterises Indonesian *ulama* embracing a renewal in the Islamic teaching (AA-TRANS). This transformative aspiration and trend within Islamic circles generated an activism of Islamic economics seeking to construct an alternative to the conventional economic frame and model (DR-TRANS).

Nevertheless, the realisation of this transformative imagination had to face constraint in its actualisation. This condition relates to the relative measurement attached to the material requirement and the time available. In other words, the transformation is subject to the availability of resources, momentum (KP-TRANS) and opportunity exploration (MA). In the early time, the latter was more important for transformative realisation as the space for transformational existence was dependent on the alignment of Suharto's regime (MA-TRANS). The domination of regime over space infers that transformation was only possible through the elite of the regime. Inevitably, the early transformation of the economy, as suggested by Islamically-induced aspiration, was seasoned by the regime agenda (MA-TRANS), leaving the transformative accentuation to place limits on its spectrum of impact.

This transformative aspiration has driven activism into addressing local problems, among others is the funding-lending mismatch (MT-TRANS) tackled through combining professional expertise and the authentic characteristics of Indonesian Islam (HMD-TRANS). At the receiving end, the traditional group of the society was transformed and modernised within this modified reflection.

While the transformative value was intervened in and filtered by government economic interest, a situational change provides an opportunity space in expanding the involvement of civil society within Islamic economic activism (MA-TRANS). This has led to the transformative orientation of the activism causing it to return to a peripheral-societal orientation. However, its vision shifted to aiding development rather than following its original creation of an alternative independent functioning system of the economy. Consequently, a breakthrough characteristic of activism also moderated into a pursuance of a less *mudharat* (harming) consequence of the economy (RP-TRANS). Such an outcome is pursued as:

> …In my opinion, the solid development of bank and BMT under distorted condition bring more *manfaat* rather than staying idle. I have faith that one day, when the number raised, they realised that (maintaining shariah is important) in BMT. That it must perform the aspiration…(RP-TRANS)

When the space changed from the first generation to the time of the second generation onward, the relative measurement condition also rested in a different state. The transformative vision within Islamic economic institutional expansion encountered a relatively high cumulative economic cost resulting from the steep expense of funding within the financial sector (MT-TRANS). In addition, the realisation also met with conventional benchmarking and further momentum to adopt its norms (DR-TRANS). Subsequently, the breakthrough vision could not

be easily revived due to the barrier created by the existing political economy imposing an expectation to comply, to compete, and to be efficient (SBU-TRANS).

The latter generation's involvement in Islamic economic activism is set by the unattained prosperity agenda that the Islamic economic institution and mechanism pursued (KP-TRANS). This condition contributed to the narrower scope of transformation that this generation pursued, leading to the emergence of a different form in the pursuance of its realisation. One reviving endeavour observed involved the revival and transformation of the traditional Islamic economic institution, resurrecting the dominancy of the old *waqf* institution and tradition as the future plan (ISB-TRANS). Another form of endeavour, enlightening the transformative orientation of Islamic economic activism in Indonesia, is aimed at directing the transformation of society's orientation from a savings proclivity into an investment orientation, with the Islamisation of the capital market as the form it pursues (MT-TRANS). Within this, the previous proposal of 'sharing' as a promise of an Islamic political economy remained relevant and contextual.

The continuation of transformative pursuance within Indonesian Islamic economic activism suggested that this value within the activism remained conserved from the first generation (SP-TRANS). Activism persisted even under a different relative measurement and space condition, among others including competition and compliance (SBU-TRANS). Indeed, there was a recognition of an idling situation within the transformational process (DR-TRANS). Moreover, a distorted development was recognised as the achievement of the progress of this transformational orientation, as it is at a better condition that stalls the stage (RP-TRANS). This would mean that transformative values were preferred to last even in their very minimum form, yet, without forgoing the fact that their original consideration had a grander orientation.

6.3.10. Authenticity (*Sahih*)

This code emerged from constantly comparing incidents in line with Corbin and Strauss (2015) and Strauss and Corbin (1998). Authenticity within the context of Indonesian Islamic economics refers to a value that originated from an expectation of a unique Islamic reflection; this characteristic not only expresses its functional element but also acts as the driver for its emergence and development. This value is regarded as an element that shapes the Islamic institutional existence. Therefore, this value was supposed to authenticate the institutional presence in a manner that is deemed to be Islamic, as well as, providing aspiration for Islamic

economic activists to work towards an ultimate objective of authenticity. Nevertheless, in a deliberate manner, this value represents a rejection of a deviation from an authentic expectation as discussed below.

The authenticity that shaped Indonesian Islamic economic activism is characterised by several conditions: First, authenticity has the nationalistic requirement of 'Indonesia-ness' and 'Indonesia first' in determining the characteristic of this emergence phenomenon. Second, authenticity sets an orientation to offer impact rather than size and dimension as prescribed by neighbouring Malaysia in pursuing Islamic finance development. Third, *shari'ah* labelling aids differentiation of an authentic orientation. This last character came with the consequence of the preservation of *Shari'ah* (MA-AUT). In that, it conserved the purpose of *Shari'ah* in both its *hakiki* or *authenticity* and its assumption basis, which is not derived from the people's perspective but is clearly set by the purpose of *shari'ah*.

While authenticity is required as an existential condition, activists and the general audience of Islamic-articulation in economy have heterogeneous views on what authentic represents (DH-AUT). This leaves no guarantee that the substance of authenticity will be preserved, especially within limited business practices. Within this limitation, there are several actions set to increase public awareness and secure its authenticity. First, educative socialisation to advocate for an authentic value preposition was a programme aimed at increasing awareness. Second, self-regulated and self-standardised institutions were created to ensure that the authenticity of Islamic economic institutions can be upheld. (HMD-AUT). The adoption of this approach is explained in the following statement:

> …When there is a contradiction in the ruling [between legal term and what *shari'ah* proposed], the resolution referred back to [what] Allah and his prophet [command]..when [economic-related] ruling was against *shari'ah*, we are abandoning [mainstream economic institution]...In the context of cooperatives, there is no intervention in term of rigid act since it is an autonomous. Mainstream institution, such as bank, is restricted by act ruling its operation [and supervised by Bank Indonesia and OJK. [On the other hand], cooperatives can abandon... Such flexibility allows cooperative-based Islamic economic institution to maintain its autonomy from intervening regulation… (HMD-AUT)

The outcome of the search for authentication in the Islamic economic journey in Indonesia initially produced a *halal* framework in the provision of capital in order to reduce disincentives for Muslim involvement in the economy in terms of their access to capital (JA-AUT). The initial perception that was created also narrowed into a form oriented characteristic similar to the association of a Muslim woman wearing the *hijab* (DH-AUT). However, as the

development trajectory continued, the authenticity of the Islamic financial institution as a product of Islamic economic construction further diminished its uniqueness. The low ratio of Islamic financing, through for example, profit sharing and related benchmarking basis, which aims at producing a sharing and participatory economy and, hence, a unique Islamic promise, suggests that the authenticity of Islamic finance has faded away in favour of relegating the paradigm to an Islamic metaphor in doing the same thing (MSA-AUT). This has raised an enquiry about its existential presence, that is whether it conveys a degree of ideological continuation or has been explored as a mere business opportunity (RK-AUT). In the end, an impact was also expected that went along with authenticity seeking, where it could contribute to a shift in the economic paradigm by ensuring economic stability and macro-economic development as well as greater integration with the real sector (AK-AUT), which is important for awareness shaping, as authentic Islamic finance could have achieved.

6.3.11. Existential (*Al-Wujud)*

Existential codes emerge from constantly comparing incidents (Corbin and Strauss, 2015; Strauss and Corbin, 1998). Existential here expresses a dimension of naturalism characteristic within the emergence of the Islamic economic institution in Indonesia, whereby this factor is set as a conditional value that is tied to the motivation, orientation and sustenance of Indonesian Islamic economic activism.

It should be noted that regardless of motives and orientation, creating presence was at the centre of activism, which came with the consequence that filter motives and orientations existed within Islamic economic involvement. This dimension was not static, but rather dynamic in accordance with the generation-specific contextualisation, with a tendency to shift toward responsiveness to relevant issues instead of deriving from an authentic identity that it aimed to preserve or keep intact.

This value mostly emerged within the second generation of Islamic economic activism as a determining value of Islamic economic emergence. However, the dynamicity of the existential value could be derived from the first generation. It should be noted that a stream of first-generation activism was marked by idealism sourced from its search for an authentic identity; however, such objectives could not be realised due to material limitations. The difference between reality and its expected presence has led those activists to concede to the fulfilment of the subsistence required to support the presence and later development of an economic reality

that reflected and is constructed out of the identity within the possible institutional frame and capacity.

The initial attempt recorded, aimed at backing up the economic activities of the masses, was in presence with greater emphasis on the real and agricultural basis (ISB-EX). While this identity construction inspired activism to continuously make an appearance, another stream of first-generation activism only recognised the existence of its singularity, within which the motive was sourced from disappointment and its orientation to create an alternative (AM-EX). Existential was seen as a determining value only from an external shock, such as a crisis, which was seen as a point that stimulated the learning process. Even though the problem remained within the issue of access to and distribution of resources, it made a distinction regarding the starting point where disappointment fuelled activism at the emergence while delegitimisation of the existing presence providing an opening for alternatives to gain support

Existential was viewed as an internalised determining value of the institutional emergence of Islamic economics starting from the second generation. With the emergence of its institution, this value raised an enquiry causing realist activism to contemplate whether the idea of Islamic economic imagination sourced from the Islamic identity is a realistic imagination, considering that normative-ness imposes an important caveat for the existence of the values of Islamic economics. This came from the view that the economy was not only about values and norms, but also relates to the rules of the game (NH-EX). A continuation thesis that supported identity preservation within the emergence of Islamic economics also questioned the ground of its emergence by not taking the original Islamic economic institution, such as *waqf* and *zakah*, into question. Existence was only recognised within a solutive attempt to mainly answer the legitimacy issue beside the recognition of the importance of finance in supporting others (RK-EX). The transformation of existential value toward a solutive and positive realism stand posed a challenge to the identity-driven activism idea and often sparked confusion about the form and context of identity that can be preserved (ASC-EX). In other words, the identity-preserving motive within the emergence of Islamic economic institutions in Indonesia was scrutinised further when entering the second generation, becoming a stage of *cul-de-sac* (RK-EX). This is illustrated in the following statement:

> … Since it was capped by conventional act [on financial intermediary], bank was deeply rooted and was the most popular choice, which only permitted to deal in financial sector rather than real sector. It is becoming confusing for *shari'ah* bank... as its true form was

> mainly commercial... there was lack of confidence to adopt Islamic term resulting, hence, a genuine [Islamic-based] institution with its own label in Indonesia… (ASC-EX)

Indeed, a certain degree of imagination continued along with micro-institutional emergence, which came with a pressure to account for the surrounding environment and an awareness of other influential imaginations (DM-EX). This represents a degree of Muslim involvement, not only within a positive sphere, but also within an independent and existential orientation.

When entering the third generation, a contextualisation of the existence expanded and re-sparked the conflict between realism and the existentialist context. The difference between the current spark compared to that of the earlier generation centred on its source of legitimacy, which takes the Muslim majority argument as a natural motive (AI-EX), and further emphasises its existence and presence. Hence, it is closer to the contextualisation of existence rather than identity-driven existence. Consequently, a narrower targeting into a particular lifestyle also narrowed its focus on serving the lifestyle that fits into the framework.

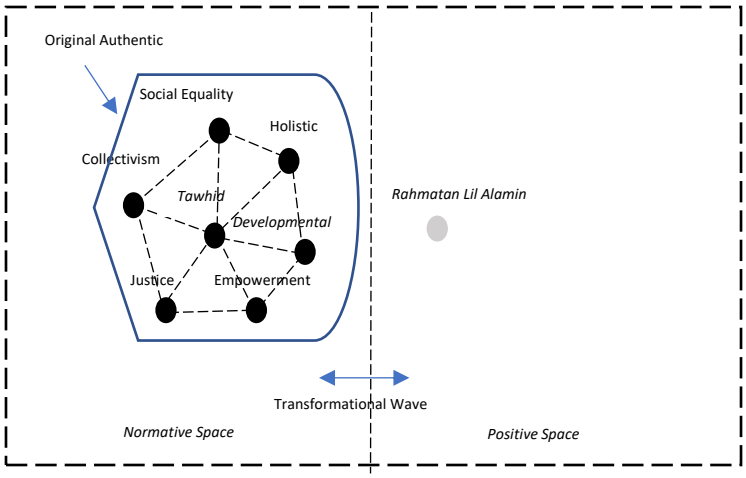
This attraction to identity, nonetheless, was not in continuation with the earlier lifestyle that it aimed to attract, while at the same time assuming a particular preference (AFN-EX). Ultimately, existential value comes down to contextualising on the ground of the economic problem, missing the association of the initial problem, while remaining attached to it. The goal of existence moved toward realisation in the form of the responsive act (RP-EX), fitting into a suitability and contracting nature (ASC-EX), which led to the emergence of a hybrid understanding with shifting journeys between reality and realism (AA-EX). Instead of the identity-related value that shapes existence, existence would filter value and subsequently filter norms that are suited to the value of existence (PS-EX).

6.3.12. Initial Stage of Depicting Causal Condition – Value as the Base: An Overall Appraisal

The emerging values reflecting Islamic economic activism in Indonesia, as discussed above, draw different value essentialisation across the generations. The first generation was inspired by the pursuance of the *Tawhid* orientation, which goes beyond materialism, in seeking the purpose of Islam. This purpose stemmed from the spirit to search for a just form of finance, where individuals and organisations work toward creating harmony rather than being solely competitive. This is achieved through opening access and affordability providing greater opportunities and alternative financial options that holistically embody and preserve the

methodology of Islam in development. With such an orientation, empowerment is facilitated by other institutional forms in both a regulated and non-regulated market, while development recognises the nature of material flourishing in a manner that redeems the consequence of the market-oriented mechanism for financing that does not take into consideration the initial value disposition of Islamic economics in Indonesia.

Figure 6.3: Depiction of the Value-Based Nature of the First Generation



As seen in Figure 6.3, the collection of values interconnected with and set the authenticity of Indonesian Islamic economic activism. The latter's pursuance of the actualisation of these values was transformative in a manner that was expected to expand the positive space into the normative realm. One particular consideration that should be accounted for here was the rise of *rahmatan lil alamin* as the initial orientation that bridged the first generation with the latter generation. It was demarcated from the original holistic value and was sparked within the positive space.

As activism moved to the second generation, the 'value essentialisation net' embraced positive space with the emergence of existential value and the *rahmatan lil alamin* orientation became an important defining value. The emergence of such values pulled the definition and scope of other values closer to the positive realm, acting as the condition for the sustenance and the articulation of other values. As consequence, this shift led to the value essentialisation of Islamic economic activism travelling to the positive space, leaving the original space and boundary of the value essentialisation net. When it is referred to as a transformational wave, with expectation as the objective of the initial Islamic economic activism, the trajectory of the activism becoming positive suggests a partial trend in articulative action.

Figure 6.4: Depiction of the Value-Basis of the Second Generation

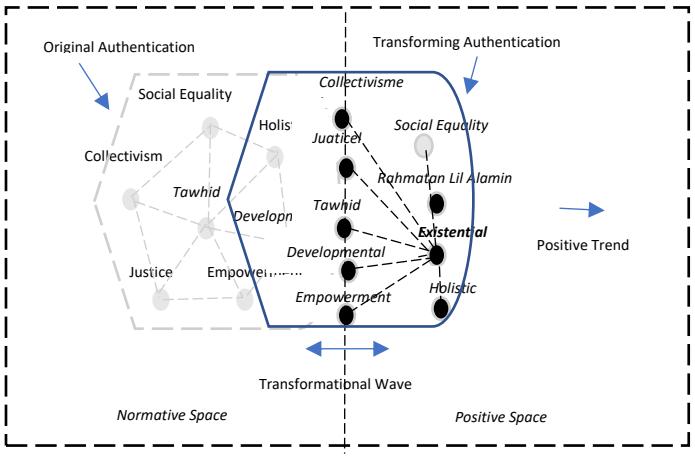


Figure 6.4 illustrates the main condition leant toward an existential direction from its initial *tawhidian* orientation. Other values then persisted under the condition of existence as living values. Among these values, social equality and holistic essentialisation were filtered extensively by such conditions, whereby commercialisation as a sub-condition of existentialism impeded the realisation of social equality, while the curtailed form within the area of finance limited a holistic realisation.

The other five values remained to negotiate the transformational wave, in terms of operating as expanding elements of Islamic economic activism, toward its original essentialisation even within the new boundary of negotiation. Harmony in existence was then reduced to collaborative action accessing the social capital of Islam. The search for othering forms of finance has then translated into a form of economy with fewer barriers to entry, promoting a just arrangement in finance. This is to ensure that individual development and lifestyle are well accommodated, allowing the extension of *muamalah* and the preservation of *ibadah* as a refined state of the *tawhidian* position, with both expansion and confinement. Consequently, the new channel of articulation explored at the meso and macro levels, has stimulated a systemic view for addressing economic issues. Such a process of expansion toward initial values indeed faced an existential condition in relation to cost management and established economy and finance benchmarking.

As activism entered into the third generational era, further conditioning of the existential orientation was recorded with a greater effect on value re-shaping. The main highlights were the separation of two original value orientations from the trend, namely collectivism and

empowerment. Collectivism was outcast as it was threatening to the sustenance of the existential condition of Islamic economic activism, while the empowerment orientation clashed with the development acceleration orientation that grew in importance as activism entered the positive space. The emphasis is on existential as a state rather than being a contracted process of inspired tension.

Figure 6.5: Depiction of the Value-Basis of the Third Generation

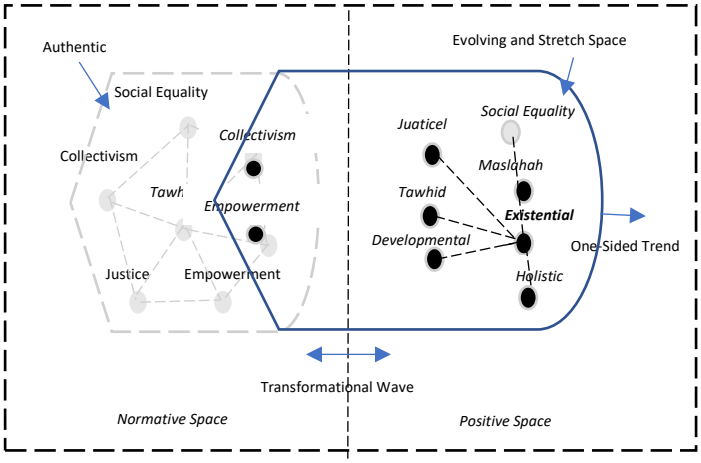


Figure 6.5 illustrates the value transformational pattern during the third generation. *Rahmatan lil alamin* view was streamed down to *maslahah* orientation, facilitating the existential presence of the values. Social equality and holistic orientation were further trimmed down by the efficiency expectation, benchmarking pressure, and the localisation of value reflection into the individual sphere. On the other hand, such conditioning encountered expanding forces spanning from middling to 'othering value essentialisation'. While collectivism and empowerment were detached from existential pursuance and conditioning, the existential condition also stumbled upon other forms of development, which reflected the historicity of value essentialisation and institutionalisation in Indonesia with their contextualisation problem. The pursuance of the realisation of justice also continued by preserving individual economic freedom and its balance with regulation in the provision of societal needs. At a minimum level, the last resort of negotiation occurred through the *tawhidian* confinement orientation, realised within the profit-orientation condition.

The depiction of value transformation across the generations above demonstrates that there was a conversion of value essentialisation from the normative sphere into the positive realm, affecting the element emphasised and also affecting the redefinition process of value possession within Islamic economic activism in Indonesia. This led to an initial separation of

activism from the authentic state within the initial depiction, even with respect to non-transformative stages as suggested within activism essentialisation. Furthermore, activism's value bases experienced redefinition, which also shifted the boundary of its realisation. Such information allowed this research to locate value positions within Islamic economic activism. The following discussion focuses on positive measures generated as a result of such value distribution across the generations of Islamic economic activism.

6.4. LOCATING AND DISCUSSING THE EMERGED NORMS

While values are the core codes of an individual's behaviour, the tangible and positive reflection of these codes is regarded as norms (Portes, 2010: 52). Norms can be a reflection of formal rulings as well as informal means for directing one's action. As a positive measure, norms typically contain an element of coercion and punishment, where the consequence of their valuation demonstrates the significance of the values within activism (Portes, 2010). The following norms emerged as a positive measure of value essentialisation within Indonesian Islamic economic activism.

6.4.1. Riba Circumvention

Riba circumvention is an in-vivo code in line with the methodological position of Strauss and Corbin(1998) and Corbin and Strauss (2008). In the light of the Indonesian Islamic economic experience, it developed as a norm that came with a constraining consequence, where practices that are deemed to be *riba* are considered to be *haram* and have to be avoided (RI-RIBA). This contains both an ideological revelation (FA-RIBA) as well as a negative and unwanted consequence, which suggests that it has a particularity of confinement as well contextualisation. These dimensions of *riba* circumvention inevitably created a staging of the understanding, internalisation, and locating of its consequence, along with a reaction and intervention strategy. While *riba* circumvention has stimulated an avoidance behaviour, its illegality within a consequentialist understanding is linked to a broader value of justice that forms a strategy of its realisation within an integrated understanding.

In the beginning of Islamic economic institutional presence, the discourse of *riba* was crucial in sparking institutional emergence. Indeed, there were two opposing positions on whether interest practices were deemed to be *haram*; one equalised such practices as the modern epitome of *riba*, which led to its classification as part of unlawful activities, while the other relatively minor position disagreed with this comparison (AMS-RIBA, MA-RIBA, DR-RIBA).

Meanwhile there was a third argument that introduced a degree of partial absolution to the extent to which interest is associated with the *ribawi* condition, yet, under the *daruriyah* (state of emergency) condition involvement in one is tolerated. This position remained contributive to seeking a solutive action for this circle of activism in order to redeem the process into a less-to-none contaminated condition (MA-RIBA).

The discussion becomes enlightened when interest practices are regarded as part of a burden that imposes a challenge for productive activities, leading toward a more consumptive one. In that, *riba* circumvention is regarded as an ethical principle within which a functioning and just market cannot be facilitated (NH-RIBA). This manages to close the gap between revelation and its consequential understanding (NI-RIBA, SBU-RIBA), strengthening the contextualisation of the implementation of Islamic values. The exclusion effect of the interest argument also plays a role in this regard, to contextualise the importance of the circumvention of *riba* in the realisation of a just economy (AK-RIBA, AN-RIBA). The process of equalising interest practices as unjust (RI-RIBA) and, hence, *dzalim* ("act of injustice") (SP-RIBA), has created perception that interest practices have negative consequences in the economy. This is substantiated with the pressure of distributing rent to the poor (NI-RIBA), as well as the unsynchronised middle class and intellectual life (NI-RIBA) that alleviates the importance of this norm. One of this purpose of *riba* is delianated in the statement below:

> …The prohibition of *riba* contained big energy... challenging *rentenier* and *dzalim* act of interest practices… by offering Islam [as a solution]. In general, purification of income or walth was the purpose… (SP-RIBA)

When the issue of *riba* circumvention is aroused within economic discourse, one cannot miss the contribution of the *muamalah* extension in addressing and generating a solutive framework (HMD-RIBA). Inspired by the problem of the *rentier* system, it attempts to remove *riba* within the process of the economy, specifically targeting its financial relationship. Within the same approach, the *muamalah* orientation has observed the *manfaah* of finance and it has rather approached this phenomenon in a manner that can bring about a beneficial outcome with the recognition of the *shari'ah* jurisprudential set-up.

The difference of the point of attachment of the value, where one is linked to the issue of *just* while the other is attached to its ideological revelation and lawfulness consequence, has led to two different orientations. The first orientation addresses the issue within the spirit of coming up with differing financial systems that support a *just* economy, with the particular aspiration

of opening access to finance (AK-RIBA). On the other hand, the second orientation is only focused on removing *riba* from the process without aiming to construct a financial system that supports economic relations and activities (HMD-RIBA). The latter line depends upon *ulama*'s position on advancing *muamalah* or the transactional base within addressing the *haram-ness* problem (FA-RIBA).

The measure taken between these differing positions has consequences for its articulation. A just-pursuance stream is eager to take experimenting stimulation to facilitate a Muslim-majority economic relationship (AK-RIBA). The rise of BMT as an infrastructure for financing is the product of this pursuance through stimulating action, whereby it reflects an independent characteristic to promote *ta'awun* value and to perform a dimension of *rahmatan lil alamin.* In contrast, activism with a *muamalah* orientation is focused on localising the solution to eradicate *riba* through purification attempts facilitated by the Islamic financial institution (RI-RIBA). The conception of this institution postulates a frame inspired by *haram*, where the modification of the operational procedure is undertaken (HMD-RIBA) to tackle the arising problem (AMS-RIBA, MA-RIBA). In between the two, there is a stream that attempts to map out a measure through which it recognises a *riba*-free mechanism of financing as one of the pillars of Islamic economy besides the real sector and the third sector. The latter position is articulated in the later period as an attempt to establish the pillar of an Islamic economy.

The emergence of different streams of *riba* circumvention's substantiation and articulative strategies create a dynamic outcome. In the very minimum state, it has introduced *riba* circumvention as an ethical principle of an Islamic financial institution and an ethical consideration for economic activities (NH-RIBA). This recognition of the unlawfulness and unjust nature of interest-taking practices has emerged in society. Nevertheless, it has not been a dominant norm in the economy, especially with the appearance of a more integrated approach derived from a pillar-basis understanding of *riba* circumvention, leaving this norm only to stay as an ethical consideration that is not utterly adopted and enforced in the economy (YI-RIBA). In that, *riba* circumvention substantiation has only reached the level of its unlawfulness or *haram*-ness without systemic intervention in facilitating just realisation under a different economic mechanism structure.

6.4.2. Profit-Loss Sharing

This code emerges from constantly comparing incidents (Corbin and Strauss, 2015; Strauss and Corbin, 1998). Profit-loss sharing in the context of Indonesian Islamic economic movement experience refers to a norm accented as representation of just and collectivist-based scheme for financing, whereby it emphasises the importance of attaching risk to its expected return. Consequently, a proportion of risk is expected to be shared along with the attached return in a non-imposing manner (TA-SHAR). Indeed, as a norm, it is the premier articulation of the Islamic economy, which is rooted in the sharing spirit derived from a collective value (JA-SHAR). Thus, Islamic economics can be considered:

> …Rightly, it is sharing economy. It is sharing the benefits. Hence, it is not the motive seeking for private benefits. It was just a consewuence as company that they have to look for profit. Yes, profitability is the characteristic and benchmark for management success. Failure of the management is described by its making loss. Hence, they should profit. While the profit go to sharing, not only to individual. There are more people receiving benefits, sharing economy is bettering for society. Hence, the economic develop within social justice. Collective improvisation is what they are after… (JA-SHAR)

This norm was delineated from a peripheral attempt at translating Islamic values into norms (MA-SHAR), led by an organisation of *ulama* (MUI) (AMS-SHAR). It is contextualised within a sharing spirit of collectivism in an Islamic understanding that is oppressed by a capitalistic economy (YI-SHAR). With the articulation of Islam in providing a solution (JA-SHAR), the sharing norm was pushed forward for moderating the effect of a capitalistic economy on the realisation of justice in development. When it is extended to the area of finance, it acts as the core of the Islamic version of finance, where the promotion of entanglement between sharing entitlement and adverse conditions inspired the emergence of Islamic finance (AMS-SHAR). Such a proposal is set under the framework of *shari'ah* expansion (MA-SHAR). Within *shari'ah* articulation, one could only generate return through earning from trade, revenue-sharing, and services provision (HMD-SHAR). This consequently forbids any money cultivation activity that is practiced by a rentier at the micro-level and a financial institution at the meso-level (TA-SHAR) and aspires to apply the norms at the higher level.

The implementation of sharing as a norm in finance came with the assumption that it could fit in any framework (AA-SHAR). The key is to set an arrangement whereby both the upside and downside are attached and bear in completion (YI-SHAR), which later produces a characteristic named profit-loss sharing (JA-SHAR). When this was introduced through the modification of the institution of banking, it created a scheme where it allowed the individual

to become involved and act as a partial investor (AMS-SHAR). This norm also drives the operation of BMT, allowing for the cooperative to act as a financial institution (RP-SHAR). Hence, it fitted into any institutional framework.

It should, however, be noted that the outcome has not been appealing. The implementation of this norm has not been satisfying and transforming, as the general proportion of *mudharabah* as an arrangement that ties together both risk and return has been less than the *murabahah* that departed from permissibility in trade, yet, transformed into a mechanism for margin acquirement that was seen to depict less of this sharing norm (YI-SHAR). Within a hypothetical basis, the introduction of this arrangement has indeed allowed for sharing loss. Nevertheless, the business side of this arrangement is not compelling as cases have revealed where losses were made resulting in institutional collapse, such as BMT (RP-SHAR). In its development, the norm translation even developed and rested on the conception where it continued imposing the obligation to return principal, while having less attachment to the proportion of return (HMD-SHAR). Hence, risk and profit-and-loss sharing financing was only possible within a social financing scheme.

The expected consequence of such an arrangement would be attached to entrepreneurship to promote creative production (JA-SHAR). It is assumed that an organisation works within the motive of this sharing basis. At the same time, it is also assumed that there is a preference in applying profit-loss sharing to realist justice above other means (TA-SHAR). In that, even a framework of banking can function in a way that accommodates the purpose of *shari'ah* (AA-SHAR). Nevertheless, the implication of the norm has not reached the expected level, suggesting that the sharing norm struggles to be articulated.

6.4.3. Independency

Independency within the context of an Indonesian Islamic economic movement is a norm that has a direct implication for the emergence and development of Islamic economic imagination and its institution in Indonesia. It emerged from studying language and expression of interviewee (Strauss and Corbin, 1998; Corbin and Strauss, 2008). It sets the tone of Indonesian Islamic economic activism, especially during the early generation, which inspires activists to be active and considerate in their engagement. Such a norm has stimulated entrepreneurial-driven action and, to certain degree, is embodied within its institutional product as a normative characteristic. Hence, independency is not only a norm that has translated intention into action

by pushing institutional emergence from the periphery but is also a norm that shapes the action of Islamic economic institutions.

The appearance of the independency norm is inseparable from the context of the underdevelopment of Indonesia and the search for an Islamic solution to address this developmental challenge. During the first generation, the capitalistic approach depicted a different orientation from the Islamic one, yet, economic advancement was dependent upon it. Hence, deriving an Islamically-induced economic prescription demands an independency in searching and postulating the concept (DH-IND). Such a context inevitably led to a position of the independency of the Islamic economic orientation, which had a less-to-none resemblance to the foreign concept. Therefore, independency is translated as an existential norm within the value it proposes.

The independency norm was attached to early experimental action that accommodated the emergence of the cooperative-acting-microfinance experience of BMT. This form of institutional-generation approach is considered as being substantively bottom-up, involving a civil-group translating its existential value. Its institutional product emerged independently from regime interest (RP-IND), cementing further independency as a norm. While such a norm happened to facilitate institutional emergence, there was an element of the independency norm that was affiliated with the revitalisation of Islamic teaching. This form of independency imposition was rather consequential instead of revealed, taking independency as a dimension to fit into the existing norm. This developed during the expansion of the Islamic financial institution and indirectly affected the adoption of independency as a norm (ISB-IND).

The main purpose and highlight of pursuing independency were on losing dependency on other individuals, institutions, traits and customs (JA-IND). This possesses either a dimension of revival or entrepreneurial creation. Nevertheless, the manifestation of the independency norm into an institutional product of the latter faced a greater challenge given that it requires recognition of the base of its institution on its original claim. Islamic economic institutions struggled in retaining independency as a value due to non-recognition of Islamic economics as a discipline with its paradigm, stand, and systemic knowledge (NH-IND). This is supported by the statement below:

> …In my opinion, it is too early to call Islamic economic as a knowledge…we are at the surface... we have not reached consensus... [At this stage, institutional development of] BMT grow to two to three trillion rupiah under the shadow of central bank intervention...

> Any institution developed under central bank operationalised based on conventional reference... [As a result], the idea on Islamic economic articulation was circumcised… (NH-IND)

When this recognition is not present, the institutional product loses the independency, within an active and stimulative tone, to hold its values and frame, resulting in the absorption of the mainstream foundation and framework (NH-IND). Hence, this revival orientation of independency norms has earned space within the expansion, focusing on existential orientation as value creation.

It is evident that what can be achieved concerns reducing reliance on other mechanisms and institutions. Such a realisation cannot take place in isolation from the incorporation of the law of nature, such as the law of attraction, in converging economic activities to facilitate the independency of Islamic economic agent (JA-IND). In the actualisation of the independency norm, one influential norm facilitator is the regulatory regime, whose role has also affected the independency orientation. When a captive policy is adopted, it is difficult for the institutional product to be independently reflective and to stimulate an expansive strategy. For instance, the 'one license for all' policy for the BMT was considered to deprive the independency of the institution of the BMT. A previously self-regulated institution that has built independency on its stand is kept and directed by the regulatory environment within which it is framed (AK-IND). As a result, the novelty orientation that the substantive-based independency norm is suggesting, could not be realised.

It should be noted that the origin of the independency of the activism was present in the beginnings of emergence as a strong community-based empowerment with the focus on outreach and inclusivity as explained in the statement below:

> …Since we are bottom-up in substance, it is on the real basis, for instance, Islamic finance [Indonesia] is community and retail based emphasising outreach.. even at low size and volume… (SU-IND)

With the intention to mobilise capital to push for micro-sector development and independency, Islamic financial institutions emerged through experiment and initiative action (TA-IND). Nevertheless, such initiative faced a ceiling within the regulatory regime approach, which shapes how independent an institutional product and its activism can be. With the rising of revival orientation, fragmentation and de-popularisation of the independent orientation occurred, leaving a minor group of activists to pursue this trail (TA-IND). This situation poses a threat to a claim for independent Islamic economic institutions or the Islamic economics

concept. With the dissent of the Islamic economic paradigm, system of knowledge and theoretical stand, this has led to the absorption of the conventional paradigm and base, which poses challenges for the realisation of the Islamic economic values and agenda (NH-IND). Furthermore, the reliance on fund channelling and deposit infrastructure to establish and regulate the banking sector brought conditional dependency into the system by the formal rule (HMD-IND). This would mean that independency as a norm of institutional emergence and activism was under threat of its sustenance, leaving a new dimension of the entrance of the independency conception.

6.4.4. *Taqwa* Institutionalised - Lawfulness Norm

Taqwa institutionalised is code drawn from researcher experience and it is compared with relevant theories according to the methodological frame developed by Strauss and Corbin, (1998) and Corbin and Strauss (2008). In the case of the Indonesian Islamic economic experience, it refers to a norm brought within activism that is sourced from an inclination toward facilitating *taqwa* or piousness through obedience to the will of God; this has led activists to exclude the activities and conditions that violate what is considered to be the law of God. This brought the topic into the area of *halal* and *haram*, which classify and distinguish action within the will of God. Within Islamic economic context, the presence of interest-taking practices within financial institutions is regarded as the main incompatibility of the modern world with Islamic norms refuting its permissibility. However, it is within a broader umbrella of *taqwa* that it has been further institutionalised, when activism penetrated into the institution of finance, determining the element of lawfulness within the principle of Islamic finance.

The emergence of Islamic economic discourse and Islamic financial institution marked the initial articulation of the expanding dimension of *taqwa*. While previously ascribed as doctrine, the definition of lawfulness expands to include modern, confined activities that produce negativity in the economy beyond a traditional understanding of the issue of *halal-haram* (AMS-TAQ). Instead of preserving *halal-haram* as an order to Muslims, the new approach has spread the coverage of this form of norm from Muslim-only coverage to the greater masses. This is sourced from expanding holistic value, creating a universal approach within the dimension (HMD-TAQ). This was made possible through the institutionalisation of the concept of *taqwa*. The main institutionalised conception of *taqwa* mainly emphasises the avoidance of unlawful acts rather than permissible acts by those subscribers of Islam. This process is realised

through the acceptance and support of *ulama,* which holds the authority in determining one's acts to be unlawful.

The presence of authority is important here in order to offer legitimacy within the institutionalisation process. Initiated within the circle of intellectuals (DR-TAQ), the debate did not settle and generate the institution until *ulama* interjected and actively engaged. With their involvement, the institution of Islamic finance was formed. Through the *fatwa* issued as an integral part of this process, further institutionalisation of the dimension of *taqwa* was taking place. In later development, the *ulama* position has been central in this institutionalisation of *taqwa,* forming the position of supervisor for this institutionalisation (DR-TAQ). This relationship form as follows:

> ... Legalisation [of permissible commercial and financial activities] is provided by *ulama* council, deeming one as *halal* rather than *riba.* As ICMI is a council of intellectual rather than ulama, they do not have the authority to provide rulling on *Islam*. This [legalisation] function is supported by *ulama* council, which later served as supervisory body in the case of *shari'ah* bank… (DR-TAQ)

Besides denoting the practices of conventional finance, the scope of institutionalised *taqwa* has also extended into negatively labelled economic activities, including the cigarette and alcohol industries. With the spirit of purification, the universality of *taqwa* has expanded beyond activities with a strong violation into those that potentially damage the society and the environment (AS-TAQ). In addition, this institutionalisation has also moved toward the promotion of good practices, such as good governance and a moderate consumption trait, that is in line with the scope of *taqwa* (SBU-TAQ, DM-TAQ, HMD-TAQ). Nevertheless, this has remained minor compared to the avoidance attitude behind the *taqwa* consequence.

6.4.5. Profit-Orientation

This code is drawn from flip-floping anticedents (Strauss and Corbin, 1998; Corbin and Strauss, 2008). Profit-orientation within the Indonesian Islamic economic movement context refers to a norm that is sourced from the value of existence, suggesting that existence is also facilitated by profit-orientation as a norm (AMS-PROF, DH-PROF). From the beginning of the institutional articulation of Islamic economics, this norm has been discussed in a different tone. Instead of profit as an end, the Islamic articulation of profit reconsiders its position as integral to the process of earning that is encouraged in Islam (HMD-PROF) in the sense that Islam promotes trade, and therefore profit is encouraged. Nevertheless, profit pursuance should

also be derived from a process that is in line with *shari'ah*, in the form of trade, revenue stream and service fee (HMD-PROF). This is due to the implication of a holistic position on Islam that emphasises action to integrate with the vision that represents an Islamic view (SP-PROF).

The implication of this view has allowed activism to accept profit-orientation as an integral part of real economic activities in generating income (TA-PROF) as long as there is no violation of the Islamic principle of earning. This latter rule inevitably leads to the avoidance of renting money practices in finance, resulting in a *shari'ah* inclined process for earning within the transactional level (SP-PROF). Such avoidance is stressed in the following statement:

> …Islamic teaching spread the idea of Islam as a solution, as a *rahmah*… the prohibition of *riba* provide an instrumental energy... challenging renting system considered to be exploitative with its interest taking... this is ultimately related to prurification of income generation ... in accordance to Islamic principle… (SP-PROF)

While the acknowledgement of both the processes and the end results, as an integral process, is clearly stated, the domination of the profit-orientation has led to a translation of existence that comes with the condition of profiting. In other words, existence is legitimated when one is profiting (JAS-PROF), exemplifying further profit in its outcome state. This rule inevitably allows adjustment of the process, including *shari'ah* as one that should not be riddled by profit-taking (DH-PROF). This causes *shari'ah* implementation to come with the condition of universal benefit that should open access for the economic actors (AMS-PROF). Even when *Shari'ah* was imposed further into the institutional product, the domination of this logic prevailed (SBU-PROF) and further sided with the mechanism created out of profit-orientation, such as professionalism (AS-PROF). Hence, the main highlight was on cementing the business process that often put aside *fiqh* orientation in the wake of profit (AS-PROF).

This condition placed the articulation of Islamic economics into a situation where profiting is a must and othering value accentuation could only be done when profit was delivered (JAS-PROF). The extent to which this could be exercised is through bridging collective improvisation with transformation in favour of the *shari'ah* orientation to maintain a profit-first mind-set intact (DH-PROF). This has gradually pushed institutions that are supposed to be real-oriented to the side of profit-orientation (TA-PROF) and has made it difficult for the sharing principle to be inserted within the institution (HMD-PROF).

6.4.6. Purification Norm

Purification code emerged through observing language and expression of interviewees (Strauss and Corbin, 1998; Corbin and Strauss, 2008). Within the Islamic economic experience, it refers to a norm that is rooted in an adaptation to unfavourable circumstances, creating a condition that is unlawful within the Islamic tradition. In relation to Islamic finance, this norm emerged as part of the formation and development of *Shari'ah* finance in Indonesia within a *fiqhi* approach, extended through the removal of the *ilad* of the *riba*, a condition that created *riba* in a contractual sense. By adopting *qiyas* method, the Islamic financial institution could become operational within purification codes (HMD-PUR). Nonetheless, the pressure of profit-orientation overshadowed this form of approach in later periods, leading to the essentialisation of this norm in order to remain within the framework of *Shari'ah* and its initial motive.

This norm was relevant from the second generation, especially within the emerging commercial orientation (SP-PUR), rigorous business, risk, and operational expectation (AS), and its apolitical nature (MS-PUR). This pressure has directed institutional emergence and development to deviate from its original purpose (SP-PUR). This purification norm emerged as a responsive act in returning the trajectory to its specific purpose (ASC-PUR). Hence, purification norms indirectly acted as a middling platform (ASC-PUR). This is stressed in the following statement:

> ... The main problem was that we did not build on the basis of the essence [of Islamic economics]. For instance, [pure] *shari'ah* business institution do not separate and put in dichotomy the financial and real sector... [in reality], this process was circumvented and followed what was available... [hence], we need to reclaim... by removing *riba* [contamination]… (ASC-PUR)

Indeed, it was within the preservation of vision and agenda, which met with other emerging interests that neutralised the realisation of the value of Islamic economics within Islamic financial institutions (AFN-PUR). At the same time, the booming Islamic finance sector has attracted both a commercial and social orientation that is prepared to take advantage of its potential flourishing (AMS-PUR). The purification norm maintained the purity within this stream of development to reflect the motives and orientation of Islamic economics.

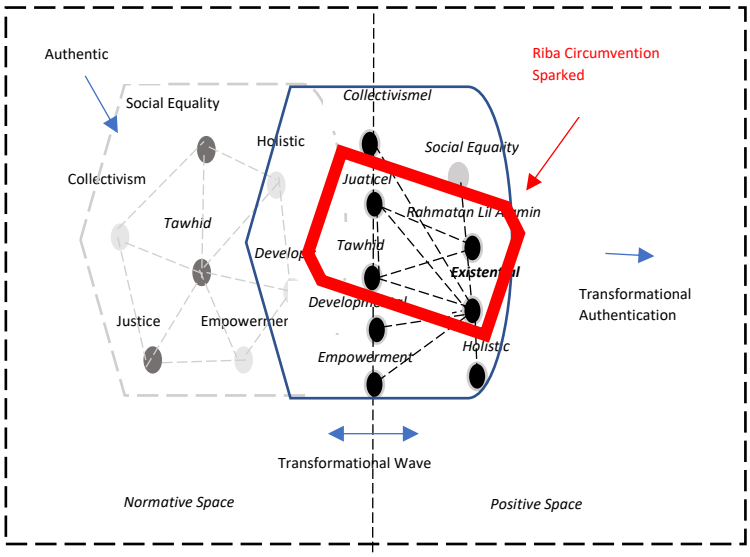
At the recent stage, the authentic contract of Indonesian Islamic finance is indicative as the core of its purity in achieving authenticity. However, it has not adopted hybrid or combined contracting, hence, it has not reached the fully de-purified stage (RI-PUR). Nevertheless, the

trend is viewed as threatening even to this contractual arrangement. Among others, four measures were seen to stimulate this purification: moving towards an investment-oriented society through Islamic capital market expansion (MT-PUR), greater alignment with not only pure contracting but also a purified orientation scheme (YI-PUR), negating the risky approach of the complex contractual arrangement (RI-PUR) and the transformation of Act and regulation to secure the environmental condition (MS-PUR). These measures are a continuous attempt of purification that has ultimately enhanced both the commercial *ummah* related benefit of the Islamic economic institution and its subsequent goal.

6.4.7 Second Stage of Depiction of Causal Condition: Norms Effect to Positioning

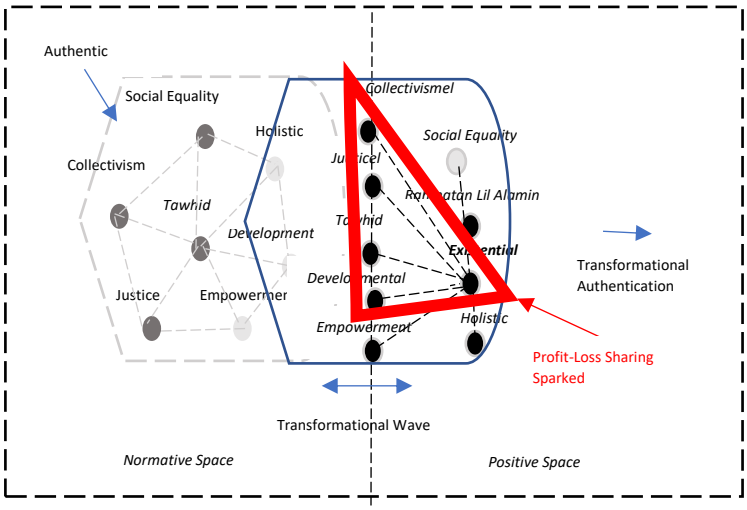
Norms as an actual ordinance to action-interaction leading and propagated by Islamic economic activists did not appear in isolation. Each norm emerged as values interacted and contextualised within an issue of importance.

Figure 6.6: Depiction of Norms Generation within Value-Mapping –Riba Circumvention



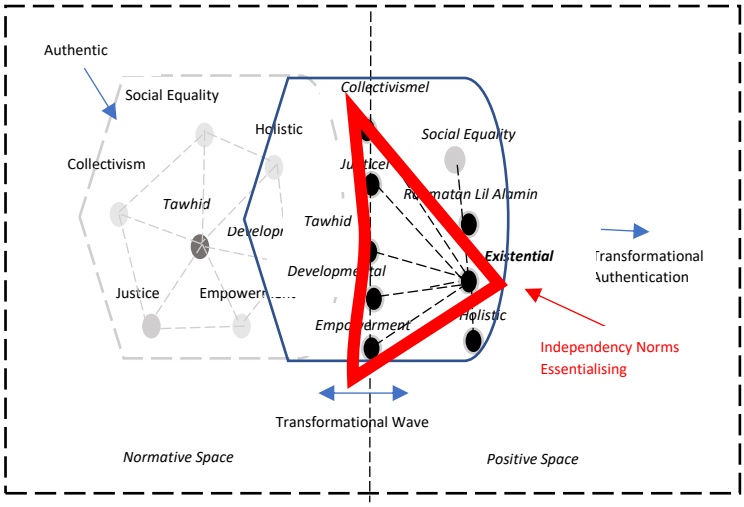
For instance, *Riba* circumvention arose when the unjust condition of financial practices met with the emerging view that *Muslims* should address such problems enabling the subscriber to demonstrate its presence as *rahmatan lil alamin.* In Figure 6.6, the interaction of these values and the expansion of *tawhid* into existence brought together the *riba* circumvention as one norm to follow and be advocated within activism.

Figure 6.7: Depiction of Norms Generation within Value-Mapping –Profit-Loss Sharing



Such a pattern of value interaction in norms generation also occurs within the derivation of profit-loss sharing as a norm as illustrated in Figure 6.7, where the injustice created by the capitalist system is moderated with a proposal that envisions development and existence in harmony. Thereby, sharing as a norm transcends *tawhid* as one associated with a consequence in the process of distribution.

Figure 6.8:Depiction of Norms Generation within Value-Mapping –Independency Norms

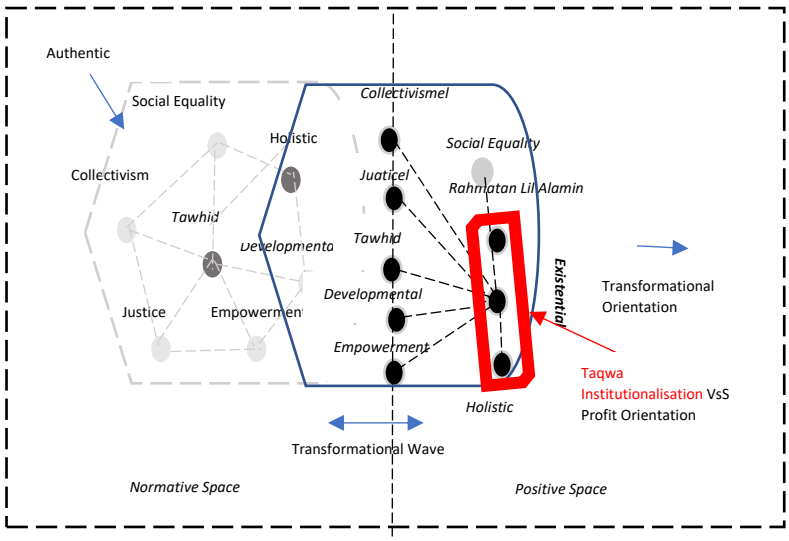


Furthermore, independency as a norm emerged within Indonesian Islamic economic activism and coloured it with an active and initiative-led consideration. Akin to emerging sharing norms, the independency norm was also aroused as the *tawhidian* value rejuvenated by the developmental orientation and the existential expectation as illustrated in Figure 6.8. The interaction between these values generates an autonomous and self-determining articulation

and enforcement to seek a solution. The emergence of an independency norm was significant in activating the values into tangible forms, especially in the early generation. In the latter process of emergence, this norm possessed an element that preserves the authentic orientation of Islamic economic activism, reflecting an early generational value orientation.

It is timely to mention that the presence of the existential condition in Indonesian Islamic economic activism has aroused its own norm of profiting. Institutional orientation facilitated the emergence of Islamic economic institution, and its tangible form came under one condition that it should add value. The interplay of Islamically-induced values with this existential condition refined the orientation on earning, where holisticness and *rahmatan lil alamin* of Islam scrutinised the process of earning so as to be in line with *shari'ah*. Nevertheless, the presence of the profit-orientation as good practice translated into norms that filtered the realisation of othering values and norms. A direct effect of this norm was observed in the institutionalisation of *taqwa*.

Figure 6.9: Depiction of Norms Generation within Value-Mapping –Taqwa Institutionalised and Profit-Orientation



As a basic umbrella of permissible acts derived from the interaction of holistic values with a *rahmatan lil alamin* orientation in an existential presence, this norm expands permissible acts and events from sole *riba* circumvention. *Taqwa* (piety) institutionalisation consequently promoted avoidance to a *shari'ah* violating act and encouraged the adoption of good practices. Albeit the dual orientation, the articulation was weighted toward avoidance of what is prohibited. Figure 6.9 illustrates values representing the institutionalisation of *taqwa*, which

are sourced from a similar value derivation that brought about profit-orientation norms. Nevertheless, it is more lenient toward Islamically-inspired values in comparison to profit-orientation norms.

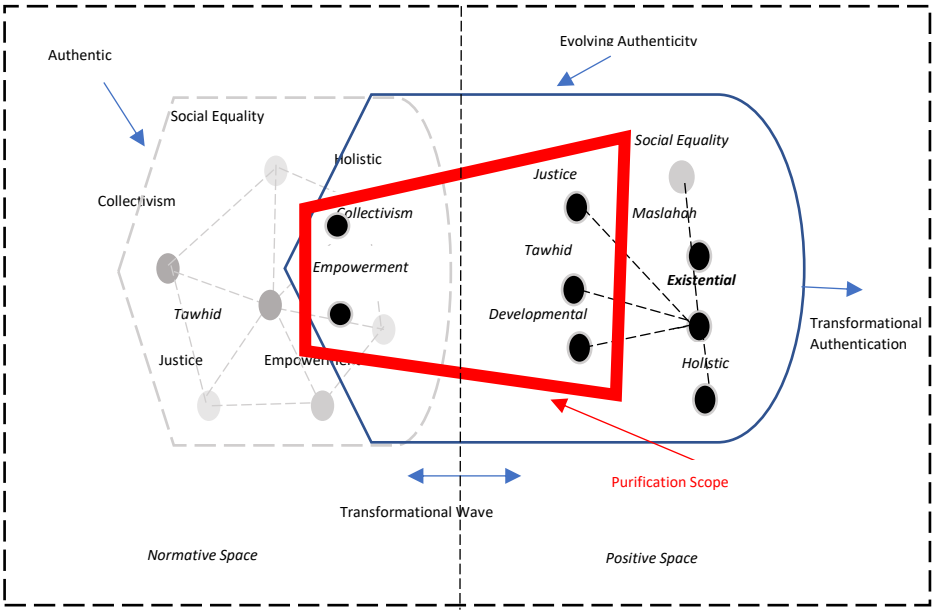
The limitation of its accentuation to 'avoiding act' advised that this condition is related to the interaction of *taqwa* (piety) institutionalisation with the profit-orientation that is central to an existential condition. The struggle continued in the implementation of institutionalised *taqwa* with the primacy of profit-orientation as the backbone of existential value.

The effect of the localisation of *taqwa* institutionalisation to avoidance act as a result of conditioning by existential pressure which shifts the emphasis of *riba* circumvention from addressing the issue of justice to bringing about *rahmatan lil alamin*. This trend inevitably split the orientation from creating differing finance to modifying financial practices through removal of the source of violation. For proponents of just value, *riba* circumvention stimulated eagerness for search, while others stressed the importance of finance and removed the *ilad* of the *riba* in a straightforward manner.

In the light of the growing trend, a purification norm materialised in the later process of emergence, especially in between the second and third generations. This norm was inspired by the authentic orientation, which was missing with an inclination towards the institutionalisation of *taqwa* due to its commercial orientation, standard imposition, and apolitical nature. The consequence of this norm was to go into the direction of its original purpose and maintained existence.

The purification norm emerged later, which shares similarities with the independency norm of Indonesian Islamic economic activism. The main difference concerning how the scope of purification went beyond independence, is that it was not only in the pursuance of authentic value but was also related to the revival orientation. Hence, the purification norm is translated as a conundrum between independence and fitting into existence. Figure 6.10 illustrates the purification norm stretched out as a 'value essentialisation net', mapping the value pursuance from the friction of authentic reflection with its independent and collective orientation. This demonstrates a revival mission to enact justice in development through *tawhid* substantiation.

Figure 6.10: Depiction of Norms Generation Within Value-Mapping from Purification



In this subsection, the practical manifestation of values that guide and formalise the spirit proposed are discussed. As suggested in the illustration, it is predominantly implemented from the second generation and continued to the third generation. The rise of these emerged norms has assisted in determining how norms affect value realisation and positioning across generations. The following section continues with cultural capital as an intermediary base of cultural elements in Islamic economics.

6.5. CULTURAL CAPITAL

Cultural capital sits on a similar level of causal influence with norms. It is considered as "a foundation of social life" setting one's position within space (Bourdieu, 1986: 17). It is both an embodiment of collective identity and a contributor to inequality due to its possession, which will set a gap between one and others. Bourdieu (1986) defined cultural capital as the 'formal educational qualification' an individual possesses and an abstract and complex set of values and codified knowledge of culture within an individual bearing. In that, cultural capital is comprised of an informal academic standard, a class attribute, a basis for social selection, and a resource for power (Lamont and Lareau, 1988). The cultural capital explored in this research focuses on it as a set of tools and a language facilitating collective action for Islamic economic activism.

6.5.1. Global Islamic Economic Capital

'Global Islamic economic capital' is a code extracted using "flip-flop" technique (Corbin and Strauss, 1990: 79). Within Indonesian Islamic economic experience constitutes cultural capital, this refers to a set of values and knowledge capitalised during the opportunity emerging from initiating 'transformation', which appeared as a topic of discussion in most of the interview conducted. This transformation is a symbolic pursuance of the realisation of Islamic economic imagination into reality (KP-GLOB). It was triggered by the Organisation of Islamic Co-operation (OIC) higher official meeting in 1974 that led to the first Islamic economic conference in 1976 in Makkah, Saudi Arabia. From these two events, attention was directed toward driving an Islamic financial alternative for development with a proposal for the establishment of an Islamic Development Bank (IDB) as its immediate consensus to the project (AMS-GLOB, KP-GLOB, HA-GLOB, JA-GLOB). Hence, IDB by itself is part of the 'cultural good' that has globalised the Islamic economic idea.

This form of capital was initially set by financially excluded condition of OIC member countries due to the practices of interest propagated within a developmental finance frame (JAS-GLOB). Nevertheless, it has extended beyond *riba* and rather responded to wider underdevelopment issues problematic within the Muslim world (HA-GLOB, MES-GLOB). Hence, global Islamic economic cultural capital is tied to the norms of Islamic economics concerning the circumvention of *riba* and its reflectional value of the issue of development within an economic sphere. The initial role of this cultural capital has activated the practices of Islamic teaching to a global scope in the economy (HA-GLOB). This capital has indeed inspired the emergence of Islamic banks in Indonesia (KP-GLOB). With the institutional presence, the transmission of this cultural capital continued and became further embedded in Indonesian Islamic economic experience (JAS-GLOB). This is narrated in the statement as follow:

> …That was due to Islamic Development Bank in '75 and everyone discussion on Islamic version. In '80s, the discussion on Islamising science and technology started. One of the topic was on the Islamisation of Economy, that Islamic economic can be considered as a science and policy, [with the approach] on Islamising. One of the topic happened to be interest-taking practices… (JAS-GLOB)

The recognition of this capital in the latter process has been embedded into the subsequent generation of Islamic economic activism as a common cultural background. The awareness that the early elites of Islamic economic movement in Indonesia, such as A M Saefudin and

Halide, attending the meeting in 1975 and the conference in 1976, represents an Indonesian assurance of the transmission of capital (ISB-GLOB). The background to the presence of *Shari'ah* banking in Indonesia can be traced back to the 1970s; and despite the scattered attempts and experiments, such initial attempts constituted the knowledge base for the conceptualisation of Islamic economic imagination. This suggests that Indonesian experience is still intact in relation to its original capital (ASC-GLOB). Furthermore, the trend of global convergence, from systemic shock to international standardisation, has raised such globally-connected awareness for the presence of this capital, which has been transmitted with an increasing trend to the recent generation (AA-GLOB, FA-GLOB).

While material articulation of Islamic economic movement within *riba* circumventing attitude travelled and made its presence felt in Indonesia, its developmental orientation is permeated with *rahmatan lil alamin* character, within which solutive experimentation was aspired to (JAS-GLOB). As it is informally spread without a formal structure, active engagement of activists has brought this dimension of cultural capital alive along with Indonesian values, which preserve the initial substance of this cultural capital in the course of Indonesian development (ISB-GLOB). Furthermore, the developmental-orientation was assimilated into an Indonesian orientation to Islamic economy, displacing cultural capital attachment to its South Asian background that contained South Asian contextualisation (MSA-GLOB, SP-GLOB). The character of Indonesian experience has filtered this form of cultural capital to fit into Indonesian landscape. The remaining reflections, such as equity basis (AA-GLOB) and *Shari'ah* banking institutional arrangement, were incorporated as the set of rules in relation to its articulation (ASC-GLOB)

6.5.2. Historical Acumen of Islam

This code, namely the historical acumen of Islam, is significant, yet, contains difficulty in its conceptualisation, since interviewees in this research did not openly express the presence of the historicity of Islam shaping value essentialisation in the emergence of Islamic economic movement. It should, however, be noted that a closer observation of language and expression gives rise to this code (Corbin and Strauss, 2008).

The historical acumen of Islam refers to a cultural capital representing intangible cultural goods formed and transcended as a traditional reflection of Islam. As an acumen, it contains a reflection of the past traditions of Islam. This reflection inevitably poses a conditional

expectation to an Islamically-oriented reflection to assemble such cultural capital. Within an Indonesian Islamic economic experience, this cultural capital triggers a tension between its historical acumen and its real form (CHA-HIS). In particular, this tension narrows within the context of lawfulness with the emergence and development of Islamic finance (JAS-HIS).

The presence of this cultural repertoire came as a shadow to Islamic reflection, where its intangible presence is romanticised (JAS-HIS, HA-HIS). This romanticisation is captured in the following statement:

> …When they were introduced to the bank with interest-taking system, it is relatively easy to bring them into the understanding that it is *haram.* This is the source of people disincentive toward doing business. Doing business will always need capital, where it is only obtained through *haram* mechanism. It is a *haram* practice, including in formal bank. Why is it *haram*? It was due to this loan shark practices. Many people are within the belief that interest-taking practices is haram, hence, they did not want to get involve with the bank. Within this situation, an idea pops up to develop bank. They respond this with cheers, especially the *ulama.* They come into collective agreement without realising that it is another form of commercial bank. It has been 25 years and people start understanding. Hence, I wanted to remined people of awqaf, *waqf*-based economy after 25 years. It was not only about Islamic finance within a limited understanding. As i mentioned earlier that *halal* does not mean *thoyyib…* (JAS-HIS)

This romanticising is typically related to classical good practices during the time of the *Prophet* and *Sahabat,* or the companions of the Prophet that prevail across time and remain relevant to any context (AK-HIS). Since the fall of the *Caliphate*, this cultural disposition was seen to be under threat, as there was an increasingly widening gap between the reflection of an ideal Islam as a cultural repertoire and its articulation (CHA-HIS). The emergence of Islamic economic movements proclaims this cultural disposition as a reawakening of the cultural repertoire. This awakening expressed through Islamic economic pursuits has coloured this experience with the intention of having an articulated form of Islam that remained attached to *Shari'ah* rather than through endeavouring for the original form (CHA-HIS). Importantly, this form of capital has rested in the new landscape of articulation within a social welfare context, departing from the previous arena within the state (VR-HIS). Such a transformation led to a new experience for the formation of Islamic presence, which exposes this cultural capital to a new state of reflection

On the one hand, this new experience also embodied the initial frame of this cultural capital that is shadowed by *shari'ah* implementation (MA-HIS, RZ-HIS, MS-HIS, MSA-HIS, AK-HIS, RP-HIS, VR-HIS, TA-HIS, AA-HIS, YI-HIS, AN-HIS). The emergence of Islamic

financial institutions encompasses the dimension that tie finance to religious consideration (FA-HIS). This tie draws in the cultural good of this acumen, which is its jurisprudential structure and mechanism (YI). The adoption of a formal legal system was drawn from the early experience of the emergence of Islamic banks, within which it worked on ending the *ribawi* cycle through an Islamisation of financial frameworks (YI-HIS) in order to synchronise Muslim life with its historical reflection (RP-HIS, VR-HIS). By adopting a conventional approach for optimisation and dynamism, Islamic financial arrangements were developed and acted as an intervention to finance as intermediation (MS-HIS, RP-HIS).

On the other hand, there is a degree of Islamic economic pursuance that aims to realise *maqasid*, the goal of *shari'ah*. Indeed, the sound of the preservation of *shari'ah* was dominant in the emergence of Islamic financial institutions. Nevertheless, the intention of reaching *maqasid* was distinct as the end of *shari'ah* implementation, even though its legal-formal aspect (MA-HIS).

Besides its existential background (AA-HIS), there is a consequential element that attaches to Islamic economic activism in Indonesia. One consequence centred on the intention to build and develop Islamic civilisation. This civilisation would be based upon active commercial activities (JAS-HIS), real sectors utilising monetary services, and good planning and management (HA-HIS). Hence, it promotes business engagement, and effective governance as an integral consequence of religiosity. Furthermore, the accentuation of Islamic reflection is related to the attempt to spread the cultural capital as an articulation of Islam to the peripheral (TA-HIS). In particular, it focuses on the purpose of augmenting productivity through empowerment (TA-HIS). Therefore, the new experience also depicts a picture of pursuance for the institutionalisation of cultural capital.

Albeit its initial expectation to achieve *maqasid*, the pattern of development within financial institutional forms has further narrowed into a formal-legal orientation. In that, the tension has shifted to *halal-haram* axis of financial arrangements (JAS-HIS), with a focus on the provision of 'religious need' (VR-HIS) to keep the Muslim identity intact in economic and financial sphere. In other words, the articulation found its place within a *shari'ah* consideration (AN-HIS) in a spirit to accommodate classical good practices to preserve *shari'ah* (JAS-HIS). This trend in the awakening of cultural capital of Islam led to a further romanticising of Islamic practices of the past that fit into modern economic practices, such as 'Islam preaching success in business and good management' (JAS-HIS, HA-HIS). This led to the Islamic economic

experience in Indonesia partially responding to the demand for a revival of the articulation of Islamic teaching (VR-HIS).

Such a pattern is not surprising as a dimension of articulation of Islamic teaching in the form of *shari'ah* finance aims for the implementation of *shari'ah*. Nevertheless, such a pattern is not necessarily appealing as it undermines the basis of Indonesian Islamic economic experience that paves the way for the continuation to Indonesian Islam within this project (RI-HIS). Beyond responding to the modern challenge (JAS-HIS), the Indonesian story is one that is marked by a transformation of the institution of ulama (AFN-HIS) and a revival of its green symbol (AFN-HIS), with a link to the pre-nation state in Indonesia (RI, SBU).

It is also important to state that this trend of legal-formal orientation is viewed as an Islamisation attempt, fitting Islam into institutional emergence, which has sparked tension in the Islamic economic experience and injunction articulation (JAS, AFN). Hence, the presence of this cultural capital indeed is characterised by Islamic economic emergence, yet, has imposed a constraint in bringing the expected transformation due to the romanticising of the past (MA-HIS,RZ-HIS, MS-HIS, MSA-HIS, AK-HIS, RP-HIS, VR-HIS, TA-HIS, AA-HIS, YI-HIS, AN-HIS), especially within a disembeddedness response orientation (NI-HIS).

6.5.3. Historical Indonesian Islam

'Historical Indonesian Islam' is another code that emerged out of the language and expression of the interviewee rather than as an explicit statement (Corbin and Strauss, 2008). In relation to the interviewees' expression and conceptualisation, this code refers to the cultural repertoire sourced from the historicity of Indonesian Islam in relation to the economy and finance. This repertoire accounted for the heritage of acumen of Indonesian Islam regarding the economy, society, and state construction and development.

Within this repertoire, the expectation for an independent mode of organising society and the market reacted to the domination of foreign parties, which is regarded as a sustaining form of colonialisation (JA-INDO). The quest for generating an economic model imbued by value-norms of Islam was at the intersection of the search for an authentic form of an Indonesian model of the economy and the solid presence of Islam in forming a model grounded within a reflection of what Indonesian society adhered to. This position toward foreign domination triggered an anti-thesis to the Bretton Wood mode of capitalism and relationships inheriting

colonial control, focusing instead on creating an original or authentic Indonesian form of reflection (HA-INDO). This pursuance was identified in the following statement:

> …banks aroused and sizing up while coordinated by them [the US]. When we observed closely, debts were soaring. In 1975, the idea of establishing IDB came across minister of economic or finance-level meeting [of OIC countries, recognising that the presence [of bank] did not fit [with Islamic principle and tradition] as interest is haram. As interest practice is haram, an alternate prescription should be identified such that Islamic values can be remain intact. With this in mind, in 1975, i would be looking into the date so that later you can reflect back, proposing those attendants with certain knowledge of Islamic legal maxim to justify the position. Hence, they were proposing… conference to bring together *ulama* and economists, which later being realised as the first international conference on Islamic economic in 1976… (HA-INDO)

While an independent orientation acculturated within this repertoire, its main theme goes beyond sole independency and rather focuses on generating a measurable solution to social problems through an Islamic approach.

It should also be noted that the presence of this repertoire drives an initiative to engage actively in deriving a solution to social problems (NH-INDO). In that, it demonstrates a reflection of collective orientation in responding to the needs of the *ummah* towards Islam that generates *rahmatan lil alamin* (AFN-INDO). Such particularity in approach is considered a novelty of Indonesian Islam, where Islam in Indonesia inherited a character of normalising people's lives and nurturing progress in a gradual form (NH-INDO).

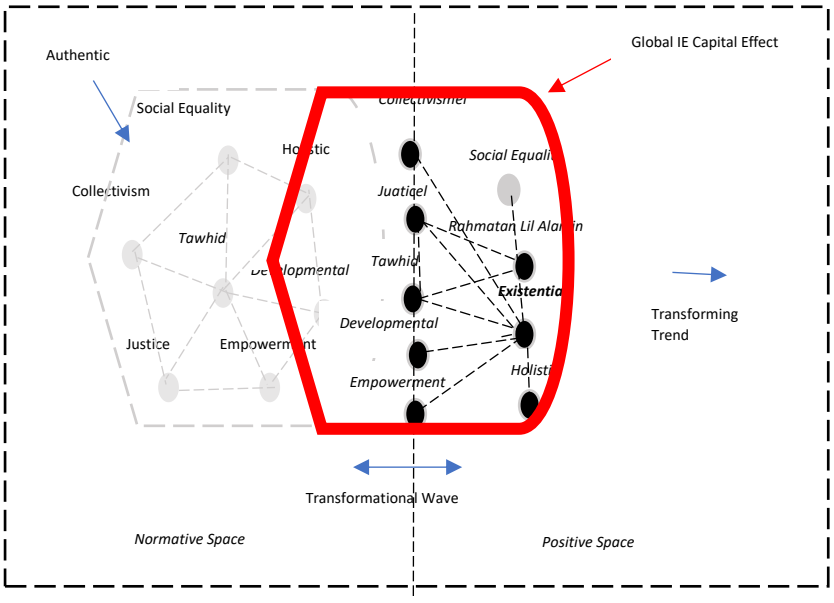
Such an acumen continuously came to the surface amid social challenges. In the economy and finance of Indonesia, it is initiated by a reaction to secular issues. Such versatility in insight even allowed for embracing Islamisation through elite's engagement with the IIIT (International Institute for Islamic Thought) (FA-INDO). In the 1980s, modernisation was also approached by *ulama* resulting in the transformation of such an institution. The adoption also managed to promote productivity and a strong commitment to work (AA-INDO). However, the most significant initiative in the area of finance saw the introduction of BMT as an alternative and authentic institution representing a collective spirit within *rahmatan lil alamin* orientation. The formation of BMT is viewed as a depiction of internalised idealism inherent to Indonesian Islam within its authenticity orientation forming an Islamic economic approach (RP-INDO). The experiences above suggested the dynamicity of historicity acumen of Indonesian Islam with its expanding orientation towards addressing social issues within an authentic conception of Indonesian Islam.

6.5.4. Second Stage of Depiction of Causal Condition – Cultural Capital

Cultural capital embodies both a sense of collective identity accounted for by commonality and conditions leading to uneven value implementation and negotiation. To some extent, the presence of cultural capital imported an inherent tension originating from within. In Indonesian Islamic economic activism, there are three major forms of cultural capital determining values-norms flexing and contracting, each with their own particular effect, which are: Global Islamic Economic Capital, Islamic Historicity capital, and Indonesian Islam Capital.

Global Islamic Economic Cultural Capital, marked by its symbolic pursuance of fighting against the exclusion of conventional financial practices, was a transformative cultural capital of Islamic economic activism, which directed an accentuation of aspiration toward the promotion of Islamic financial practices. In that, global cultural capital was facilitating a break of Islamic economic building moving toward a tangible reflection in positive space, ensuring existential presence as an embodiment of this reflection.

Figure 6.11: Depiction of the Cultural Capital of Global Islamic Economic Capital

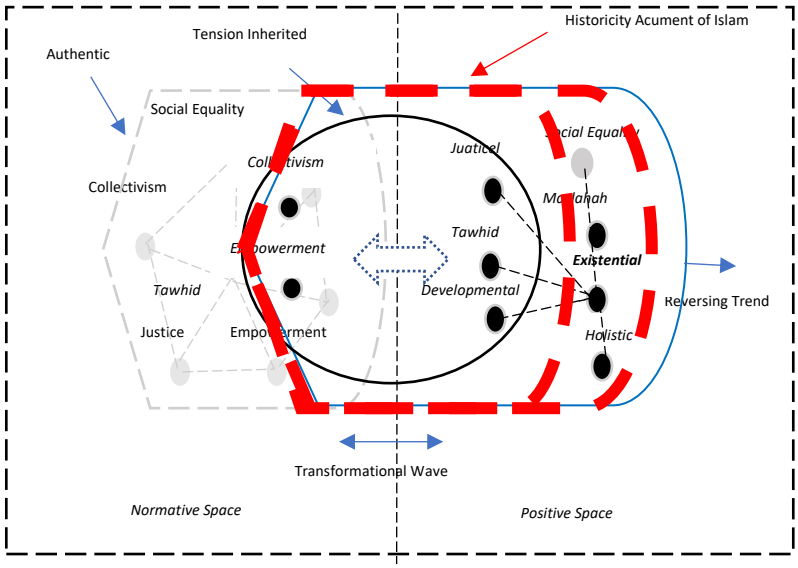


Furthermore, global cultural capital was also significantly important in converging a developmental orientation with *rahmatan lil alamin* values, to be translated through the suggested form of reflection within Islamic finance. The presence of this cultural capital filled the gap in explaining the credentials, stimulating the transformational wave of Islamic economic activism, moving from economy toward finance as existential presence. As

illustrated in Figure 6.11, the net of values embodiment in red was the one that accommodated transformation into a positive arena from its normative orientation. Similarly, historical acumen of Islam as cultural capital has become the resource for awakening activism by seeking a greater purpose for the *maqasid*, contracting from a reversing trend. The presence of such cultural capital suggested that the purification norm was not entirely new as such practices were part of the acumen of historicity of Islam.

Figure 6.12 depicts a heterogeneity in implementing a value orientation. Islamic historicity highlights the tension of the Islamically-related development articulation. The tension between authentic value orientation and a revivalist one is a situation experienced outside the economic realm that was extended to Islamic economic activism and triggered by the dynamicity and refinement of the historicity of Islam as cultural capital. It originated from two different orientations, where one is related to Islamic economic articulation as a continuation, hence, evolution, while the other refers to a historical reference regarding pure forms of Islam. This has resulted in an awakening with a different form of attitude and orientation demonstrated by a negotiation between the two.

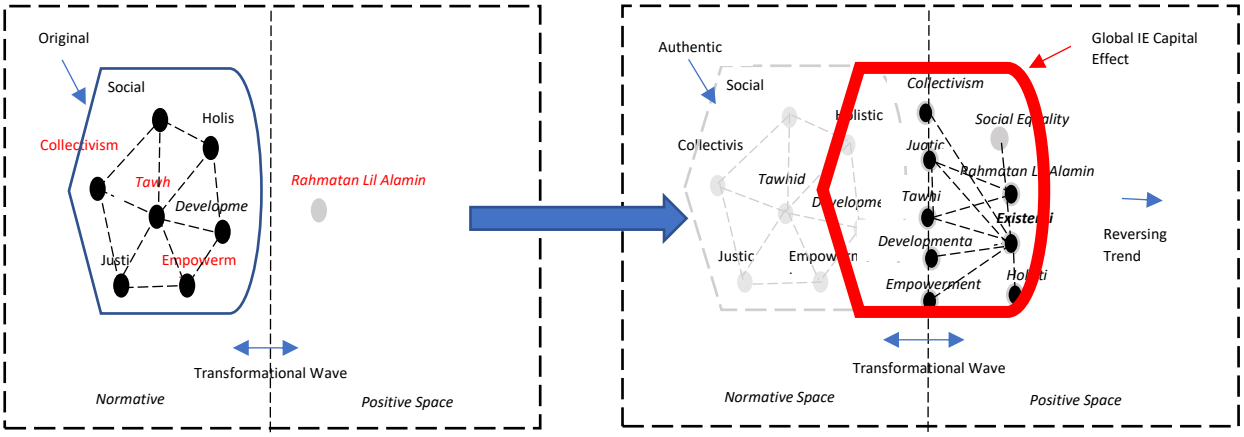
Figure 6.12: Depiction of the Cultural Capital of Historical Acumen of Islam



Furthermore, it is revealed that Indonesian Islamic economic activism inherited a specific collectivism and empowerment articulation of *tawhid* guided by the spirit of *rahmatan lil alamin*, the core of which established an independent orientation within a recognition of the importance of the positive reflection of this spirit. As this capital is imbued with a dynamic orientation, this in-house cultural capital shares ground with global Islamic economic cultural capital in offering a solution to economic problems. This is demonstrated in Figure 6.13, where

actors of Islamic economic movements not only implemented related values, but these were already inherent within Indonesian Islam.

Figure 6.13: Indonesian Islamic Cultural Capital Interaction with the Global Islamic Economic Capital



Similarly, Indonesian Islam as cultural capital served as a contracting element to the original substance orientation when its existential presence was gradually losing its identity. In that, this cultural capital acted as a counter-influence on the saturation of identity as existential presence.

Figure 6.14: Indonesian Islamic Historicity Capital in Interaction with Islamic Historicity

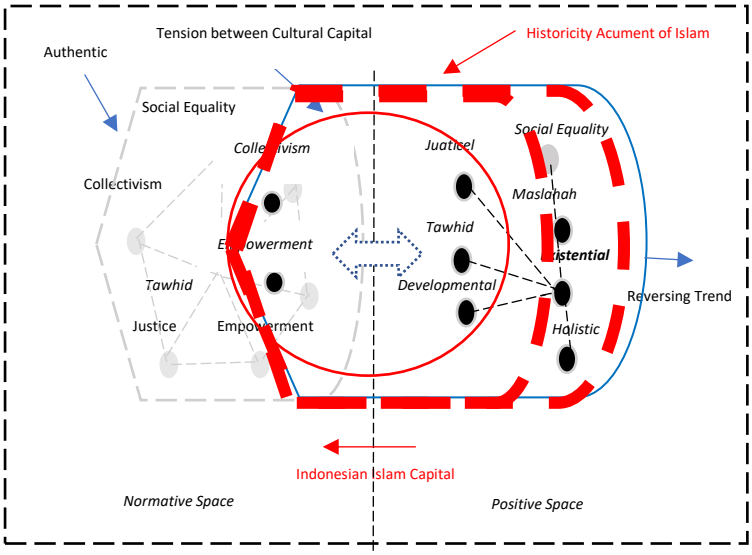


Figure 6.14 draws upon an interaction of these two cultural repertoires. The historicity of Islam recognised a break from normativeness to adjust to a positive interpretation of *Tawhid*, reaching to *falah*. On the other hand, Indonesian Islamic cultural capital acted as a contracting force proposing value essentialisation within a normative sense to delineate Islamic economic

conception within an authentic form. This supposed that Indonesian Islamic cultural capital has an element of expansion and contraction in the activism.

The recognition of the cultural capitals above allows this research to fill in the gap as to how the process was occurring. From a break in the activism approach to its awakening consideration, cultural capital worked towards exposing a condition resulting from the attached culture, which assisted in determining the underlying factors of the emergence process. Following this consideration of cultural capital, roles emerged and were incorporated within the activism, which is explored as a derivation from a deeper causal influence emerging into a tangible form of roles.

6.6. EMERGED AND INCORPORATED ROLES

When a collection of norms connected and interacted with cultural capital, roles were often formed and allocated to an individual as a fulfiller of a particular function within a social position (Portes, 2010: 52). Within this role, normative motives, skills, and tools are attached. In the Indonesian Islamic economic experience, the roles that emerged from the data, contributing to both the emergence and the development of Islamic economic imagination and its institutions consisted of, among others, *ulama*, intellectuals, technocrats, bureaucrats, activists and converging professionals. In the following sections, both pre-emergent roles and emerging ones are identified and discussed in relation to the substantiation and process of the institutional emergence of Islamic economy. Following a social constructivist dimension, both motives and their actualisation was considered in their natural setting as part of the contributive ideas and articulation that set up the framework of Islamic economic imagination and its institutional formations. Hence, it is part of the aim of this section to identify the diversified dimension of each individual performing roles and the accentuation of the roles mentioned.

6.6.1. *Ulama*

Ulama were discussed frequently for its role within Islamic economic activism. In particular, *ulama*'s active engagement in propagating a coalitional approach and a collaborative scheme in actualising Islamic economic values and norms in the form of institutional products and tangible practices has been frequently mentioned in the data. Hence, Islamic economic products of Islamic financial institutions, such as Islamic banks, have had a direct attachment to the work of *ulama* in not only preserving Islamic values and norms within the institutional form but also

in their direct action in motivating other actors and resources to support this institutional emergence (KP).

The context that cannot be ignored within Islamic economic emergence in Indonesia is the modernisation of the institution of *ulama* through which modernism was embraced and reflected in its institutionalised approach. This transformation has turned the positioning and characteristics of *ulama* into a more active and participative force in shaping social life, including in the economic sector. This is viewed as the emergence of *ulama*'s activeness in embarking on the Islamic economic project and importantly contributing to the emergence of the first generation of Islamic economic activists.

In the mind of the first generation, the role of *ulama* was essentially related to the provision of the base of Islamic economic operation, without which the legitimacy of its presence and operation is deemed invalid. Beside its active engagement, *ulama*'s presence importantly laid the foundation of authentic values, including *Tawhidian,* in the sense of imbuing holistic, collectivist, and justice consequence as core values of the framework of Islamic economic foundation. From these values, *riba*-circumvention was set as the norm together with Islamic historicity as cultural capital, which impose a space within which Islamic economics should be constructed. Hence, *ulama*'s participation within Islamic economic activism in Indonesia during the first generation contributed to setting the base for an Islamic economic movement within these influencing values, norms, and cultural capital.

As the activism moved to the next stage, the role of the *ulama* was defined by its competency within *Shari'ah* in supporting the application of a partnership mode as a ground to comingle finance with *Shari'ah*. This means that the scope of activity by the *ulama* expanded from bringing together different stakeholders to generating a product to include shaping-re-shaping economic and financial products and practices. This additional task inevitably emphasised what can be facilitated by existential presence, and, as such, norm accentuation was the closest to this realisation. This situation indirectly affected the initial commitment as it created a dual orientation, with one emphasis on value orientation and the other on its applicability. In one stream, an emphasis was placed on a *Tawhidian* reflection within holistic and authentic manner, containing its limitation within the greater Islamic historicity capital (MSA). In another stream, collectivism and values of justice within an Indonesian context, placed greater emphasis on *riba* circumvention, and were articulated as the focus for re-shaping Islamic economic products and practices (AK). The difference between these two approaches is united by the focus on

preserving identity through existential practices. Hence, the focus on the maintenance of existence is in presence and enforced through its role with different emphasises of the product.

The transformation of *ulama*'s activeness from product generation to a shaping-re-shaping orientation suggested that the role of *ulama* within Islamic economic activism has expanded and gradually shifted. The greater portion of *ulama* activism resorted in the *fatwa's* issued, with a great portion covering the banking sector. This indicates that the idea of a particular model of the economy within greater socio-economic issues has come down to the operationalisation of the product of this activism. Therefore, the trend is suggestive of an *ulama* turning into a legitimacy provider rather than civil leaders, as the role has been presumed, pushing for another experimentative realisation of economic ideas within an Islamic perspective. As a result, the outcome of the activism is expected to be less disruptive than when *ulama* exercised its civil power. Within this emerging trend, streams of activism led by *Tawhidian* and collectivist values were sparked within the cultural capital formed by Islam and Indonesia, to cement a value-orientation within Islamic economic presence (AA, YI). The articulation often branched out, with one side emphasising the importance of the existential presence on the reflection of values and orientation above while the other emphasised the implementation of *riba* circumvention norms within existing Islamic economic institutions.

6.6.2. Intellectual

The role of an intellectual is adopted mainly by early generation of Islamic economic activists, which not only contextualises the Islamic economic movement in Indonesia but also substantiates its presence within a particular framework of values and norms. It was not mentioned directly in most cases, yet, in engaging with the triumph of articulating the values and norms of Islam in the economy, this role was critical in stimulating institutional emergence. Hence, the role's contribution could be considered as one that delineated the pathway and framework for Islamic economics to take a form that developed and continued until the present time.

The context that is relevant to the intellectual role in driving the emergence of Islamic economics in Indonesia rests on the extent to which global movement impinged on Islamic economy and conjugated with past Indonesian Islam, the development issue in Indonesia as well as the increasing importance of existence as one that preserves the motivation and goals of a particular alignment of economic approach in Indonesia. Indeed, the Indonesian story on

the emergence of Islamic economic and financial institutions cannot be separated from the OIC members meeting and the rise of IDB (AMS, HA, JA). Within the intention of boosting the member countries' development, the first Islamic economic conference viewed the importance of finance as well as the problem of finance. On the one hand, the developmental challenge was hindered by the capital available (AMS). On the other hand, the required resources could only be provided by what are considered as unlawful practices, resulting in the financial exclusion of Muslims from economic activities (JAS). This situation has inspired the rise of global practices of Islamic values and norms in finance through experimentation and modification, which should not only offer a solution but also act as a promoter of Islamic teaching within economics and finance.

Whilst there has been a global movement in the pursuance of Islamic economic institution, the reality of Muslim involvement in private economy has been surrounded by undercapitalisation problem where an alternative concept tailored to Indonesian finance is needed (DR). Therefore, the global proposal seemed to be appealing to the needs of the country. Nevertheless, past Indonesian Islam inevitably demanded an authentic Indonesian Islamic economy. This was related to an avoidance attitude towards foreign concepts in the economy, which caused alien ideas to Islamic development in Indonesia to be less relevant for Indonesian development in Islam and economy (JA). Here, its post-colonial context could not be detached from the fact that the Bretton-Wood institutions of the IMF and the IBRD were seen as a new form of colonialisation, only serving the interests of capital owners through a pre-determined secured rate (HA). This new strategy of colonialisation is emphasised in the following statement:

> …When we are looking back at the history…back to the time of the world war, the war was claimed by America and United Kingdom, the western countries, while others lost. They ended up [with post war strategy for reconstruction] establishing an institution for development on this war ruined. At that time, they establish IMF, International Monetary Fund, and that is through IMF. Beside that, they [the group] also founded international bank for reconstruction and development. What is the implication? The current practices was that, in principle, that people who are after capital,[must] borrow and pay interest, isn't that?... (HA)

As Indonesia was part of this anti-thesis, the relevancy of the independent characteristic of conception within the state of Indonesian development and its Islamic articulation would not allow a global movement to be easily adopted without considering its own state of progress.

The issue of development was important in this regard as the emergence of Islamic economic institution was within a responsive attitude toward underdevelopment and the indebted

condition of OIC member countries, including Indonesia. Finance, as an important agent for development, was then embraced in order for member countries to facilitate development, with a particular focus on SME stimulation (AMS). This initiated Islamic embracement toward development in the material sense, over which the emergence of an Islamic economic framework and system would only be possible through strengthening capital for development (DR). Hence, the original realisation was indeed one step before reaching into a developmental orientation. Nevertheless, this did not necessarily mean that its Islamic developmental orientation was not pursued. Initially, developmental value should be first seen as part of an Islamic value system. Within this, the mechanism for development was introduced, through which it suggests a collective attempt at development within an interconnected, socially responsible and commercially viable dimension. Ultimately, this value orientation was to shift the base of the economy from individually-driven incentives to a broader issue.

While the developmental agenda within internal and external dynamics was an important driver of the substantiation of Islamic economic presence, the only framework that could facilitate the existence of this agenda could only be extracted out of *taqwa* institutonalisation and its *riba* circumvention norm. This would relate the Indonesian story to the global narrative, whereby it viewed interest-taking as part of *riba* that is *haram* and, hence, becomes unlawful (AMS, JA, NI). Nevertheless, this echo-reflection could not be left out of its original value over which it aims to seek an alternative framework through which reality and realism were not disguised in an apolitical manner to a realist 'just' orientation (MEN). This was initiated within finance, with an emphasis on lawfulness through institutionalising *fatwa*, being a presence to stimulate othering forms of finance containing financial exclusion on the ground of its unlawfulness. As it emphasises the lawfulness of its arrangement for allowing its existence that preserves not only the codified law but also the motive and orientation of Islam in the economy, intellectuals join together with *ulama* to ensure that capital provision can be provided in a manner that allows Muslims to engage in the economy and contribute to the development of the nation (DR), focusing on its early articulative form in the emergence of institution.

6.6.3. Institutional Activists (From Various Backgrounds)

Institutional activists have played an increasing role in Islamic economic institutional emergence. This role emerged since the first generation and has expanded extensively from the second generation. This emerging role occurred following the institutionalisation of value system of Islam in finance, which positions the institutional activist as not only the proponent

of institutional means, approaches, and contribution but also as the main engine of institutional development. Hence, this distinguishes the role from the ordinary activist's commitment, consistency, and impact as a norm entrepreneur in turning Islamic economics' cause, conception, and imagination into practices within the scope and context of each of these activist positions. Importantly, it is rather an informal role within which one is defined not due to the incentives or formal burden imposed onto the activist, but rather due to activist's alignment to the Islamic economic cause within its scale. The presence of activists within Islamic economic institutional pursuance was confirmed by the civil characteristic of Indonesian Islamic economic experience; these were heterogeneous in motives, civility basis, and peripheral action on a bottom-up basis, which is extensively discussed in Chapter 7.

In regard to the scale of their specialisation and contribution, their areas could be divided between the spheres of institutional presence, from micro, through *meso*, to the macro sphere. The micro-level is the basis of the scale with institutions that are either bounded by geographical location, a nominated scale and size, and a basic form of connectivity and implication. On the other hand, the macro-level represents a nation-wide institutional scope that is comprised of multiple micro-units and multi-layered, smaller institutional units, which create a higher level of complexity, and multidimensional reality, yet, with an extending outreach of impact due to their scale. Slotting between this micro-and-macro-institutional level, *meso*-institutions fill the gap providing an outreach and scope that is wider than the micro-level, with scale and size at a multiplied micro-level, developing and expanding a form of connectivity and implication, simultaneously existing within the macro-level and even confined and affected by a macro-level institutional framework. This form of division represents the scale of each realisation, containing not only on its emphasis and orientation, but also the magnitude of its imaginative realisation and its contextualisation. Within the scope of Islamic economic emergence, the institutional activists spread their contribution with a particular scope that was linked to the original occupation and engagement with Islamic economic cause, especially in finance.

Institutional activists were moved by the idea of existence, collectivism as a dynamic view, holisticness in development values and the empowerment orientation within the values related by the activists, while *riba*-circumvention to economic independency was set as the defining norm of such roles. In general, existential values anchor the motives and aspirations of institutional activists, with the recognition of the growing importance of its material presence

securing identity or ideological articulation (RP, SP, ISB). Since preserving identity requires capital (ISB), existence as a means for substantiation is set by a move from the suitability of Islamic economic institution in solving structural (institutional) problems in the economy following Asian financial crisis (RK), to the promising real-oriented, less burdening, and widened access of Islamic economic institutional concepts in the call for addressing side-streaming problem that caused this financial crisis (AK). One of the points is best described in the following statement:

> ...There has to be equilibrium between financial and real sector by embedding real sector [with financial sector]. Therefore, the purpose of financing in Islamic economic [include among others] avoiding sidestreaming and misuse of financing but also on what kind of contract… (AK)

A certain degree of original value remained intact through the reflection of *riba* circumvention norm, within which unintentional and indirect preservation of values of Islam in the periphery were maintained by creating order with a less-to-no attachment to *ribawi* activities (HMD). Nevertheless, the contextualisation moved when the existential proposition shifted into a higher stage, with the emphasis on either a Muslim majority thesis, i.e. middle-class Muslims, and their particular lifestyle (AI), or on the grounds of the existing presence of *zakah*, which was already integrated into the economy and within which an expansion to other forms was inherently possible (RK).

The internalisation of collectivist value through playing the role of institutional activists evolved over time with the shift on its substantiation of collectivism and its actualised form. While the consciousness of collectivist formation of the past within the rise of coalitional power and channelling practices were considered strengths (AN), the trend of collectivist articulation altered toward the means of authentication rather than internalised value (HMD). In other words, the form of collective action was rather replaced by a disorganised form of collectivity (AK). In accommodating a heterogeneity of views (AI), collectivity relied upon its consequences, which was followed by integration. Indirectly, it moved via the assumption that collectivism is a tangible action, where one existence automatically gave rise to another. For macro-level coordination this was expected to be led by the government (TA). While this was seen as an unrealistic form of collectivist value, a new measure for proposing collectivism entered the path of integration between commercially-oriented institutions and philanthropic-based institutions in order to reach its pre-supposed end. Such a tendency was seen as the orientation moved to higher levels of abstraction.

While the accentuation of existential and collectivist values experienced an adverse transformation with the negligence of preserved identity that comprised values and a rather micro-level articulation, holistic accentuation was a value experiencing expansion of scope. While the articulation of *kaffah* ("holistic") value is often problematic when it is interpreted with a Muslim majority argument, which leads to imposed domination rather than the outreach of such values (DM), its core transcends from a sole orientation into action (HMD). From an individual-oriented expansion of *kaffah* (RP), the weight on actualisation has led to institutionalisation and systemisation (SP), within which *shari'ah* finance emerges as the achievement (RK). Furthermore, *kaffah* re-interpretation has acted in redeeming the effect converging trend from the original by stretching the boundary and coverage to go beyond finance (ISB). In that, the expansion of holistic value has positive feedback, retaining Islamic economic novelty purpose.

In a similar trend to the actualisation of holisticness, the value of empowerment was also able to alleviate institutional activists' burden in the actualisation of empowerment. In the emergence of Islamic economic discourse, empowerment value was able to stretch into experimentation with the intention of reaching a solution for micro-level problems of underprivileged through the establishment of a cooperative-acting-financing institution that propelled such a purpose (AN). Indeed, it was becoming apparent that empowerment was translated into a facilitative act of productive activities through investment channelling (RP). Instead of empowerment as a direct determining value, institutional activism was propagating acceleration as a moderation to empowerment with its focus on finance. The adaptive nature produced a less stringent structure to push forward underprivilege and to speed up the process (AI) within which Islamic economic conception synergised with modern economic developmental situations, stimulating a promising direction for empowerment. Even when it was realised that having a financial structure as the base of empowerment was not serving the purpose, its empowerment value was the one that sought to push the boundary to attach risks and opportunity as a united condition for empowerment. Therefore, it was moving into a positive expanding trend of realisation.

The norms that emerged and accentuated as the primary guidance of institutional activists were, among others, *riba*-circumvention and economic independency. *Riba* circumvention acted as the central norm of the preservation of Islamic values, extending from 'just' to 'authentic' sense within which its institutional activist was acted upon. In the process of refinement of existential

articulation, which requires both resources and recognition of its importance, the presence of this norm anchored a reflection of identity within the activism of the institutionalist, ensuring a minimum bar of negotiation. In the micro-level contextualisation, its presence was favoured in addressing the problem of *rente* (loan-shark practices) through *muamalah* articulation (HMD). Micro-oriented institutional activists' endorsement of BMT has provided the facility for business within articulating and actualising *rahmatan lil alamin* (AN). When it was substantiated into a *meso*-level initiative, institutional activism often needed to bind this norm into a non-exploitative and economically viable norm transformer (AK, SP), which often came with an undermining consequence to the existing system of financing. With the recent case of structural shock originating from the global financial crisis, the accentuation of value of Islam in the economy was secondary to delegitimising other construct values and norms, the framework of which has been adopted for institutional realisation by focusing on gaining recognition.

Independency in the economy worked as a norm to complement *riba*-circumvention norms, where it demands an orientation that allows the activists to continue experimenting and experiencing to propel institutional emergence development (AN). The natural consequence of this norm was its anti-thesis reaction toward imposing values, norms, and structure, demanding accommodative regulatory arrangements for diversification, initiative, and creativity for existence from micro-level to meso-level (RP). Such norms are an accommodation of holistic and empowering values propagating by Islamic teaching in the economy. As the trend moved toward increasing regulatory imposition, fragmentation within activism became inevitable (TA), converging a stream of independent orientations into a mainstreaming attitude and reducing the degree of independency that institutional activists could explore in preserving the values they were aiming to secure.

While such a trend was emerging, independency was even extended to a higher level with an expectation for economic independency at the national level sourced from Islamic teaching (ISB). Nevertheless, the latter remained as an unfinished job with the limitation of institutional contribution. The main focus on independency as a norm of institutional activism continuously challenged its actualisation in the area of finance with its non-empowering pressure and centralisation of the financial arrangement, creating a dynamism not only in preserving the presence of values but also within the greater orientation of the institution of Islamic finance.

Of significance here, independency as a norm exemplifies importance with a transforming collectivism value, moving from a direct collective action into an indirect and disorganised form of activism in a collective manner. In such a condition, independence norm would ensure that the pursuance of Islamic economic agenda by institutional activists continued in the absence of collective mobilisation and leadership to reach a shared common ground (AI). This further substantiated the institutionalisation process as a ground to negotiate motives and contextualisation in a heterogeneously formed manner, with a recognition that a trickle-down effect on the institution could not be depended upon even when the government was changing its approach (TA).

6.6.4. Technocrats

Technocrat as a role did not emerge due to Islamic economic activism but was rather inherited from the state administrative structure and filled by public servants with particular skills and expertise. Unlike the bureaucrat role that poses a capacity and a power imbued with the formal rules and procedures that it embodies, technocrats are those individuals with expertise in a particular field. Due to their training and positions, they are engaged in the problem-solving of social issues applying a scientific approach and even technological tools. Hence, they were assigned to a role in the problem-solving process based on issues related to socio-economic sphere.

The role of technocrat in the emergence of Islamic economic institutions is crucial in accommodating aspirations, facilitating the process of formalisation and transformation, and even acting as the driver of the emergence of Islamic economic institutions. The role that the technocrat played in the emergence of first Islamic bank, the recognition of its operation within the country's legal framework, the introduction of the Act in financial services to accommodate Islamic financial practices, and the allocation of resources and attention to foster the development of Islamic economic institutions were among technocrat's contribution to the emergence and development of Islamic economic institutions. Hence, technocrats have often been at the forefront negotiating Islamic economic institutional emergence.

The involvement of actors in this role could be due to either personal conviction or assignment to the fulfilment of this role. Based on the interviews, technocrats who were involved with Islamic economic projects due to conviction have a greater awareness of its value orientation and consequential norms propagated by Islamic economic imagination. Such awareness may

include the recognition of its developmental orientation in providing a pooled fund for development (KP, CHA), the important role of *ulama* in leading society, including Islamic economic causes (KP), holistic consequences of Islamic teaching, including for the economy (CHA), pursuance of justice within an Islamic conception of economy through *riba* circumvention (ASC, SBU), or even addressing the existing economic problems considered drawbacks within the current system (SBU, ASC, CHA).

On the other hand, those interviewees assigned to bring support or supervise Islamic economic institutional emergence and development highlighted the relation of the endeavour of Islamic economic activism to its ideological attachment (MS, RI), *shari'ah* consequence (MS), and *riba* circumvention motives (RZ, MT, RI). Only two of the four assigned technocrats (RZ, RI) recognised the link that Islamic economic institutional emergence has with issues determining what is 'just', which potentially locates such technocrats within the norms of Islamic economy that contain a formal consequence to the practices of the institution. In that, those assigned technocrats would be more like passive activists or enthusiasts of Islamic economic activism.

Beside the initial motives in engaging with Islamic economic activism, technocrats who were interviewed as part of this research highlighted two different contexts which were related to this activism, which set the difference in the cause of Islamic economic pursuance. On the one hand, activism was related to the collective value of Islam (MS, MT, ASC). Here, it was seen as the collective contribution of Islam to the economy. On a different spectrum, activism is associated with revivalist trends of Islam, within which this articulation found its meaning. In that, the former ties to a contributive orientation, while the latter concerns the importance of symbolism. The emphasis on the different contexts of this activism and their involvement demonstrates the shape of the Islamic economic articulation and its reflective values, and to what extent their substantiation of *riba*-circumvention reflects upon the course of Islamic economic development.

6.6.5. Converged Institutionalist or Professional and Elite Bureaucrats

Converged institutionalist is a role created in attachment to Islamic financial institutional emergence. Due to this institutional emergence, the role arose both within the organisation of Islamic finance as well as relevant entities linked to the institution of Islamic finance. While it is related to Islamic economic cause, the role could be filled by individuals from various backgrounds and such specificity of the role would be defined by the nature of its organisation

and institutional setting. Hence, either an enthusiast of Islamic economy or a converging individual into the institutional setting filled this role. Nevertheless, the situation and challenge it faced, and the magnitude of the role, would depend on the functioning and contribution of the role. For converged institutionalists, the scope spans from unit level into organisational ecology level, which means that each role represents a degree of specificity in relation to Islamic economic emergence.

As converged institutionalists, they derived from the second generation; hence, their contextualisation often refers to the nature and the role of the structure that they held. Furthermore, the scope of the contribution is defined by the boundary of their formal role. Within this, it was not surprising that values recognition of Islamic economics was rather limited (FA, AFN, VR, AS, S, PS). Instead of the values that Islamic economic cause was promoting, the figures performing such roles were only akin to being task bound by the position.

Within the converged institutionalists interviewed, the emergence of Islamic financial institution was substantiated with a revival of Islamic issues. This covered the emergence of a green symbol during the institutional emergence era, which represents the rising awareness of groups leading to the Islamisation cause (AFN), emerging trends on the revival of the practices of Islam from intellectuals (FA), and facilitation and provision of religious needs referring to lifestyle (VR). This suggested that such a situation was emerging and not well identified by these converged activists as expressed in the following statement:

> ... when the stakehoders view this [Islamic economics and finance] as the needs of the people, they [must facilitate through] intervene in politics, economic, fiscal and monetary... Eventually this increase the needs of grand strategy as it is inevitable, especially the government act to facilitate the needs... (VR)

Institutionalists converged out of the conviction that bettering the situation, as the recognition of the values that the cause was promoting, was well identified with the issues of existential, collectivism (FA), holistic values (AFN), inclusiveness and *tawhidian* (FA, AFN). Nevertheless, this recognition was also confined by the role it performed, leading to an action that placed emphasis on the contractual base (FA, AFN), standardisation (FA, VR), and the filtering approach (FA, AFN). Exploration was indeed prime (FA, VR), yet, the presence of an imposed requirement set the bar to personal motive, convinced by institutional setup (FA, AFN). Such a recognition of this institutional imposition was seen as the dominant behaviour within what can be performed by the converged institutionalist (FA, AFN, AS, S).

With such confinement created by institutional imposition, the expectation for government activity was viewed by converged institutionalists as necessary for institutional existence. Converged institutionalists within meso-organisational levels observed that intervention from the government was necessary to strengthen institutional presence. This is taken from the form of direct aligned-action through resource placement (AS) and depended engagement (PS). For personally-convicted institutionalists, government activity demonstrated a commitment to facilitate the provision of needs, related to religious activities, as part of the improvement of people's welfare (VR). Both these orientations viewed government action as the only source for change and transformation with considerable magnitude.

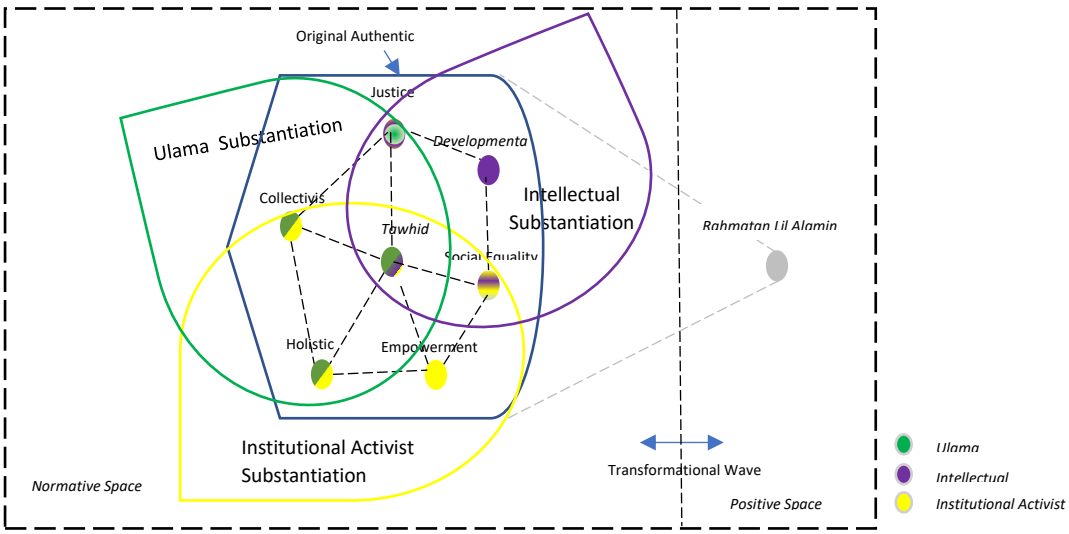
This recent development of the Islamic financial cause in Indonesia has only lately exhibited a behaviour towards government alignment, with a national-level coordinated agency formation (PS). Prior to this trend, institutions of Islamic finance were open to an institutional frame. Open competition was present without intervention, such as incentives (AS) or any treatment recognition, and its stage of development, which is necessary to equalise the playing field, leaving its presence to be less impactful (VR). On subscription to a rational market orientation, this non-levelled condition deteriorated institutional expansion, which affected the role played by the converged institutionalist (FA). The government-aligned configuration is seen as a positive move by the government in driving the expansion of Islamic finance.

6.6.6. Third Stage of Depiction of the Causal Condition – Emerged Roles and Incorporated Roles

Portes (2010: 52) defines roles as "organised bundles" of "free-floating" norms. Following this definition, norms and values sketching the roles are identified and linked simultaneously across roles by using information obtained from the interviewees. Indeed, it partially describes the totality of values-norms and cognitive repertoires that embody the roles. Nevertheless, it stressed values-norms that were shared among activists of Indonesian Islamic economic activism, stimulating activists to articulate their aspired value system. Indonesian Islamic economic activism is accounted by activists performing roles that either specifically emerged from the signifying value system of Islamic economy or evolved due to activism crossing into its area of interest and legitimacy. There are five roles identified within activism with their respective roles: *ulama*, intellectual, institutional activist, technocrat, and converged professionals and bureaucrats. Three roles have come about since the emergence of Islamic economic activism within the first generation: i.e. *ulama*, intellectual, and institutional activist.

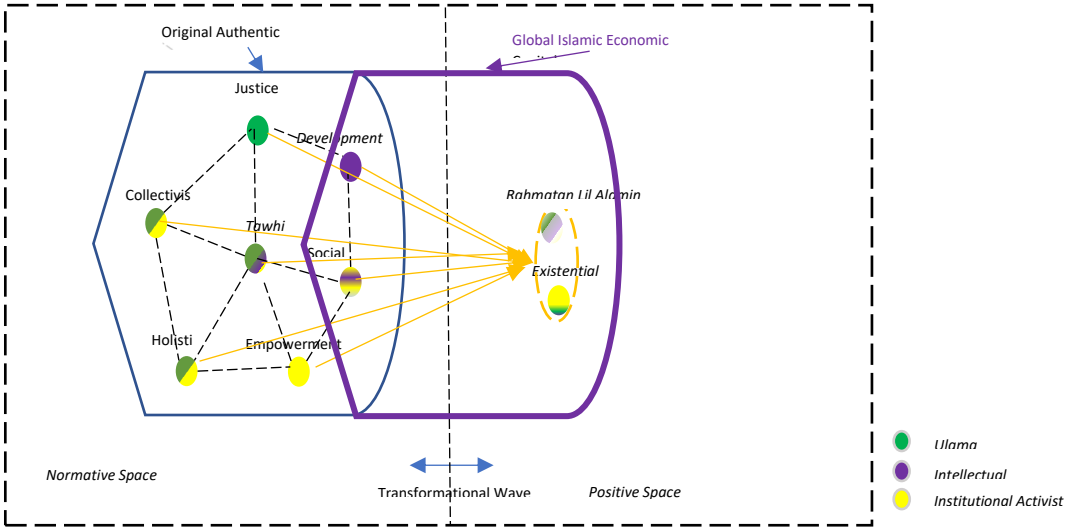
Figure 6.15 depicts value substantiation and attachment to roles that emerged in the first-generation activism. As the inheritance of value system of Islam, *Ulama* substantiates *Tawhid*, holistic, collectivism, and justice are placed forward in generating a substantiation of the importance of circumcising *riba* from economic activities. This set of values and norms converged with activists who played the role of intellectual and institutional advocates. While the intellectual was moved by their orientation towards development, institutional activists added an element of empowerment, together with collectiveness and holisticity, to Indonesian Islamic economic activism. With *Tawhid* as its centre, this collection of values defines the original authenticity of Indonesian Islamic economic activism. Furthermore, the spirit of articulation of this collection of values is guided by *rahmatan lil alamin* values. Such values propel activism, with an orientation to offer benefits and solutions to issues of importance.

Figure 6.15: Depiction of Value-Base of the First Generation with its Attachment to Role



As it moved toward the second generation, institutional activists brought about the importance of existence. Figure 6.16 presents the effect of this emerging value on activism. The essentialisation of existence as an important value mechanism is conceivable in activism based upon share orientation with *rahmatan lil alamin* on the ground of its attempt to deliver a beneficial outcome.

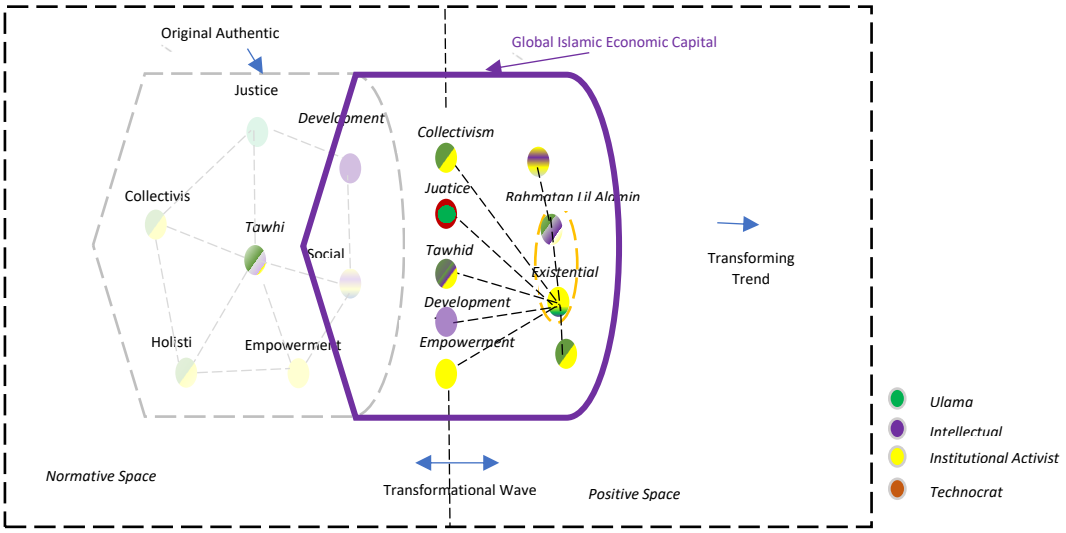
Figure 6.16: Depiction of Values-Cultural Capital in Transition from First Generation to Second Generation



As such, value emerged and activated *rahmatan lil alamin* orientation of Indonesian Islamic economic activism; this not only adds to activism's set of values but also refines the values within the initial authentic web towards a positive space. Within this process, the influence of global Islamic economic cultural capital contributes in shaping values which shift towards the arena of existentialist with its value system weighted toward financial space as promoted by intellectuals. Nevertheless, such a frame is scrutinised by *rahmatan lil alamin* values of Indonesian Islam's historicity, infusing an element of the solutive within value shifts. In so doing, the interaction between *ulama*, institutional activists and technocrats marked the beginning of value essentialisation approaching the positive realm.

From the second generation, the magnitude of the institutional activist's value substantiation elevated, which stressed the existential consideration as a key element, while the intellectuals were losing their spot within activism. In parallel with the rise of institutional activists, the shift towards positive space was also facilitated by the technocrat as occupier of this space, sparked by the propagation of the just economy that activism promoted. As is demonstrated in Figure 6.17, second-generation activism was propelled by shift of value location towards positive space.

Figure 6.17: Depiction of Value-Base in Transition from First Generation to Second Generation



While the interaction between roles shaped the trajectory of value substantiation, their co-existence inevitably sparked variation in norms substantiation. Both *ulama* and institutional activists shared the same voice concerning the noteworthiness of *riba* circumvention in delivering justice and *rahmatan lil alamin*, within living *tawhid*. The element of justice within *riba* circumvention triggered the accommodation of technocrats to the substantiation of *riba* circumvention. Furthermore, institutional activists coloured the activism with the independency norm, whereby a living *tawhid* stressed the element of empowerment within activism accompanying *riba* circumvention. These two primary norms demonstrated a contracting and expanding element of the articulative orientation interconnected with each other, especially within the commonality it shared concerning how much the *tawhidian*-orientation offered a benefit or solution to the cause.

Figure 6.18 depicts the roles representation within the interaction of *riba*-circumvention and independency orientation of Indonesian Islamic economic activism from the first generation to the second generation. The emerging attachment of values to the existential orientation in the second generation, away from its original *tawhidian* centre, demonstrates the existential conditioning that arises along with the growing influence of institutional activists. The intermingled values of these constituting norms of Islamic economic activism also rested within existential condition, which filters its articulation to a tangible form. Correspondingly,

interaction between sharing norms and profit orientation occurred under the boundary of existential condition.

Figure 6.18: Depiction of Roles Attachment within the Interaction of Riba Circumvention and Independency Norm from 1st Generation to 2nd Generation

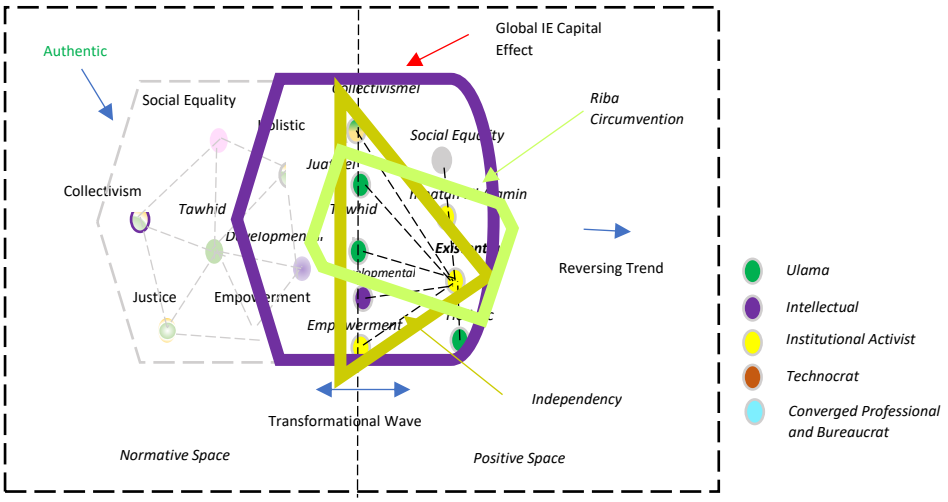
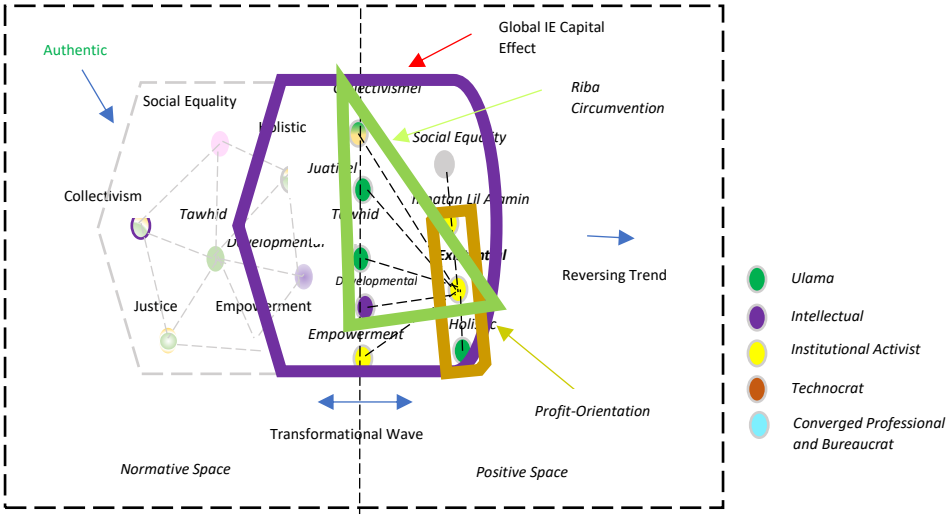


Figure 6.19 displays the two norms intersecting under existential condition. With the expansion of profit orientation, existential space for sharing is limited by the articulation of profit orientation as an existential value reflection. As a consequence, values embodied within the norms are scrutinised to existential requirements. It is important to note that social equality has been steadily disappearing since it shifted toward existentialism and left within *rahmatan lil alamin* sphere.

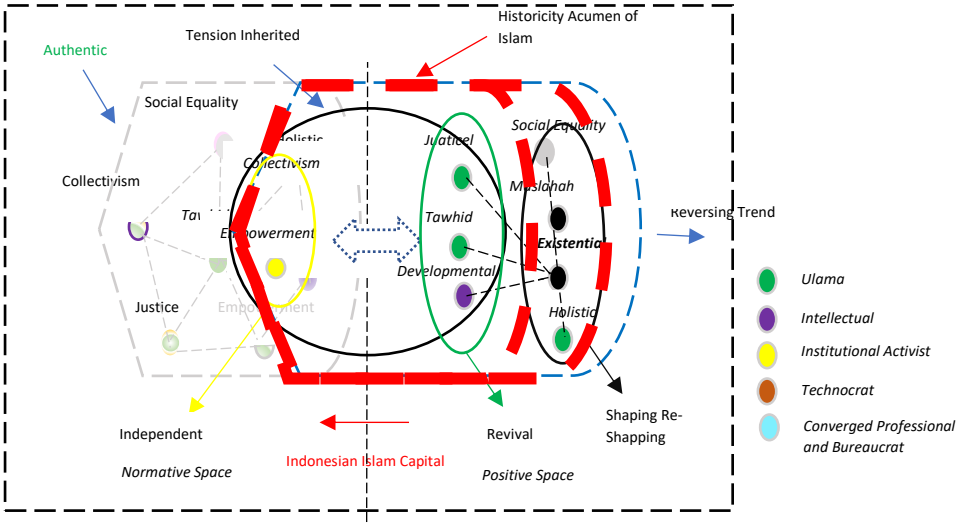
Figure 6.19: Depiction of Roles Attachment within the Interaction of Sharing Norms and Profit-Orientation Norms from 1st Generation to 2nd Generation



When it moved from the second generation to the third generation, collectivism and empowerment were displaced from the activism orientation within the social space. As suggested in the early stage of the depiction of deep causal emergence, the sustenance expectation within the existential condition pressurised collectivism, while the acceleration orientation of development minimised the space for empowerment.

Figure 6.20 depicts the roles' attachment to lower causal influence moving to the third generation. The displacement of collectivism and empowerment were noted with the shift toward normative space. However, this pattern was not only due to existential pressure and the influence of the historicity of Islam and Indonesian Islam. When *ulama* acquired its new role due to its competency within *shari'ah*, its area of contribution stretches and creates a dilemma in values' substantiation. The depiction and realisation of harmony in existence as a partial reflection of authenticity was not only hindered by sustenance but also further overridden by the preference on norm implementation because of its evolving roles within its competency.

Figure 6.20: Depiction of Roles Attachment to Values, Norms, and Cultural Capital Activation from 2nd Generation to 3rd Generation



This evolving role caused a dilemma to *ulama* in its vow for independency as a norm. As the additional role involved *ulama* with an expanding implementation of values and norms within the positive sphere, the role expected *ulama* to perform task-based competency within a particular scope. This is performed in harmony and within the influence of other roles, such as technocrats, converged bureaucrats and professionals, which worked toward the consequence of *riba* circumvention in practices through standardisation and filtering and indirectly through

the accommodation of profit-orientation. This inexorably imposed a pressure towards securing an independency norm as a manifestation of collectivist value. As acting independently was in conflict with developing the role occupied, collectivism was indeed reduced in meaning to cooperation and collective contribution within a unitary vision and collective spirit.

The pattern of the reduction of collectivism's spirit from its original position was not only identified within *ulama*'s evolving roles but also within the commitment of the activism toward a (profit-loss) sharing norm. As an articulation of collectivism's spirit, sharing norm received pressure for an existential substantiation defined by a profit orientation. The interest of technocrat, and later the converged professionals and bureaucrats, capped the articulation byshaping it within an existential boundary. This interaction undermines sharing norm articulation and, hence, leads to a reduction of collectivism's translation and subsequently its emergence within the normative sphere.

Beside the stretch that separated independency orientation in the evolvement of the roles of the *ulama*, the evolvement of the *ulama* role opened a new arena of negotiation in the influence of the historicity of Islam beyond a negotiation between *taqwa* institutionalisation and profit reflection. The articulation of *tawhid in existence* is affected by the shadow of historical practices. The pursuance of development through the reservation of individual and agency interest in the provision of needs is restrained by the expectation to deliver justice within a historically stationed mechanism. This is marked by the rise of historical institutionalism orientation in shaping existential presence of Islam in the economy, which filtered modernity with the historicity of Islam. As a result, the transformational orientation is partially set back by the *ulama*'s dualism, leading to an alignment towards a contracting pattern shaped through the elimination of malicious acts and reducing transformational characteristics toward a reverse trend.

As intellectual role disappeared when existential was set as the focus of activism and *ulama* had an increasing role in shaping and re-shaping the existential presence of Islam in the economy, the independent orientation was conserved by institutional activists, who persevered in maintaining the substance of the activism. However, such a role is placed under the burden of commercial orientation, standardisation, and an unfavourable regime, which turned such an orientation into a realisation of the partial, authentic form under sustenance. In a comparable manner, empowerment propagated by institutional activist is secondary to acceleration as a condition of the existential. As such, empowerment accentuation is detached from existential

pursuance. Indeed, it managed to introduce an element of empowerment within the existential presence of Islamic finance. Nevertheless, the presence of acceleration moderated the realisation, and left the actualisation as a normative pursuance. This condition led to the displacement of two values to its point of emergence.

The transposition on the articulation of collectivism and empowerment towards a normative realm and the contraction of *tawhid*, justice, and development within the evolution and the interaction of the roles illustrated the expansion and contraction nature within transformational expectation. From the first generation to the second generation, Islamic economic activism experienced a shift from its initial authentic reflection toward a positive realm with existential value, which arose as the premier substance by adjusting to other value substantiation. Since then, negotiation has taken place by different roles forming an existential presence contributing toward accentuation.

Nevertheless, existential emphasis is at the centre of this process and it is in favour of expanding towards positive space, even influencing the evolution of roles within the process. Articulation of Islam in the area of finance has deepened within the positive realm, backed by technocrats, converged professional and bureaucrats, and to some extent by *ulama.* In addition, the contracting element against positive deepening was recorded within historical institutionalism and an independent orientation toward authentication sparked by *ulama*, and institutional activists remained committed to the pursuance of authentication. This suggests that an orientation towards facilitating an emergence essentialising the original substance of Islamic economic and finance articulation continued even under pressure for positive reflection.

6.7. THE NOVELTY OF ISLAMIC ECONOMIC CONCEPT AND ARTICULATION: A DISCUSSION

The identification of the chain of Islamic economic values and their norms, cultural capital, and roles formed helped to put into perspective not only the interesting narrative behind this emergence story but also its foundational set-up. As suggested by its existential orientation, it qualified the naturalism requirement of emergence, which is of its material origin represented by existential value (McLaughlin, 1992; Taylor, 2012). Nevertheless, the novelty that this imagination embodied was sourced from another dimensional value, from reflection on the central consideration that economics ought to be based upon collectivism, holisticness, justice,

empowerment, and development as an articulative consequence of *tawhid*ian perspective in its transformational orientation in attaining *rahmatan lil alamin* for authentic Islamic economics. Hence, its novelty was not just the specific Islamic doctrine within its belief system but also on its grounded articulation and reflection of its authenticity within a contextualised sphere. Even within an Islamic trajectory, it is an emergence on the basis of its non-linear pattern to the previous articulation and institutionalisation of Islam, from the area of state to the institution of the economy. This suggests that a novelty characteristic was present in its very base.

While the values were novel, norms carried forward a certain degree of such novelty within the pressure for such presence. It could be majorly classified into two categories, where one poses a dimension of confinement while the other reflects an expansive nature. There were mainly two areas of norms, where one is related to formalisation and institutionalisation, while the other is related to aspiration and condition of existence. *Riba* circumventing norm that expanded to the institutionalisation of *taqwa* was inevitably bounded by a profit-orientation condition. At the same time, independency orientation with the profit-sharing proposal added a layer of condition into the existence of Islamic finance. When the situation did not favour institutionalisation due to the existence of the pressure added by profit-orientation norm, the purification norm emerged as a norm that could withstand the diverging trajectory of the articulation of values in the condition of such a context.

This again could not be separated from cultural capital within a collection of crystallised elements of values that were seen as the cultural repertoire of Islamic economic articulation. Even so, Islamic historicity capital stimulates a tension between the independent articulation of authentic pursuance and historical institutionalism that refined *tawhid* position within a certain distance from existential along with a developmental orientation and justice reflection. Such a tension was sourced from differing reference points of authenticity, where substance-oriented referred to the authenticity formed out of value substantiation deduced during the first generation, while historical institutionalism emphasised authenticity out of the reference it followed from Islamic historicity and to some extent global Islamic economic cultural capital. As historical institutionalism is closer to the existential consideration of Islamic economic articulation of finance, the proponents of this shared similarities with the technocrats and converged professionals and bureaucrats, and hence, they held common interests in the social structure. These sub-categorisations of the articulation of an Islamic value system in the

economy and finance contribute to the inability of activism to inspire Islamic economic emergence out of its novelty as the roles arising supported different causes.

In the next chapter, the process of the emergence of Islamic economic (financial) institution will be discussed in greater detail, providing an awareness of how it could potentially occur through the character of the activism and the actions performed.

Chapter 7

UNDERSTANDING THE EMERGENCE OF ISLAMIC ECONOMICS AND FINANCE IN INDONESIA: A PROCESS SUBSTANTIATION

7.1. INTRODUCTION

The previous chapter identified the novel base of the Indonesian Islamic economic movement under a deep causal influence assumption, whereby, an institution constitutes an underlying base consisting of values, norms, cultural capital and roles (Portes, 2010). By locating the fundamentals in accordance with each of these elements, the substance is constituted in an inter-generational perspective, allowing discourses, inter-role differences, and contributions to shape the articulation of the substance regarding how institutional form is formulated.

Within such a context, this chapter aims at unveiling the process leading to the emergence of Islamic economics and finance in Indonesia following the next stage of grounded procedure. In that, it presents the early model of identifying the form of emergence experience in Indonesian Islamic economics and finance. It is not the final product of theoretical saturation within grounded theory process that is concerned with, but rather a second stage analysis relating to a display of the higher level of abstraction, thereby, discussing how Islamic finance emerged. This chapter aims to develop a narrative on the emergence process of Islamic economic and financial institutions in Indonesia as part of the emergent Islamic economic movement discussed in the earlier chapter.

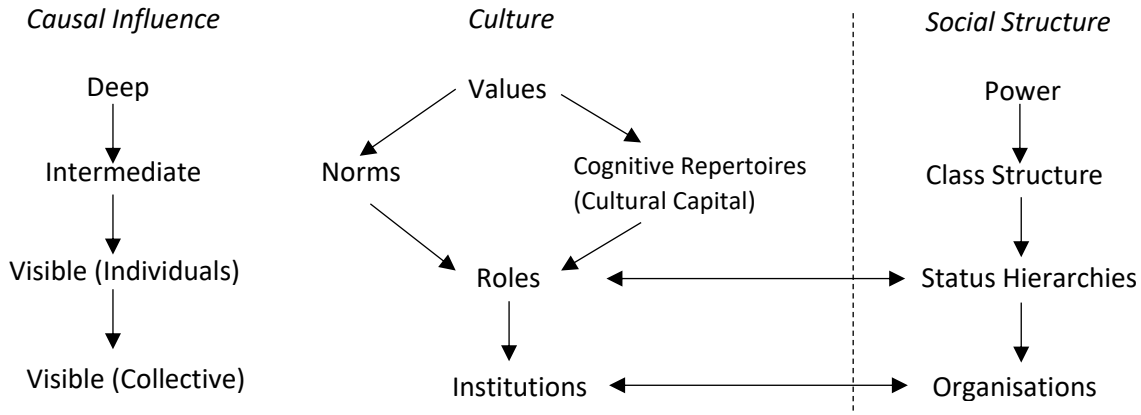
As for the organisation of the chapter, it initially discusses the process towards developing an understanding on emergence, including initial assumptions made along with the primary framework used to approach this emerging phenomenon, and how it referred and related to guiding the search for this understanding. These assumptions and frameworks are then continuously refined and restructured within the grounding process to allow the emergence of

the narrative on ascending Islamic economics and finance in Indonesia utilising an intergenerational and interacted roles lens. In the end, the emergence flow is established in a grounded manner in its initial form.

7.2. AN INVESTIGATION INTO THE PROCESS OF EMERGENCE

In the previous chapter, the cultural elements of the institution of Islamic finance is articulated, comprised of values, norms, cultural capital, and roles, subsequently, mapped out in detail. In a simple sense, the emergence of such institutions can be understood as a reflection and articulation of Islamic teaching in economy within the institutional form. While one could locate the pre-supposed element of culture within an institution, it has a degree of attachment to social structure that keeps the institution relevant for social life. Although an institution is not a social structure, it contains a reflection of social structure (Giddens, 2000). When this institution is manifested in its actual form, an organisation is turned as a tangible embodiment of the symbolic blueprint. This is due to an institutionally constituted collection of rules, defining rules of engagement between roles within a given organisation (Portes, 2015: 55).

Figure 7.1: Elements of Social Life in the Emergence of Institution



Source: Portes (2010: 54)

Figure 7.1 depicts economic sociologists' proposals in observing institutions in meta-abstraction, acknowledging the presence of cultural elements and the social structure within an institutional presence. While the cultural elements of institution is explored in Chapter 6, this chapter emphasises the social structure elements of institution with organisation forming a visible component of this structure. Nevertheless, unlike culture that related to its deep causal sources within moral values and cultural capital; social structure and its visible epitome was derived from the unique capacity of actors influencing others to follow their resolve. Following

a Weberian position, this capacity circles around the definition of power, which bind and force others to the set of rules, creating that mandatory and forcible relationship within a social structure. This creates a structure that comprises multi-layers of presence consisting both of superior and subordinate, which pressurised the independency of others to the extent of excluding the will of others (Schumpeter, 1991 [1941]; Weber *et al*, 2012 [1947]). While the traditional means for consorting power lies with retaining the means for production, a post-modern view has expanded and included othering means, such as, knowledge possession, possession to platform for information dissemination, and even the means of intensive force (Foucalt, 1972: 131). When the possessors of these means were able to utilise them to enact control, they will turn into a hegemonic class, as suggested by Marxist tradition.

The integration of class awareness is not absent from institutionalist observation, yet, its interest is narrowed into hegemony within firms, neglecting the source and process on the formation of the firm (Williamson, 1973). On the other hand, variation in the possession of power has contributed to the emergence of different social classes. Essentially, class structure is comprised of a collection of individuals that share characteristics of possession, or access to a mode of exercising will, forming particular lifestyles (Portes, 2010: 54). This characteristic reflects both privileges and problems shared in resorting intention against hindrance, which spans beyond possession of resources-based capital (Hout *et al*, 1993). When such possession entangles with legitimacy or roles-related authority, status hierarchies formed as an occupation power, where actors can perceive the underlying structure of power and classify such structure. This represents an individualised reflection of power within social structure, a collection of which, establishes organisation (Portes, 2010: 55).

With institution often defining organisational orientation, form, and action, one suggests that this relationship is skewed with institutions mastering organisation. In a broader sense, organisation is indeed affected by institutional environment through rules that determine organisational logic (Meyer and Rowan, 1977). Institutionalisation can be described as a process through which values expand the roles set within organisations (Selznic, 1996). The externality of power of institutions to introduce values and to impose logic create *isomorphism*, implying that organisations echo other sustaining organisations to cope with external pressure (DiMaggio and Powell, 1983).

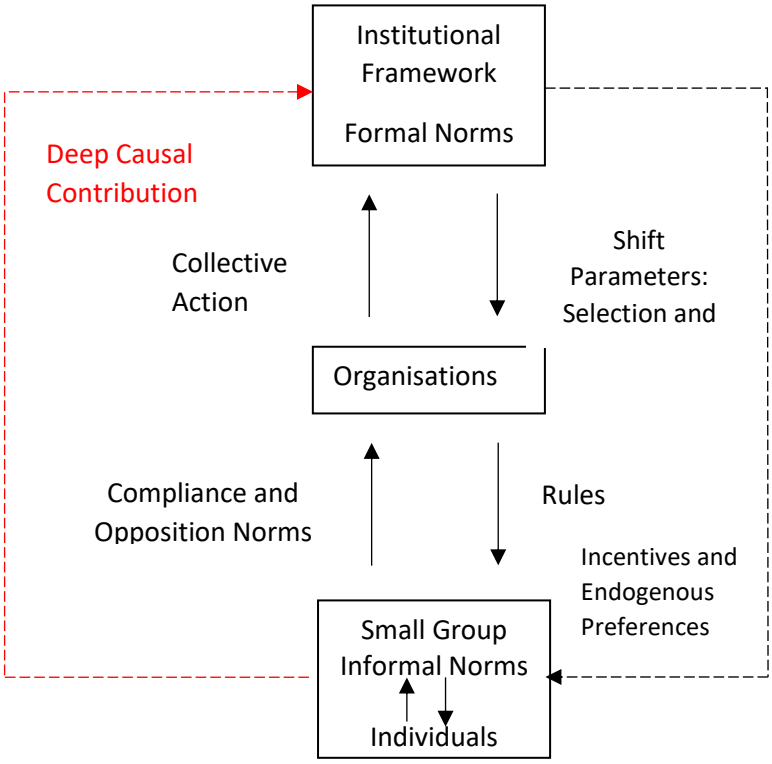
Nevertheless, the relationship established is more complex than one-sided, controlling and dominance of power. ‘The pressure’ determines institutional form and shapes organisation’s

adjustment patterns in a manner that derived from a profound foundation of culture and social structure. It should be noted that when roles and rules come together, they can pressurise their occupants and subjects. These embodiments positioned as an othering mechanism to resort values and cultural capital within different power structures assumed by these entities in delivering their will (Portes, 2015: 56). In a dynamic situation, individuals occupying positions, not only act upon rules and roles but also contribute to altering and reforming the accentuation of such expectations. This is due to individual realities and their relational and transactional basis that are ought to be bounded by rules and expected roles that are turned to reform such institutions (Granovetter, 1985), which, whereby, creates a gap between rules existed and their translated consequences.

As suggested in Chapter 3, this study develops an understanding on the emergence process of Islamic financial institutions within a pre-supposed conception that the implied condition of Islamic economic pursuance to re-embed economy through institutional forms of Islamic finance, is put into question. Nevertheless, the recognition on the variation of the area of emphasis between embeddedness in a Polanyian (1944) sense and embeddedness in a Granovetterian (1985) sense opens a dimension on the extent to which social structure is attached to, or detached from, cultural elements of the society.

On the one hand, an Islamic economic project that weight an Islamic system as the base of the institutional foundation of economy, resorted to the supremacy of cultural elements in guiding social structure. On the other hand, the emergence of Islamic financial institutions, and its progress and performance has depicted a trend of disembedness. In understanding such a situation, this research delves further into the emergence process. Figure 7.2 demonstrates action/interaction related to the relationship established within messo-structure attachment. In that, institutional framework represented a formal norm that refers to a selection and adaptation characteristic of a bounded organisation. As a visible reflection of an institution, organisations impose rules on individuals and groups. Institution also poses a degree of influence to individuals and groups within society, by determining incentive mechanisms and establishing endogenous preferences. In facing the imposition of organisations, individuals and groups within informal spaces, responds to organisations by compliance or opposition towards imposition. Similar to this, an organisation holds the capacity to respond to parameter shifts of institution as its symbolic blueprint through collective action.

Figure 7.2: New Institutionalism in Sociology - Modified



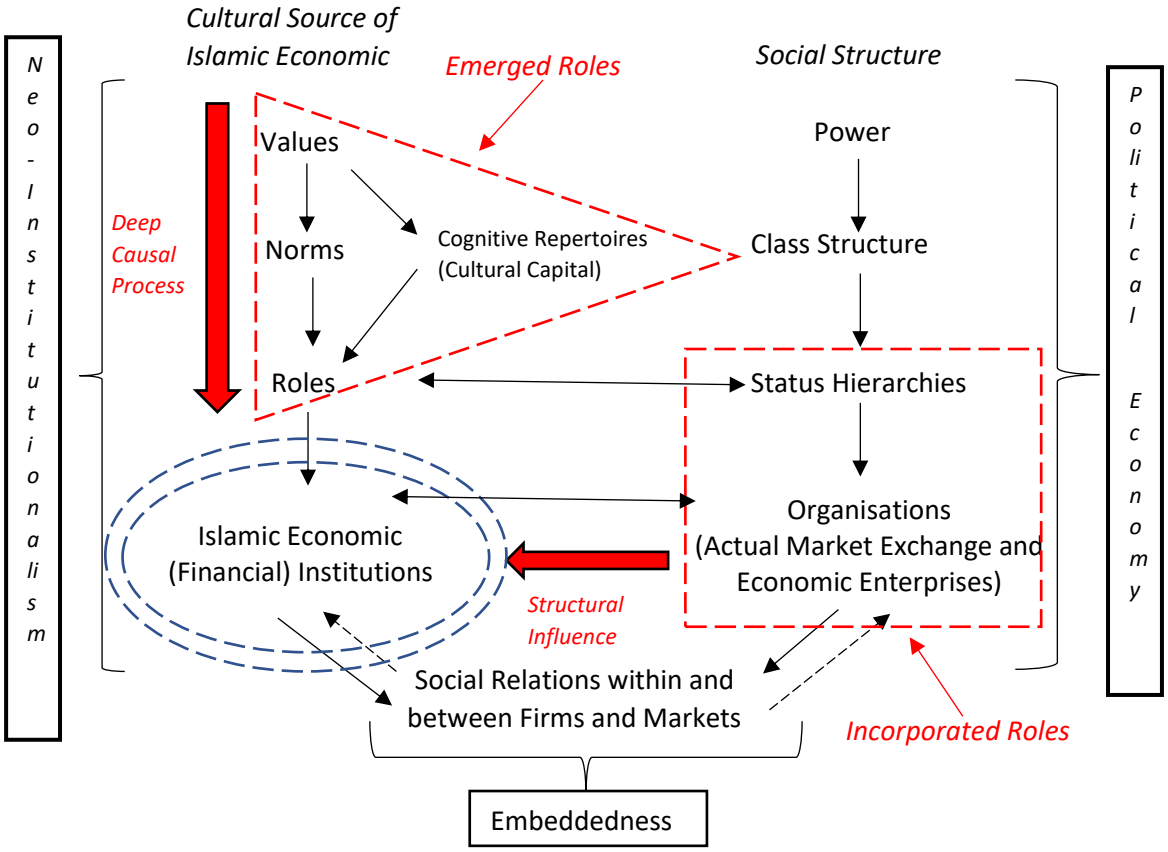
Source: Modified from Williamson (1995); Nee and Ingram (1998)

Figure 7.2 informed the reader on the process of institutionalisation, suggested in Figure 7.1. It, then, becomes clear that a formation of an institution under deep causal influence assumptions, sets a relationship between individuals and informal groups into institutional frameworks within which the proposed values, norms, cultural capital, and its subsequent roles lie the foundation of organisation (Portes, 2010: 52). Besides, the attachment between organisation and institution is considered as a condition of embeddedness in Figure 7.1, allowing the rise of a situation where an institutional frame presents parameters, and organisations could act upon transforming institutional frameworks. These two conditions suggest that there are two lines, from which individuals or a group of individuals, as the bearer of values, act by forming and reforming institutions.

The analysis and debate in Chapter 6 allows this research to recognise that the displacement of values, chemistry of norms, and the alignment of cultural repertoire is bounded to the nexus formed out of shared interests between roles. These roles constitute other roles that organically emerged since the emergence of Islamic economics and continue to engage with institutional emergence of Islamic finance, while other roles came into existence since the shift observed in Islamic economics focusing toward institutionalisation within the area of finance. In particular,

the normatives of Indonesian Islamic economic activism lost its ground under existential requirements, since the rise of existential-oriented roles. Such patterns advise that evolvement and emergence of new roles potentially affect the institutionalisation of values-norms promoted by the first generation under embeddedness meta-theoritisation. If this is translated to the institutionalisation model, one stream of roles is considered to inherit a cultural system of Islam in the economy, while the other stream represents the members of a social structure whose roles are determined by the tangible blueprint of the group.

Figure 7. 3: Topical Emphases on Economy and Society – Institutional Formation



Source: Modified from Portes (2010: 69)

Figure 7.3, hence, depicts two potential streams affecting institutional formation of Islamic economy and finance which sugests that the emergence of Islamically-induced financial institutions are a product of the contribution of culturally-attached individual elites that meet with the interest of elites within hierarchies, enterprises, and markets, as part of the social structure. For the purpose of the analysis, culturally attached roles are labelled as emerged roles, while socially constructed roles are regarded as incorporated roles. The involvement of both streams leads to the belief that the value disposition issues identified in Chapter 6 along

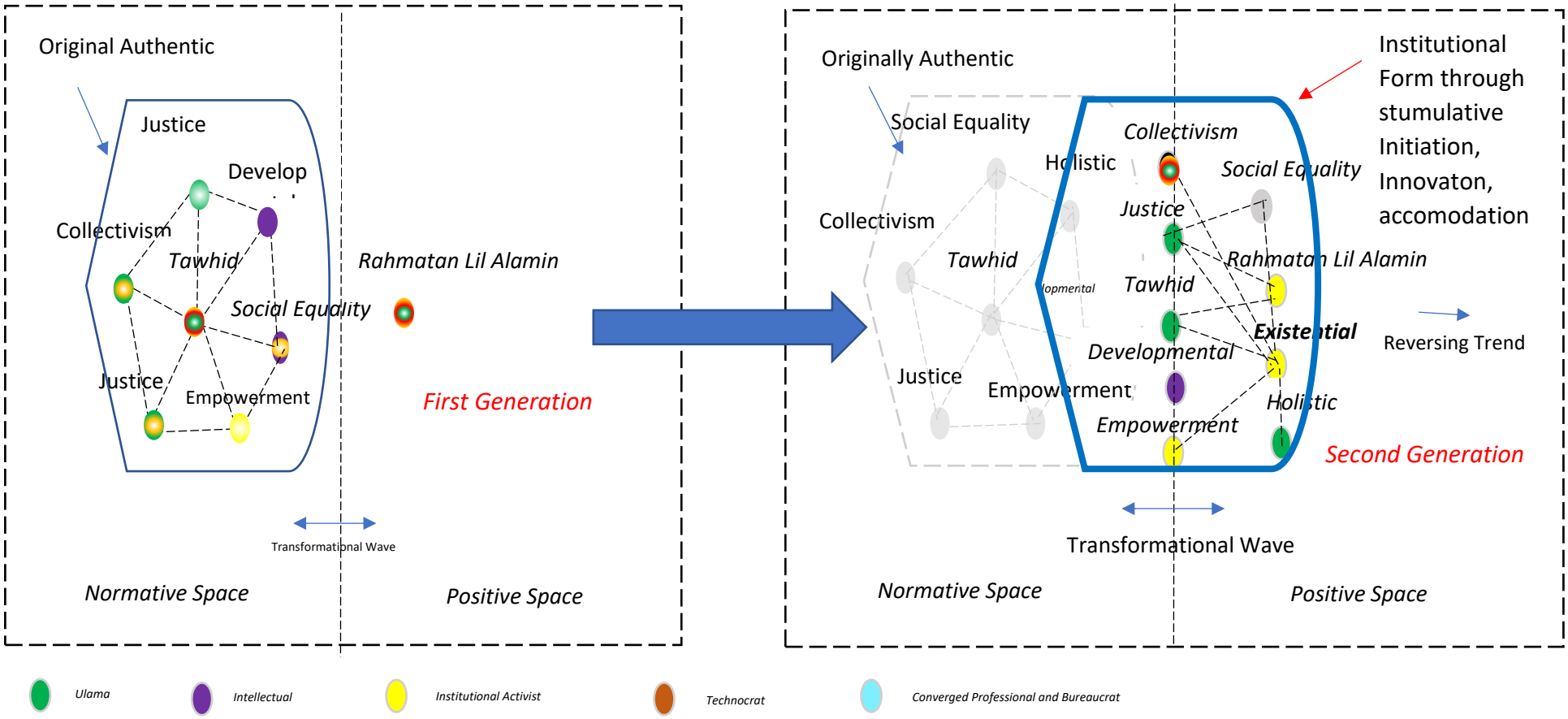
with norms chemistry and cultural capital is attached to conditions related to the interaction between emerged roles that appeared prior to institutionalisation of a value system for Islam in economy and finance, with incorporated roles tangled by the arena within which Islamic economics emerged.

While the identification of roles in the previous chapter manages to generate an understanding on the emergence roles and transformation in locating value substantiation within normative-positive distribution, it draws upon a static view offering snapshots of different patterns of substantiation across different generations, missing the element of 'how' in the process. The discussion in this chapter focuses on reading the process of emergence as an interaction between roles utilising the paradigm model put forward by Corbin and Strauss (2008: 127). It aims to generate an understanding on how aspired values articulated and translated into action and produce such outcomes, considering that there is emerging roles consisted of *ulama*, intellectual, and institutional activists as the bearer of cultural system of Islam in economy, on the one hand, and incorporated roles comprisinge technocrats and converged professionals and bureaucrats representing social structure, on the other hand. This is also within a consideration that the role of *ulama* evolves and expands to the positive realm, creating dualism in roles.

7.3. NOTES ON INTER-GENERATIONAL FORM OF ISLAMIC ECONOMIC ACTIVISM

It is important to highlight inter-generational process on the emergence and later development of Islamic economic institutionalisation in finance. In the emergence of Islamic finance, each role has made dominant contributions in different eras. This does not only relate to demonstrate the process of Islamic economic causes in Indonesia, but also it identifies the scope and area of importance that each generation dealt with. The first-generation Islamic economic movement is driven by mainly three roles, which are intellectual, *ulama*, and technocrats. These roles have initiated the seed toward a solutive orientation to the emergence of Islamic finance. Albeit the drawback on capacity and awareness, the activeness of *ulama* and intellectual substantiation on the ideas, has formed a collective consensus on the importance of institutions with real orientation. For this purpose, innovative action was embraced along with the preparation of the seeds for movement. This is when the involvement of technocrats grew as a coalition to come with an institutional realisation of the imagination of the Islamic economic movement.

Figure 7.4: From First Generation to the Second Generation



As Islamic economic project moved to the second-generation in 1992, the increasing involvement of a regulatory body marked the involvement of technocrats in Islamic economic institutionalisation, even leaving them to lead *ulama*. Intellectual roles also declined substantially during the emergence of institutional activism as a safeguard to an institutionalisation process of Islamic values and norms.

The rise of institutional activists accommodated the heterogeneity on the motives and orientation of activists and its bottom-up institutional emergence characteristics in a civil sense. This was the era where stimulative initiation and further exploration was taking place in parallel with institutional innovation and accommodative measures. It was a reflecting sign of a movement on the rise, making use of the opportunity within a competitive environment and passive government. Inspired by an imposed effect of Muslim being in a majority, Islamic finance aimed at extending this domination to the economy.

Figure 7.4 illustrates value substantiation leading to institutional formation of Islamic finance from first generation to second generation with colour differences represent which values are substantiated by each role. While the first-generation valued substantiation, comprising also of the value of importance of intellectuals, *ulamas*, and institutional activists, those involved in the institutional formation process, however, managed to secure a formal appearance during the period of the second generation with the involvement of technocrats in the emerging coalition inspired by a solutive spirit. In that, the contribution of intellectuals, *ulama*, institutional activists, and technocrats worked towards early institutional emergence and formation in the period of the second generation, which shift the normativeness of value substantiated toward the realm of existence as demonstrated in the right graph of Figure 7.4.

When Islamic economic movement reached the third generation, the context of its activism changed to increasing awareness and improving capacity. At the same time, the institutionalisation of Islamic values and norms into economic institutions entered an era of standardisation with the influence of a governing/regulatory body and the rise of converged professionals and bureaucrats. This represented a stronger influence of conventional frameworks and its status quo that was built around modern rationality. What remains to be emphasised as the main reflection of Islam was on the real orientation of Islamic financial institutions. This is pursued under strong capital pressure and shifts towards a planned Islamic economic expansion. In this process, innovation in product and process level has mainly been

exercised by technocrats and a fraction of institutional activists that seek the realisation of actualised Islamic values and norms. Friction of institutional activists dissatisfied with the growing conventional pressures, resulting into a convergence towards conventional practices, and consequently, institutional innovation that was proposed within a real orientation, subsequently, moved on to the stimulation of other initiatives.

Figure 7.5: Institutional Expansion during the Third Generation

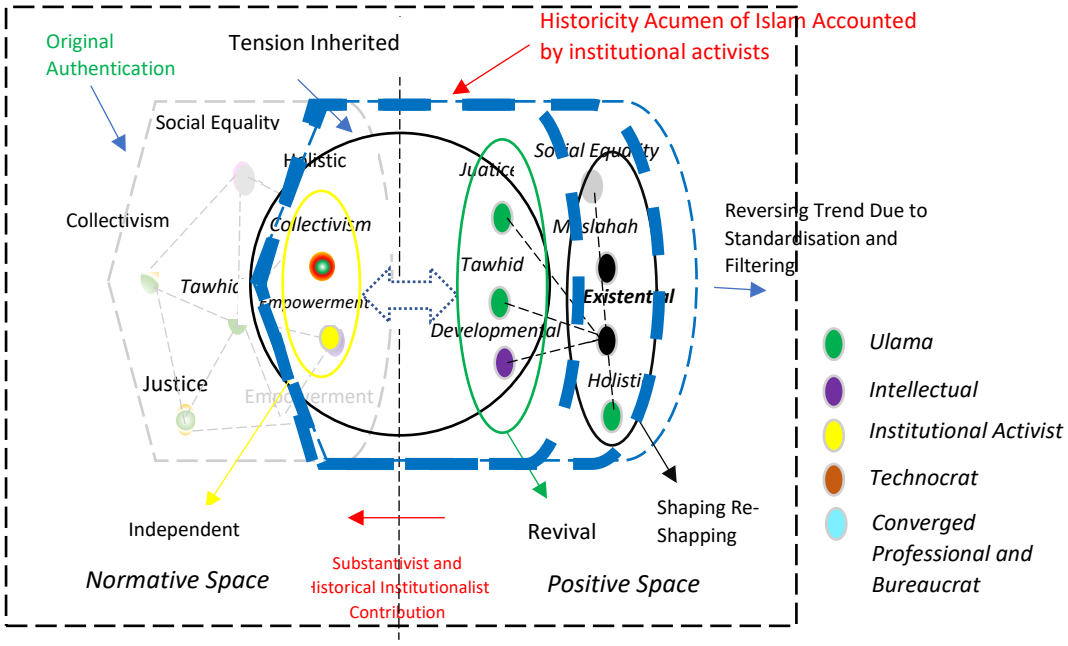


Figure 7.5 depicts the institutional expansion during the third period where the observed contraction in the value substantiation illustrate disposition. This is demonstrated by the expanding blue dotted line in two directions, with greater alignment toward existential conditioning. This is a sign of reversing trend in the institutional expansion of Islamic finance, with lesser normativeness within the institutional construct. Nevertheless, historicity acumen of Islam, as well as, independency orientation of Indonesian Islam's historicity acted as a counter measure to the reversing trend, allowing the normativeness to remain intact. This reversing and counter-reversing interaction between trends helps in explaining substantivists and historical activist's resurrection and their emerging action toward the reversing trend of institutionalisation of Indonesia Islamic finance.

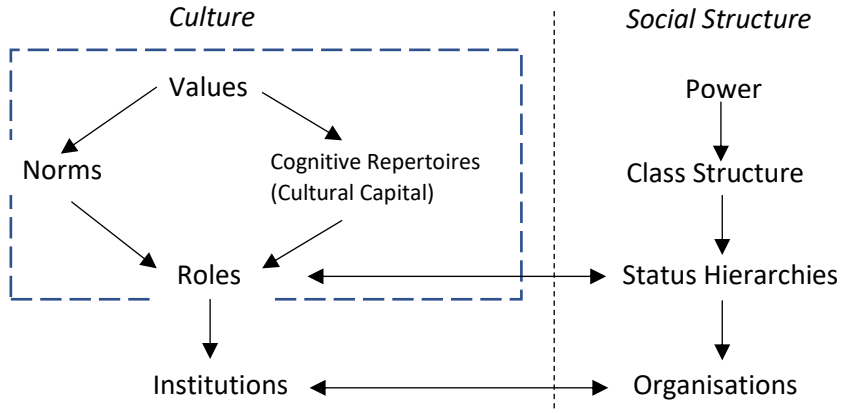
7.4. TWO STREAMS OF ACTIVISM IN INSTITUTIONAL EMERGENCE OF ISLAMIC ECONOMICS (FINANCE) IN INDONESIA: EMERGED ROLES AGAINST INCORPORATED ROLES

This subsection delves into elements of conditions and context influencing role occupiers' articulative action in pursuing value substantiation. It aims to explore the process of emergence as developed earlier in term of value disposition across normative-positive axis faced by actors across different generations. This is significant mapping prior to exploring contributions of each roles, from value displacement from generation to generation. In so doing, the analysis is divided into two streams representing both cultural and structural characters, as discussed in the following sections.

7.4.1. Emerged Roles

The emerged roles within Indonesian Islamic economic activism originated and generated from a deep causal relationship of the cultural elements of Islam, which did not only act as a bearer of values and norms of Islamic economies, but also as an agent of change for the interpretation and articulation of Islamic teaching in economy. The contributions of the emerged roles are significant in the emergence of Islamic economic institutions in a financial sphere, from its rise into existence, to the evolvement and development.

Figure 7.6: Culture-Social Structure: Portes's Model on Economic Sociology



Source: Modified version of Portes (2010:59)

As mentioned above, there are three roles highlighted within the Indonesian Islamic economic experience, each of which is connected within activism in a particular sense, especially in relation to the emergence and development of Islamic financial institutions, as the product of Islamic economic project.

7.4.1.1. Intellectuals

Intellectual embarkment into the emergence of Islamic finance as articulation of Islamic economic aspirations was surrounded by an event of change within the Indonesian field or environment. From legal reform that spread a new spirit for accommodating the emerging change (JAS-ENVC) it resulted in political regime change (AMS-PAG, DH-PAG) that put an end to protectionist and oppressive economic orientation (MEN-OPPO, KP-OPPO). This trajectory and events coloured the early engagement of intellectuals in the emerging nature of Islamic finance. This environmental transformation has gradually shaded an unfavourable climateattached to Islamically-oriented initiatives (MEN-ENVC). At the same time, discourse on implementation of Islamic values and norms into the economy gained increasing attention internationally, responding to unjust social conditions created by neo-liberal economic policies (NI-ENVC). Such waves of change created momentum for Islamic economic articulation to advance.

For most Indonesian Islamic economic activists, the intellectual engagement with Islamic economic discourse began in higher education (MES-HE, HA-HE). It intersected with the interest of academic circles during the 1980s, concerning pursuance of an economy based on the principle of justice (MEN-HE), where sharing the values of Islam can be articulated in the economy. Later, the discourse narrowed into the area of marginal development and economic planning (HA-HE). This is when the global Islamic economic momentum appealed to the intellectuals in relation to the problem of capital disbursement. Therefore, capital accumulation oriented was then scrutinised within an Indonesian context to address the relevancy and challenges of Islamic financial institutions in Indonesia. Indonesia's unique experience of BMT is part of the product of this scrutinisation as to where the relevancy of Islamic values and norms could be accommodated within a micro-level institution rather than adopting foreign invention in its search of concepts (DR-CONS). The main characteristics of this concept lies in its universality, as well as, suitability of its articulation to the needs of Indonesian fields (NI-ConS) beside its partial subscription to *muamalah* orientation with *fiqh* as the guideline for deriving rulings and operational concepts (AMS-Cons).

Indeed, the search for an Indonesia Islamic economic concept has alleviated the imagination into an existence at micro-level, through the institution of BMT. Yet, this probe of concepts has sparked the evolvement of a *muamalah* branch within the *fiqhi* framework that were less developed (AMS-Cons). It was the challenge embraced by the *ulama* that sparked their active

involvement in capitalising the momentum into action and products. It is important to note that the presence of *ulama* within activism has provided legitimacy to the implementation of ideas (AMS-ULA), enabling intellectuals to collaborate with them in generating products for Islamic economics. Indeed, collective innovation was pursued in articulating Islamic values and norms into the economy. In its most basic form, *fatwa* as the backbone for Islamic advancement in practices was married with innovative dimensions in the economy by producing Islamically-oriented institutions (MEN-INNOV). This cross-innovation stimulated the emergence of messo-based Islamic economic institutions.

It should be noted that constraining factors were present as the Islamic economic articulation reach a higher arena of accentuation. The main one was on the shadow of Indonesia's secular rejectionism, resulting in the demand for the dejection of anti-secular orientations, including Islamic ones (JAS-ISPHO). This condition imposes a constraint on this groundbreaking act, ensembling a secular orientation towards potential existence (JAS-ISPHO). One of the direct consequences is the branding of its emergence, blurring *shari'ah* law's attachment in order to be accomodated (AMS-ISPHO, MEN-ISPHO). Along with secular rejectionism, awareness and capacity possession impose layers of challenge towards action stimulating institutional emergence. As a new development that aroused in the periphery (AMS-AWAR), the early contextualisation struggled to express its significance (AMS-AWAR) by affecting its transformative orientation (DR-AWAR). Furthermore, the knowledge and capital necessary in generating institutional products was not developed enough at that stage, which put a barrier on transformative articulation (AMS, HA, DR, MEN). These external and internal barriers limit the intellectuals' and activists' contributions.

As the activism entered the period of the second generation, this role gradually disappeared. This befell at a time of increasing dynamics faced by the institutionalisation phase of Islamic finance in the latter period, which was in need of innovative contributions for its expansion. In the early period of post-intellectual falls, innovative initiatives continued for this role, suggesting that innovative contributions are made by differing roles. One highlighted innovation was on the introduction of an Islamic window (AMS-INNO). Nevertheless, the converging pattern of institutional constructs to mainstream frameworks and logic (DR-INNO) put into question the direction that such innovation was targeting (HA-INNO). This required further reading on the accentuation of other roles in the aftermath of the declining role of intellectuals.

7.4.1.2. *Ulama*

While intellectuals recognised environmental change as the highlight of their involvement in pushing through emergence of Islamic economic institutions, *ulama* of Indonesian Islamic economic activism considered that the emergence story could not be separated from government passivity, conventional presence, and imposed effects of existing logic of a market economy and secular worldview. Passive government within this context was expressed in the form of minimum government commitment necessary to facilitate the emergence of Islamic finance (DH-PAG). The argument contended that the Indonesian emergence of an Islamic finance narrative did not experience the luxury that other countries, such as, Malaysia have enjoyed in developing the industry through public policy with direct participation of the government (NH-PAG). Therefore, activist negotiation left with the task of securing their interests through potential collaboration, among others, with the central bankers. This non-alignment created hurdles to the emergence and expansion of Islamic financial institutions in Indonesia, as its tangible epitome threatened by the observed limited size and capacity to function (YI-PAG) and limited resources to survive (DH-PAG, MSA-PAG). The unresponsiveness of government to the cause were indeed disappointing, while the expectations from the government involvement remained high in this regard (MA-PAG).

The presence of conventional finance and its institutional logic inevitably triggered both pressure and an imposition effect on the Islamic finance institutional project (DH-CONV, NH-CONV, AA-CONV, YI-CONV). The absence of Islamic institutions in the economy left Muslims with no option of an Islamically-fitted platform of finance, which gradually shaped paradigms and views of Muslims in relation to the normality of conventional approaches and institutions (NHConv). In that, a visible form of conventional articulation started dominating and contributing to the formation of society (YI-Conv). Under such circumstances, the likelihood for Muslims as majority and dominant force to lose its grip in the economy was increasing due to detaching Muslims' share of resources and bargaining positions in the process (YI-IMP).

In such circumstances, economic actors working toward production and provision of services was inevitably tied to the conventional finance to engage in the economy (MA-IMPO). If an emergence was taking place, it was occurring under the existing rules of the game (NH-IMP)) or the institutional logic of a neo-liberal economy, leaving the root of the incompatibility problem remaining unaddressed (aa-IMPO). Even during the expansion stage of Islamic

finance institutions, this imposition placed activism in difficulty, due to expectations on complying with standards (MSA-IMPO)

The inherited legitimacy that the *ulama* hold on extracting the teachings of Islam in facilitating the operations of Islamic finance within the existing institutional logic of neo-liberalism have prompted active engrossment of the ulama in extracting solutions to close the gap between Islamic aspirations and practices (MA-Sol). In responding to the articulation of *riba* circumvention, *ulama* released a recommendation through their council in favour of the presence of Islamic banks (NH-SOL). However, in the periphery, an institution of *ulama* activated a role in driving the emergence of cooperative-operating-microfinance, BMT, as part of their duty as religious leaders (NH-SOL). This move toward institutional dispositions inevitably stimulated the advancement of *fiqh* in order to facilitate this institutional emergence (MA-SOL). *Fiqh muamalah* was therefore explored beyond its limited emphasis in the past (YI-SOL) in ensuring the development of Islamic finance emergence, marking a new era of *fiqh* and *ulama* reform.

This reform in addressing the development issues faced by Indonesian Muslims (DH-Sol) introduced a refined *Shari'ah* approach towards modern problems. Departing from the principle of *muamalah* where everything else permissible unless otherwise stated by *Shari'ah*, a celebration of the freedom of economic actors began with the norm - 'harm no others' (AA-MUAM). The accentuation of Islamic values and norms in a *muamalah* sense within this character was facilitated through the issuance of a *fatwa* as a procedure for its application (NH-MUAM). It should be noted here that as *fiqh* determines the mechanism and *fatwa* assures its application, there was a tendency to focus on its practicality (YI-Fiqh). From facilitating development in the imagination of Islamic economics, the emphasis later shifted towards the formation of a system yielding no clashes between practices and principles (MA-FIQH). As such, the focus on this *muamalah* implementation become a practical-first orientation.

The consequence of this practical-first orientation has often led to a substantiation of economic norms of Islam not on the basis of its value but rather on the basis of its institutional recognition (MA-PLS). The insertion of a sharing norm into a modern banking institution was often seen to be an appropriate tool in promoting values of Islam and accommodating the purpose of *Shari'ah* (AA-PLS). Without recognition of the values of the frame that it used, the lack of transformation was viewed as the result of risks posed, rather than the norms and mechanism created (YI-PLS). On the other hand, certain figures were aware that conversion of *etalache*

would not necessarily be accepted based on its recognition, especially under a negative sentiment within the public (NH-ISPHO). As the substantiation of economic norms of Islam was altered from the beginning through its branding, it was plausible that the motive has been compromised from the beginning (AA, YI-ISPHO).

7.4.1.3. Institutional activists

As a role emerged along activism, institutional activists represented an emerging role within the penultimate of an early generation of Islamic economic activists contributing to the development of the institution as the inherited bearers of a deep causal source of Islamic economic movement. In that, their presence represents the continuation of the initiative, engagedpredominantly with the *ulama*, and connected with intellectuals in an aspirational expectation within Islamic economic activism. Their involvement with Islamic economic cause was relevant within the context of the opportunity aroused, competition faced, and capital required for the sustainable growth of the Islamic finance industry. The emergence of Islamic financial institutions paved the way for a broader access of finance (RP-OPPOR, AK-OPPOR), mechanism to tap into a captive Muslim market (ISB-OOOPR), and investment-oriented infrastructure development (AI-OPPOR).

This hope, however, could only be facilitated by institutional competitiveness. Islamic financial institutions are expected to reflect universality and a contribution to social good: offering cheaper and simpler mechanisms than comparable service and quality in capital provision, even in its micro-form of the organisation (AK-COMP, ISB-COMP). Within this competitive expectation, *a Shari'ah* economy as it was understood in Indonesia, faced challenges over the actualisation of the spirit of the activism (AI-COMP). In addition, the activists faced the burden of a 'capital first' orientation, where capital was considered as key to commercial mobilisation (AN). This was again bounded by the expectation that access to capital required available capital in the first place (AK-CAPF), even for micro-institutions (TA-COMP). The reflection on the advancement of a *Shari'ah* bank compared to the expansion to an Islamic economy provided a layer of capital first contexts within the institutional development of Islamic finance (DM-COMP).

The main approach that institutional activists adopted derived from the spirit of a generating presence offering benefits beyond normative means (RP-ACT). This realisation-orientation sourced from modern interpretations of Islam as *rahmatan lil alamin*, a universal blessing,

including the issue of economy and finance (SP-ACT). This concept has brought the society to search for solutions to problems, which within the Indonesian Islamic economics cause, ranged from a smaller scale into broader scales (SP-ACT). At micro-level, the solutive action attempted to offer a framework for financing to individual and groups, especially in rural Indonesia, that not only demotivated due to the inappropriateness of the setting to religious norms but also sidelined in the absence of an alternative option to a conventional framework. Through this solutive action, empowerment purposes are entangled through embracing innovative initiatives (AI-INNO). A presence of *Shari'ah* intervention in financing required exploration and development through innovation that fit into the institutional nature (TA-ACT). This intervention was initiated at micro-level as a means to implement and to create existence given its less stringent form of institution to ensure benefit and an empowerment-orientation (AI-INNO). Such an exploration and stimulative initiative marked the beginning of institutional activism on Islamic finance that led to the existence and presence of an Islamic economic institution.

One should recognise that stimulative initiation went beyond trial and error and moved toward a stimulative attempt. This initial trial opened up the opportunity for offering a model for financing without a minimum capital requirement. The outcome would be an emergence of not only products, but also a sidestream movement out of the limited space available. In the case of Indonesia, stimulative initiation of the cooperative-operating-as-microfinance managed to later pave the way for the emergence of other Islamic financial institutions in a gradual manner, widening the opportunity space for the existence for Islamic financial institutions. With the emergence of this institutional presence, the explorative character of Islam is embraced especially in the reflection of collective *ijtihad,* a decision-making process that is sourced from the independent reasoning of Islamic economic activists referring to Islam as a liberating religion (EXPLO). With this view, exploration is attached to acts of solutive pursuance, accommodating the discontent of activists of Islamic economics in Indonesia towards various degrees of issues, from concerns surrounding *riba* to the riddling presence of loan-sharks, along with matters of access and development (EXPLO).

In general, the exploration of institutional activists of Islamic economics were accentuated in three, from 'independent pursuance' to 'government stimulated projects' to'collective consensuses. The product of the independent pursuance was cooperative-acting-as-microfinance in the form of BMT that coloured the early exploration period of Islamic

economic activism. This is followed by explorations extended to the collective work of activists within both society and the government to bring about a collective consensus on facilitating the emergence of a *Shari'ah* bank, an Islamic version of a mainstream bank. In another attempt, a government project was introduced and embraced by the activists to explore the potential of such projects to generate potential solutions (EXPLO).

The strategy embraced by institutional activists did not face significant resistance either from the main social structure or society in general (RK-RES). The main hurdle stemmed from misunderstandings, based on ignorance of the multiple purposes aroused within the cause (HMD-RES). This caused friction between various orientations, mainly between one that was more inclined towards a global concept compared to others grounded within a *Shafiiyah* influence, an Islamic legal jurisprudence familiar to Indonesia; a loyalist approach to Islamic economy against a rational one (RP-IGMO), and an ideological continuation against an opportunist one (RK-RES, TA-IGMO). Such heterogeneity often created a resistance effect to institutional activists (AI-RES). This was worsened by the lack of expertise and undercapacity in directing aspirations into strong institutional building (AK-CAP). Within such a situation, the development of Islamic finance institution continued and marked its achievement.

While Islamic finance's institutional presence hails as an achievement of this cause, the visible form of this proposal encountered pressure for sustainability, where risky steps for solutive action was underpressured and unfavoured (AI-SOL). This was especially relevant when the application of such *Shari'ah* intervention was extended to a macro-level. The larger scale of applicability for this *Shari'ah* intervention in finance met with limitations on the capacity to offer better and alternative solutions (DM-Sol). Again, the absence of individuals equipped with the capacity to articulate values and norms into tangible means of action as part of the process of forming institutions that reflect such values and norms contributed to a discontinuation of the process of emergence. As a result, norms remained norms and, in the end, the Islamic economic cause succumbed to common practices derived from the institution of finance (DM-Sol).

It is important to note that the introduction of Islamic banking institutions marked the beginning of a tendency towards the adoption of common practices in the institutional generation of an Islamic-based economic institution. This occurred when professional-orientations were inserted into the cause and accentualised the practicality of the cause, marking pressure for the adoption of common practices. In addition to the influence of professionalism, previous

experience in other countries justified a non-radical solutive orientation. A disarrayed Pakistani experience in the early emergence of Islamic economic institutions at state level, as part of the Islamic ideology, has posed a condition to a *Shari'ah* economic articulation which did not endangered the continuity of economy (ISB-Sol). Hence, the pressure for adoption of common practices is higher when the solutive initiative was taken to higher grounds (RK-Sol). This was even more material within the institutionalisation of Islamic bank due to an enforcing presence of Bank Indonesia as its regulator, which further internalised the common practices and good governance for the institution of a *Shari'ah* bank (AK; ISB; RK; DM-BI). In that, the extended solution of the *rahmatan lil alamin* spirit hold upon non-uttering avoidance to the problem in its minimum sense under the norm of finance as it moved to a higher level of structure (SP-Sol, ISB-Sol).

This tendency toward non-uttering avoidance welcomed a filtering approach, where an Islamic banking orientation was to benefit from finance mechanisms, with the objective of developing a structural method to ease Muslims' access to economic activities through filtering and generating acceptable forms of finance in a visible manner (AN-FILT). This approach is justified by a *fiqhi* principle of *ma layudraku kulluh laa yutraku kulluh*, where a partial obtainment should be approached when a whole is unattainable (AK-FIQH). This saw activist engagement with the *ulama* grow closer since *Shari'ah* bank's first emergence (AN-UL), as the institutional presence of Islamic economic movement transformed as a platform of *da'wah* that extends to the economy in response to norm violation (HMD-UL). As a new platform for *da'wah* beyond religious normativeness, the *ulama* as an institution contributed to Islamic banking development by utilising momentum and opportunity through not only the development of *fiqh* as its methodological base but also its product (AK-FIQH). With the leadership of *Majelis Ulama Indonesia* ("Indonesia Ulama Council"), the issuance of *fatwa* is set as an implementation of Islamic characteristics in the economy (AI-FIQH). This collective pursuance that draws institutional activists and *ulama* closer, has contributed to the implementation of a filtering strategy in actualising Islamic teachings at the level of economic institutions.

Unfortunately, a non-avoidance attitude made room for negative innovation in the view of solutive and empowerment-oriented activists (RP-INNO). Instead of innovation for differing means, innovative action was directed to debated areas, including practices related to *riba* (RP-INNO). However, the trend for negative innovation came together with survival-based

innovation, over which the sustenance of institutions emerged as the central focus. One approach concentrates on shaping an institution as *crème de la crème* within the institutional environment. An example of this was a creation of BMT Ventura as an intermediary institution acting as financer and investor to strengthen capitalisation of a micro-institutional presence to continue operating (AK-INNO). Another approach is focused on strengthening institutional presence through expanding networks by innovative means. One innovative way to expand the network is by collaborating with an existing government programme alongside the private sector in financial innovation (AN-INNO). In the most extreme form, innovation was exercised through replication and modification under the brand developed as part of a S*hari'ah* economic cause (ISB-INNO). These solutive actions were later integrated as learning experience for BMT that emerged in an imperfect form through positioning and unleashing potential to create innovative strategies (TA-INNO).

Given its nature of discovery, failure and collapse was part of the learning process of the Indonesian Islamic economic experience. One of the consequences of the explorative characteristics of the project centred on having limited knowledge of the management of such a project, hence, fraudulent conditions often emerged. The degree of failure and collapse was higher within the independently emerged institutions, such as BMT, while it was less prevalent in consensus and government-endorsed products. This would often translate into exploration within an existing frame, regulatory mechanism, and logic which resulted in sustenance and greater degrees of success. Nonetheless, the fact could not be ignored that even the case of a modified mainstream institution also started with an exploration without legal formal basis, yet, in development, legal certainty of the modified mainstream institution of banks found its place within the modification of the Banking Act No. 7 in 1992. In turn, Islamic financial institution is influenced and bounded to some extent into a rigid regulation and imposing logic. Hence, the formalisation process was narrowing the degree and scope of exploration in comparison to a more independent one (EXPLO).

While the stringent binds of regulatory requirements curbed the independency of Islamic financial institutions, the presence of knowledge gaps increased the dependency on modern conventional knowledge and standards. In particular, the gap was created by those activists whose knowledge centred on *fiqh*, while institutional development required those not only knowledgeable on *fiqh* but also could master the economy (RK; DM-GAP). As the success of institutional advancement depends on quality activists possessing *Shari'ah* and

finance/economics expertise (AK-GAP) along with a mastery of the interaction of both, this situation created confusion on an appropriate approach to use for institutional development (AI-GAP).

When pressure of common practice pushed institutional products further from Islamic economic cause, the negotiation for the articulation of Islamic teaching in the economy rested in emphasising the embeddedness of Islamic finance to real sectors. This derived from the recognition that a role of finance is to be a facilitator of trade and real sector activity, and, hence, Islamic finance should focus on this role (RP-REAL). This was exemplified by a trend for *Shari'ah* economy to be postulated as real sector oriented (AI-Real). In this, a *Shari'ah* orientation on finance was to assist community development. This was a struggle on its own as the trend for preservation hit by the underdevelopment of the real sector conflicted with opposing trends (ISB-Real, RP-REAL).

7.3.1.4. Summary

These three emerging roles outlined above were instrumental in pushing for the emergence of Islamic economic institutions as a real form of Islam in the economy. Each of these roles hold particular significance to the process of the emergence of Islamic finance institutions as an epitome of Islam in economy. In the substantiation of Islamic economic emergence, the *ulama* contributed through actively engaging with the postulation on the potential form of Islamic economic institutions. As the institutions emerged, their roles evolved beyond the production of institutions, as they have direct roles in shaping and reshaping the institution of Islamic economy. Through *fiqh* muamalah extension and renewance, *ulama* have positioned themselves as the provider of solutions to the problems of Islamic finance institutions, while at the same time promoting profit-loss sharing norms.

Intellectuals as a role were only present during the pre-emergence of Islamic financial institutions until early period of institutional emergence. They were there to push the boundaries of capacity in generating and running the institution, as well as, combatting the relatively poor awareness of Muslims into the importance of Islamic version of finance through securing a concept that could accommodate values and norms of Islam and its paradigmatic orientation supported by input from the *ulama*. Structural innovation was introduced by intellectuals benefitting from environmental change that took place in Indonesia so that they could push for emergence of the early form of Islamic financial institutions. Beside its direct

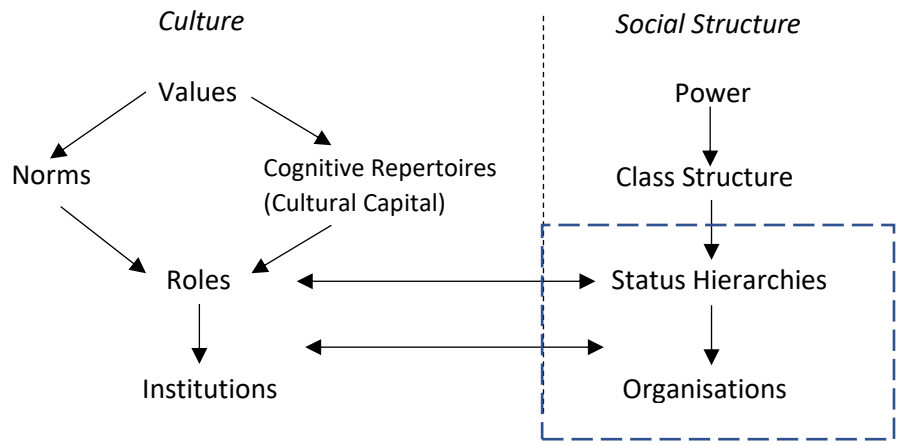
role in stimulating emergence of institutions, intellectuals involved in Islamic finance also cemented the imagination and spread this imagination, giving rise to the next generation of Islamic economic enthusiasts.

Institutional activists, as another role's category, came later after the emergence of Islamic financial institutions. Most of these institutional activists were linked to the form of teaching of Islamic economy institutionalised within higher education. They contributed to the advancement of Islamic financial institutions through proposing solutive orientation in different layers. In the most ambitious case, some institutional activists aimed at stimulating the exploration of authentic Islamic economic institutions within the micro-level to messo-level. Within the existing form, institutional activists worked as innovators to the institution. For this work, collaboration with the *ulama* has pushed the activism from an independent orientation into a filtering orientation, where a *fiqhi* approach led the path and shifted its focus to modification oriented. This has pressured institutional activists to re-orient institutional development's orbit into its original purpose, as a facilitator to real economy.

7.4.2. Incorporated Roles

Incorporated roles typically related to an occupational power of individuals within organisation attached to and closely linked to Islamic financial institutional emergence. Not only was power consorted, and authority equipped by the organisation they belonged to, but their involvement also conveyed the pressure from the nature of their organisation into the social structure. The incorporated roles identified within Indonesian Islamic economic emergence and developments are technocrats, bureaucrats, and professionals, representing the central public authority and private sector of the economy. Each of these incorporated roles relevant to the particular dimension of emergence linked to a social structure, thereby, apportioned to the interests of power.

Figure 7.7: Culture-Social Structure: Portes's Model on Economic Sociology



Source: Modified version of Portes (2010:59

As expressed in Figure 7.7, the incorporated roles refer to a position of individuals with occupational roles within the social structure of the economic society. Incorporated roles represent the occupants of the given social structure influencing institutions, which can be exercised from the organisation that they belong to, or indirectly through influencing roles from their hierarchial status. This predominantly discusses the response of the structure toward institutional emergence and development.Within Islamic financial institutional emergence, two roles arose which related to pre-emergence and post-emergence, each of which represented a particular characteristic and its contributing role to Islamic finance's institutionalisation, in particular, and an Islamic economic cause, in general.

7.4.2.1. Technocrats

The involvement of technocrats relates to social structure, organisational positioning, interactional norms, and space for exploration in relation to the emergence of Islamic finance institutionalisation. Islamic economic pursuance earned an opportunity for development due to its nature that brings *maslahah* or positivity to social goods and remaining apolitical beyond *halal-haram* (MS-OPPOR), hence, allowing the activism to align with existing conditions and reality. In other words, Islamic economic activism brings substance that did not oppose the purposes of the nation. Such initiatives did not receive challenges from Muslims who were in opposition to secular rejectionism on Islam in public sphere within Indonesia under secular rules (RI-OPPOR). Nevertheless, the emergence of structurally recognised institutions could only take place upon the deregulation of the Banking Act, upon which, could facilitate the institutionalisation of an Islamic bank (KP-OPPOR). It is important to mention that the

government remained as an impassive actor, since the emergence of Islamic financial institutions by only recognising and passively watching its development (SBU-PAG, RI-PAG). In the latter development, an unfavourable condition for expansion was observed, as the development stretched out in a non-linear pattern by the government (ASC-PAG). At the same time, the passivity displayed by the government was also seen as the breakthrough that activism needed to elevate Islamic finance to macro-level (MT-PAG).

Subsequent to the situation outlined above, technocrats were left with a condition related to an issue of space. Within their occupational roles, technocrats were involved in institutional emergence of Islamic finance, as they dealt with an institutional framework that regulated the space. This was more relevant within institutions of banking, which operated within a supervised environment (KP-SUP). It was indeed the work of technocrats that facilitated the change within the transformation of the Banking Act that accommodated and recognised sharing practices. While initiated within messo-institution of banking and capital market institution, this supervised approach expanded to micro-based institutions (ASC-SUP). The background of this regulated-basis is indeed attached to the setting of social structure, where it was dominated by conventional mindsets (RZ-IMPO), originated from value-free prepositions (RZ-IMPO) and coordinated by a legal basis, where certainty was sealed on the legitimacy of the law (ASC-IMPO). This logic placed forward competitiveness as the key to institutional existence, where it is determined by returns delivered to shareholders along with benefits offered (KP-COMP) and technological superiority is attained (MT-COMP). In this, logic was already set upon possessing competitive advantage for institutional presence (ASC-COMP).

The context of technocrats' involvement within Islamic economic project above has shaped the orientation on the institutionalisation of Islamic economics' movement. The main emphasise of their action lies upon propelling financial institutions whose presence was to spark the economy in the real sense (MS-Real). Accordingly, an Islamic economy is an economy with real sector exposure through which *Shari'ah* principles determines the activities and distribution process. This strand often linked to the attempt to return back to real exchange use and other forms of institutional arrangement, yet, the realisation remained on attaching finance to real sector (KP-Real). This real sector-attachment was the underlying friction between emerging roles and the technocrats, as it was in latters' interest to structure the economy and to regulate the financial sector (RI-Real). It was obvious within the institution of *Shari'ah* bank, as one that technocrats were facilitating, with its emergence providing hope for the

flourishment of the real-sector (ASC-Real). Furthermore, this orientation also extended to technocrats' involvement in grooming micro-institutions, such as, BMT, as its community basis, which was fueled with real sector orientation (SBU-Real).

While real-orientation initiated technocrats' involvement with the institutionalisation of Islamic values and norms within a financial institution, the implementation of this orientation relied upon two methods: where one focused on strengthening the institution of Islamic finance through standardisation, while the other aimed at internalising such values and norms within institutions through innovation. Standardisation of Islamic financial institutions occurred in multiple layers, from the product and frame level (MT-STAND), to the adoption of professionalism and good governance as the logic of practices (SBU-STAND). This approach attempted to fit into the available framework of operation, including its legal framework without further transformation of this framework (ASC-STAND). This was relevant to *Shari'ah* banking institutions under the Bank Indonesia Act. The compatibility of Islamic finance into the 'presence' framework indicated a view that the framework was flexible enough to accommodate *Shari'ah* values to the extent of its familiarity with such values and norms (ASC; RI-STAND).

Those who held technocratic roles acted upon bringing innovation into the institutionalisation of Islamic values and norms in finance. The solitary condition has led to process of self innovation in order to maintain sustenance (ASC-INNO). Such innovation involved recognition of a legal/regulatory framework; hence, emergence proposed and promoted by technocrats is within the boundaries of such framework (MT-INNO). In ensuring legal certainty of such institutions in the market, this approach was taken into consideration and was used as a space to innovate the framework from the inside, bringing breakthroughs in instutionalisation in a bottom-up manner. In conjunction with innovation within the frame, product development was there to contribute to the innovation of technocrats in pushing an Islamic economic agenda within Islamic finance (RI-INNO).

The latter innovation through development of the product was an area where cooperation was recorded within the institution of *ulama*. The cooperation and synergy are revealed through the process whereby technocrats were in close contact with *Dewan Syariah Nasional* ("National Shari'ah Committee") as fatwa issuers (MT-COOP), while their fellow technocrats (RI-COOP) involvement determined the extent to which the product was developed and accommodated. The institution of *ulama* has not only secured support and influence due to their religious

legitimacy (KP-UL), their *shari'ah* expertise could not be mastered by technocrats (MT-UL), which has left them with a 'unique' position. Such cooperation merged both sets of expertise together beyond the historical position of *ulama* and dominated institutionalisation (SBU-UL). The involvement of *ulama* also meant that the advancement on the product of Islamic finance institution came about through *fiqhi*-consideration, where *ribawi* flows of transaction is replaced by a mark-up basis (KP-FIQHI). As a new area, Islamic finance managed to extend *fiqh muamalah* beyond the traditional form (CHA-FIQH) by contextualising *fiqh* using modern *ijtihad* (RI-FIQH). Such innovation remained within a space allowed by a legal/regulatory framework for the efficient running of Islamic finance institutions.

The remaining tasks that have to be addressed within the emergence of Islamic financial institutions in Indonesia span within three areas: from awareness to infrastructure, to capacity issues of institution. As an emerging concept of institution, awareness was low as people's understanding was limited (MS-AWAR). This was even worsening by the fact that its conventional counterpart was not recognised as a whole by those in the economy (MT-AWAR). At the same time, government was more aligned towards the promotion of modern financial institutions, which could not be compared to the presence of Islamic financial institutions (ASC-AWAR). This is a task to be completed, which can add to the development of Islamic financial institutions (RI-AWAR; CHA-AWAR). Furthermore, capacity remained an issue for Islamic financial institutions, ranging from capital hinderance (CHA-CAP), unfriendly costing conditions (ASC-CAP) and to the extent of competitive capacity that could provide legitimacy through technical superiority (RI-CAP). When these intervening conditions were addressed, the realisation of a real orientation within Islamic financial institutions can further be accommodated.

7.4.2.2 Converged professionals and bureaucrats

Convergence between (and hence converged) professionals and bureaucrats acknowledge that the main context of an institutionalisation process for Islamic values and norms in finance depended upon competition issues, capital first orientation, imposed effects of the dominant practices, rationale minds in the market and aims to alleviate poverty.

In exploring convergence, it should be noted that the competitive environment was a highlight of post-institutional emergence, especially in relation to the post-Suharto era. The environmental setting was set without the presence of boundaries within which the members

of the environment were in competition for their presence with others (VR-COMPET). Government intervention was absent from ensuring a level playing field. Given its early stage of development, an institutional presence of Islamic finance struggled to maintain existence due to its size and capacity, creating unfavorable conditions for the institution (SU-COMPET). The consequence of this competitive environment led *Shari'ah* consideration to be sidelined in order to improve institutional competitiveness (AFN-COMPET). While competitive pressure shaped the form and the prioritisation of Islamic financial institutions, capital orientation defined the scope and limitation that institutions are able to explore. This originated from a business model (AS-CAPPF), where it sets the constraining condition that one institution should be integrated not only in its operation but also in providing a competitive edge. Such a condition often leads to the rise of expectation for greater government involvement (FA-CAPF).

Converged professionals and bureaucrats believed that the legitimacy of institutionalisation of Islamic finance rested on Muslims as a majority position. In that, a presence of Islamic finance reflectedwas a reflection of a Muslim majority in Indonesia (AFN-IMPO). In other words, a Muslim majority context led to the belief that it supported Muslims preferring such emergence (AS; SU-IMPO), especially, during the post-Suharto era (FA-IMPO). Albeit this domination, via a Muslim-majority effect did not spark privileges for Islamic financial institutions from the government, nor as a result of demanding conditions or Muslim preferences (FA; VR; AS;PS-PREV). Ultimately, the emotional connection that the project was appealing to was not in presence, suggesting rationale actors within the economy. A *Shari'ah* compliant economy as the basis of such institutions remained intact with economic objectives of generating surplus (AS-RAT). The law of attraction led by incentives embeded with such constructs (VR-RAT) and actors moved toward attraction in a logical manner (PS-RAT). In finance, *Shari'ah* financial institutions also dealt with actors with pure financial consideration (FA-RAT).

Converged professionals and bureaucrats were typically bounded to Islamic economic activism within the occupational roles (AS, SU, PS-ASSI). They were not the experimentalists or pure innovators within institutionalisation of Islamic values-norms within financial institutions. They focussed on enhancing practicality of such institution as led and guided by regulating/governing bodies (FA-STAND). In that, they were taking a less active role and rather focussed on the course of direction placed by technocrats representing regulative and governing bodies (VR-STAND). While their contribution capped by the rules and regulation

introduced within the framework of governing, converged professionals and bureaucrats played a role within the implementation of rules and regulation. One example of their roles was in encouraging the adoption of professionalism as a common practice accepted by governing structures (AS-STAND) with the intention of facilitating business motives of such institutions. In expanding an institutionalisation process, the convergence was involved only within the socialisation of the institution as the product of Islamic economics. In the process, the frame was created around the values of just and fairness that came with universality and benefit re-orientation (SU; FA-HE). This strategy of converged professionals and bureaucrats suggested that their actions lay on the passive-end of activism in the sense of following regulatory set-ups, implemented within ecology.

In generating an institutionalisation product, capacity remained the main hinderance that limited this role to perform. The capacity of institution that this role referred to, attached to the extent to which this institution served the interest of markets and economy (AS-CAP). The comparability conditioning has capped reflection of institutions with weak capacity. As Islamic financial institutions fell into this weak capacity category, two areas contained the main challenges: governance and human capital (VR-CAP). Strong and quality governance and human capital were seen as the main facilitators for an institutionalisation process (AFN-CAP). Beside capacity, confusion relating to the propeller of institutionalisation (AFN; VR; PS-CONF) as well as ignorance to the presence of multiple motives (AFN; SU; PS-IGNO) weakened the bargaining position for internalisation of values and norms. Furthermore, low awareness hit the process further creating conflict between expected conditions and reality (FA; VR; PS-AWAR). Therefore, intervening factors were not only sourced from institutional capacity but also linked to capacity actors within an institutionalisation process.

7.4.2.3. Summary

Technocrats, converged professionals and bureaucrats epitomised their roles that attached to and derived from the social structure in an economy. Their engagement with Islamic economic cause was shadowed by the vision of incorporated roles that they held. This condition led both roles to promote standardisation, over which the institutionalised values and norms were screened and guided by common practices of existing similar regulatory and governing frameworks. However, such work moderated by the capacity issues as well as awareness of the masses towards Islamic financial practices. The process of standardising Islamic financial institutions has been a continuous work in progress.

While the two roles shared common approaches, each incorporated role differs by the extent to which such shadows of the structure dictate their activism. Technocrats were indeed more active in comparison to converged professionals and bureaucrats. They are the innovators of Islamic financial institutions by working together with the *ulama* to accommodate the infiltration of *fiqhi* platform into the institution of finance, through the exploration of opportunity. As active promoters for institutionalised values and norms through *fiqh*'s renewal and transformation, technocrats have moved to structured Islamic finance formation, filling the gap that was expected to be performed by the government. In addition, their structural position has brought them to utilise their areas of authority within which a supervisory role of their organisation has been executed for expansion purposes within a competitive environment and limited capacity.

The justification to the enrollment of these roles was extended on the ground of Muslim majority perception, albeit possessing poor awareness on the area. In this situation, converged professionals and bureaucrats stand on realistic ground led by rationale orientation, capital-first focus, and training-based socialisation in further institutionalising Islamic values and norms in economy and finance, as opposed to opting for a system-based understanding of Islamic economics. This strategy split the difference between their roles and technocratic engagement, through their passive-due-to-realist orientation of converged professionals and bureaucrats.

7.4.3. The Evolving Roles of *Ulama* Possessing both Emerged and Incorporated Roles

In Chapter 6, it is noted that *ulama's* role is extended beyond a cultural inheritance of Islamic economic essentialisation, as they acquired a position within the structure emerged along with institutionalisation of value disposition of Islam in finance. The consequence of *ulama's* acquirement of the roles within the structure relates to their dualism within Islamic economic activism in Indonesia, where, on the one hand, *ulama* activism aspired by their precedent as norm entrepreneurs and motors for institutionalisation due to their facilisation, while, on the other hand, *ulama* are subject to the task of shaping the institutional product of Islamic economic activism. It is inevitable that additional roles possessed by *ulama*, as an actor, in alleviating their duties affected their initial commitment within deep causal understanding. A direct consequence was recorded on its greater emphasis towards enforcing emerged norms in application, which suggests that *ulama* predominantly act as legitimacy providers, and is rather losing its grip as civil leader. This transformation is believed to distort the impact of activism

with further institutionalisation of Islamic values and norms, leading to a new arena of articulation focused on structure and presence.

7.5. ROLES CONTRIBUTION AND INTERRACTION IN PURSUING AUTHENTICITY WITHIN INSTITUTIONAL EXISTENCE

In Appendix 3, 'Negotiating Authenticity within Institutional Presence' is identified as the main theme of abstraction of Indonesian Islamic economic activism demonstrating the process of emergence of Islamic finance institutionalism in a socially constructed manner within 'Social Constructivist Grounded Theory' (Strauss and Corbin, 1990; 1998, Charmaz, 2000).

This core category presents a general theory of abstraction (Glasser and Strauss, 1967), suggesting a continuous struggle of emerged roles as cultural inheritance of Islamic value system against elites, of financial structures that extends its reach to Islamic economic actualisation. This negotiation proceeds within the original aim of pushing for authentic transformation, hence, emergenced (Hodgson, 2000) and propagated by Islamic economic essentialisation. In this, an authentic frame is provided by first generation Islamic economic activists with the value orientation that they essentialised. This authenticating orientation is pushed against interests and orientation of social structures, resulting in negotiation within an institutional arena by generating products and practices, along with the objectives of each stream. Though each stream propagates differing value orientations, there is an area within which two differing streams share common interests and work collectively in generating institutional presence as a reflection of Islamic economic activism. The following sections break down the analysis of expansion and contraction by illustrating this process progressing through each generation.

7.5.1. From Normative to Existential Orientation: A Trend of Indonesia Islamic Economic Accentuation from First Generation to Second Generation

In Figure 7.4., Indonesian Islamic economic activism is expressed in terms of experiencing value transformation moving from normatively authentic constructs of Islamic economic substantiation in the first generation, into an existential basis during the second generation. This transformation marks the beginning of existential conditioning of institutional presence in preserving authentic substance of Islam in the economy. This transformation involves intellectuals, *ulama*, and institutional activists from cultural-oriented stream and technocrats from the arena of social structure.

The debate presented in Chapter 6 informs this section in arguing that authentic reflections of Indonesian Islamic economic activism is constructed only out of the value accentuation attached to the three roles, namely intellectuals, ulama, and technocrats, derived from a deep causal influence of an Islamic value-system. Nevertheless, the roles that actors performed embody not only the values-orientation but also norms generated and cultural repertoires influencing articulative actions. The effect of both norms and cultural capital have been crucial in shaping the value accentuation within Indonesian Islamic economics. For instance, *riba* circumvention has led to negotiations on the actualisation of justice within *tawhidian* understanding that not only seek universal benefit, but also fit into existential conditioning. Such accentuation was probable in the light of Indonesian Islamic historicity capital with its *rahmatan lil alamin reflection* allowing for partially adopting global Islamic economic cultural capital. The relevancy of norms and cultural capital in determining articulative action of actors performing roles lead us to approach the situation within the unitary consideration of values-norms-cultural capital axis. For the purpose of this unification, this research refers to roles' epitome as a specific embodiment in defining roles.

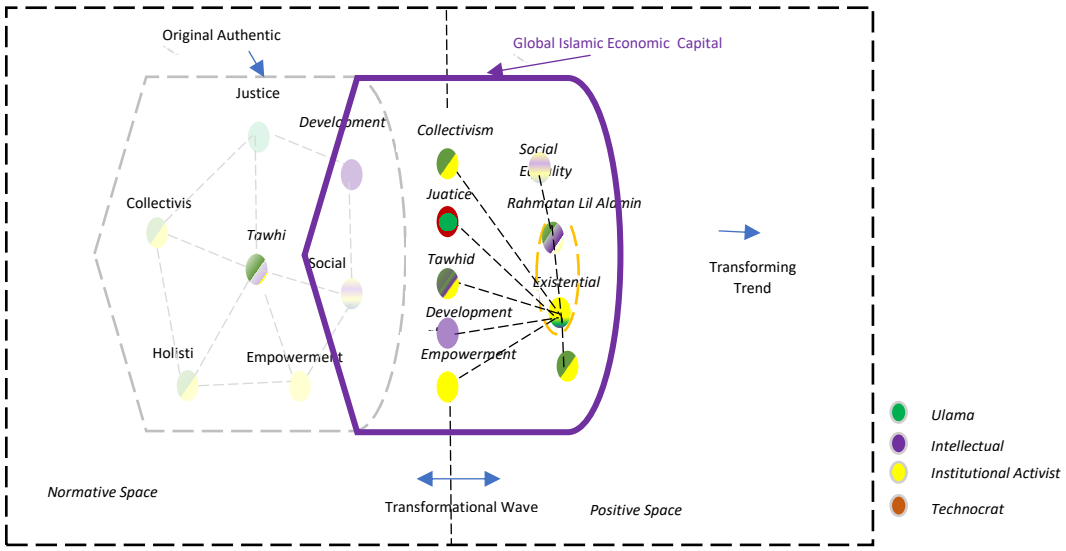
Table 7.1: Epitomes of Ulama, Intellectual, and Institutional Capital as Emerged Roles

Element	Ulama Epitome	Intellectual Epitome	Institutional Activist Epitome
Embodying Values	*Tawhidian*	*Tawhidian*	*Tawhdian*
	Collectivism	Development	Existential
	Justice	Social Equality	Collectivism
	Holistic	Justice	Holistic
	Existential	Existential	Empowerment
	Transformational	*Rahmatan Lil Alamin* (Embedded)	Social Equality
	Rahmatan Lil Alamin (Embedded)		*Rahmatan Lil Alamin* (Reflected)
Embodying Norms	*Riba*-Circumvention	*Riba*-circumvention	*Riba*-Circumvention
	Sharing (Profit-Loss)	Sharing (Profit-Loss) (Embedded)	Sharing (Profit-Loss) (Embedded)
	Taqwa Institutionalised	*Taqwa* Institutionalised	Independency
Related Cultural Capital	Islamic Historicity Capital	Indonesia-Islam Historicity Capital	Indonesia-Islam Historicity Capital (Embedded)
	Indonesia-Islam Historicity Capital	Global Islamic Economic Capital	

Emerged roles within Indonesian Islamic economic activism encompasses the epitomes of *ulama*, intellectuals and institutional activists. Table 7.1 exhibit a values-norms-cultural capital axis based personified roles of Indonesian Islamic economic activism. This heterogeneity of values-norms-cultural capital governing roles is an early portrayal of various value aspiring actors in performing their roles. What needs to be accounted for in this reflection is to expand the synthesis of the value embodiment along with the process, which determine values-norms institutionalisation within the process.

In the historical development as depicted in Figure 7.8, as the activism shifts from the first generation to the second generation, it becomes apparent that an existential push awakens the embedded *rahmatan lil alamin* value within Indonesian Islamic economic cultural capital, turning *ulama* and intellectuals to proactively responding to the institutional emergence of Islamic finance. This is demonstrated by a shift in the net of value substantiation of Islamic economic articulation from original authentic to its global level. In line with this, *rahmatan lil alamin* orientation of institutional activists, were able to relate their aspirations of Indonesian-Islamic historicity and to *tawhid* as central to the value. In a similar manner, sharing and *taqwa* institutionalised norms have earned space as norm prepositions, by sharing the emerged roles due to the embeddedness of the activism within Global Islamic Economic Cultural Capital. This demonstrates early effects of interaction between the roles played, which allows exchange of values-norms prepositions between activists, and the formation of initial authenticity of Indonesian Islamic economic activism. Within deep causal understandings, this can be considered as the base for articulating action of emerged roles played by activists.

Figure 7.8: Depiction of Value-Cultural Capital in Transition from First Generation to Second Generation



Besides interaction between emerged roles, Figure 7.8 also reveals the essentialisation of values of existence, as an epitome of *rahmatan lil alamin* is located within the interaction between incorporated roles and emerged roles. While *ulama*, intellectual, and institutional activists represent the view of emerging roles, there are two roles identified as actors of social structures of finance; these are technocrats, and converged professionals and bureaucrats, which exemplified by the arrow connecting values substantiated with existential value.

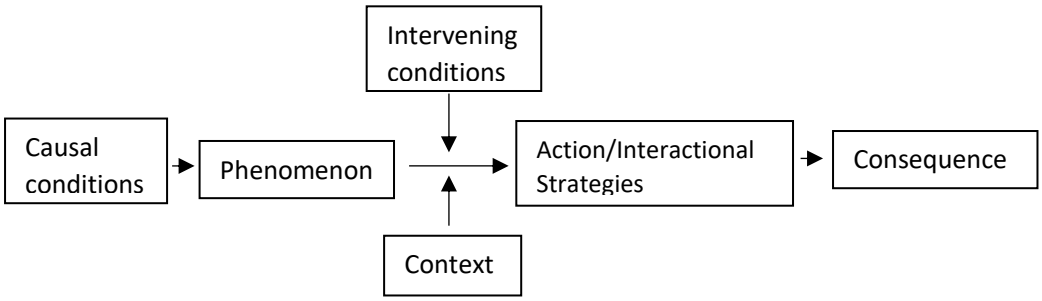
Table 7.12 list values-norms-cultural capital attached to these two incorporated roles. At its centre, seeking existential value is the main driver of their engagement, which are shared with the epitomes of actors within emerged roles. Among the two roles, a technocratic role is more connected with the aspiration that Islamic economic activist propagates, as this role also conjugates with prepositions of justice and the transformational objectives of the society that the activism embraced. Such a role is also aware of and moved by the global Islamic economic capital as a point of reference. On the other hand, converged professionals and bureaucrats' contribution relates to norms of Islamic economics as practical reflection and consequence of Islamic accentuation in economic and finance without particular consideration to its value basis. Instead of connecting to its global reference, this particular role attributes such activism to broader issues of Islamic historicity and its revivalism, as well as, Indonesian-Islam historicity and its advancement. Such positions, relating to the activism often misplaced this role within differing authentication projects.

Table 7.2: Epitomes of Technocrat and Converged Professional and Beraucrat

Element	Technocrat Epitome	Converged Professional and Bureaucrat Epitome
Embodying Values	Existential	Existential
	Justice	
	Transformational	
Embodying Norms	*Riba*-circumvention	*Riba*-circumvention
	Profit-Orientation	Profit-Orientation
Related Cultural Capital	Global Islamic Economic Capital	Islam Historicity Capital
		Indonesia-Islam Historicity Capital

As it is understood, the shared 'values', guiding 'norms', and 'cultural capital' attachment incorporated roles are within the emerged roles of Indonesian Islamic economic activism. This research is concerned with the potential area of engagement between the two roles determining the process of emergence, which will be elaborated further in the following section of analysis.

Figure 7.9: Paradigm Model Diagram: Social Constructivist Grounded Position

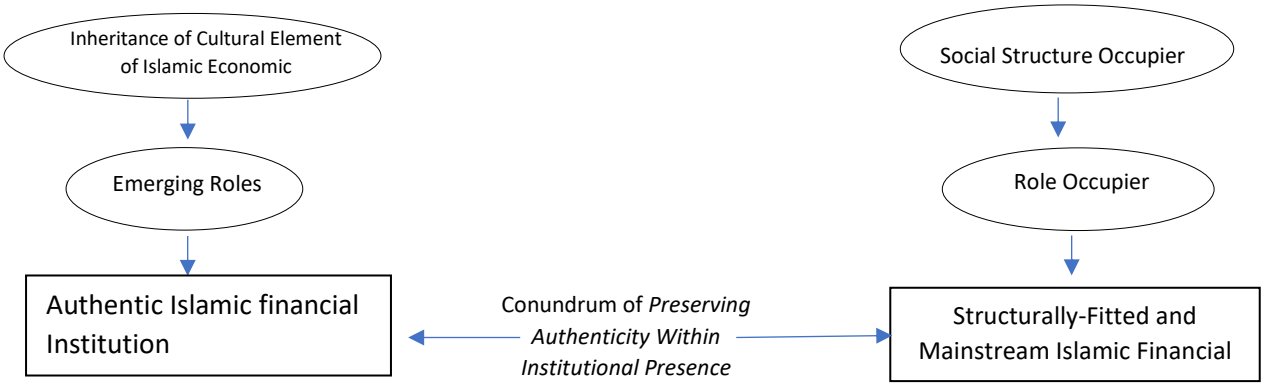


Source: Strauss and Corbin (1990: 127)

A paradigm model is recalled and depicted in Figure 7.9, which deconstructs the process through social constructivism. The basis of the phenomenon understudies from the first generation to the later generations by aligning institutional emergence of Islamic finance in Indonesia with the emergence of culturally-aspired Islamic economic activists' 'forming roles' who pursued the articulation of aspired values in the light of negotiating preservation of authenticity with the incorporated roles.

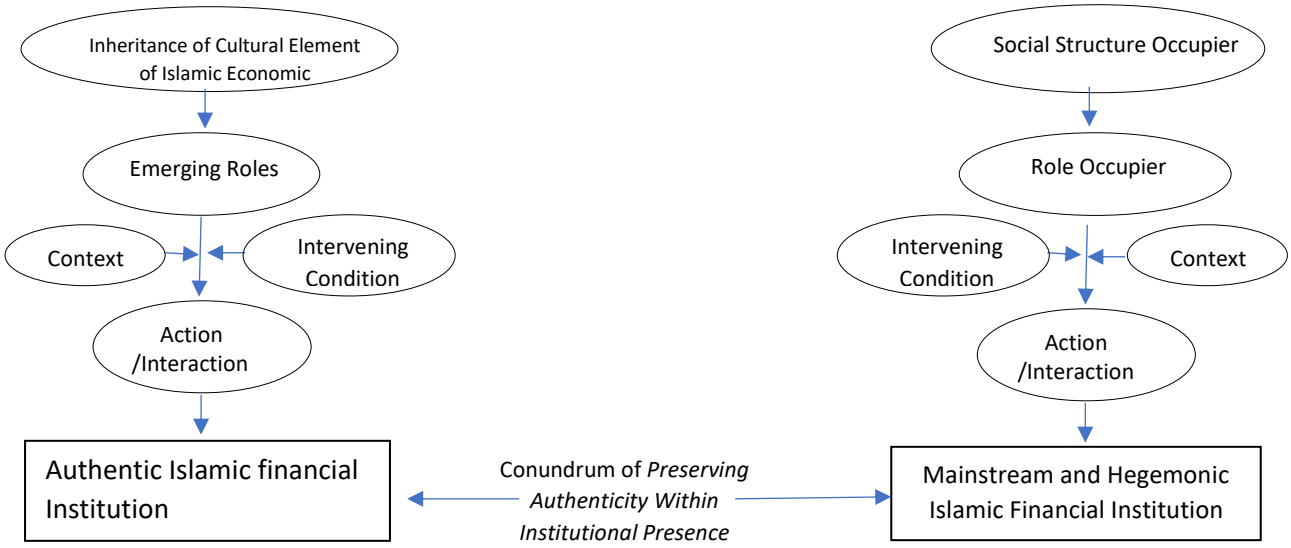
Figure 7.10 depicts a conundrum of preserving authenticity within institutional presence in the case of Indonesian Islamic economic activism (APPENDIX IV). On the one side, 'emerged roles' as inheritance of Islamic economic cultural elements aim at producing authentic Islamic financial institutions. On the other side, 'incorporated roles' comprise occupiers of social structures pursuing the establishment of mainstream and hegemonic Islamic financial institutions. In between this conundrum, the emergence of Islamic finance with its Indonesian institutions represents a negotiation between the two streams, with its preference.

Figure 7.10: Causal Condition–Conundrum of Preserving Authenticity within Institutional Presence



With informed understanding on the paradigm model through a social constructivist paradigm, the causal condition above can be translated into Figure 7.11. This figure enlightens this research on the process of institutional emergence within struggles to preserve authenticity within institutional conditions under an evolutionary social constructivist position, which is shaped by interaction between emerging initiatives and the social structure of finance. Such struggles relate to articulative action resorted by roles accounting not only for epitomes of each streams but also on contextual factors and intervening conditions. Hence, each role is under the specificity of conditions and context, resulting in differing approaches to each role.

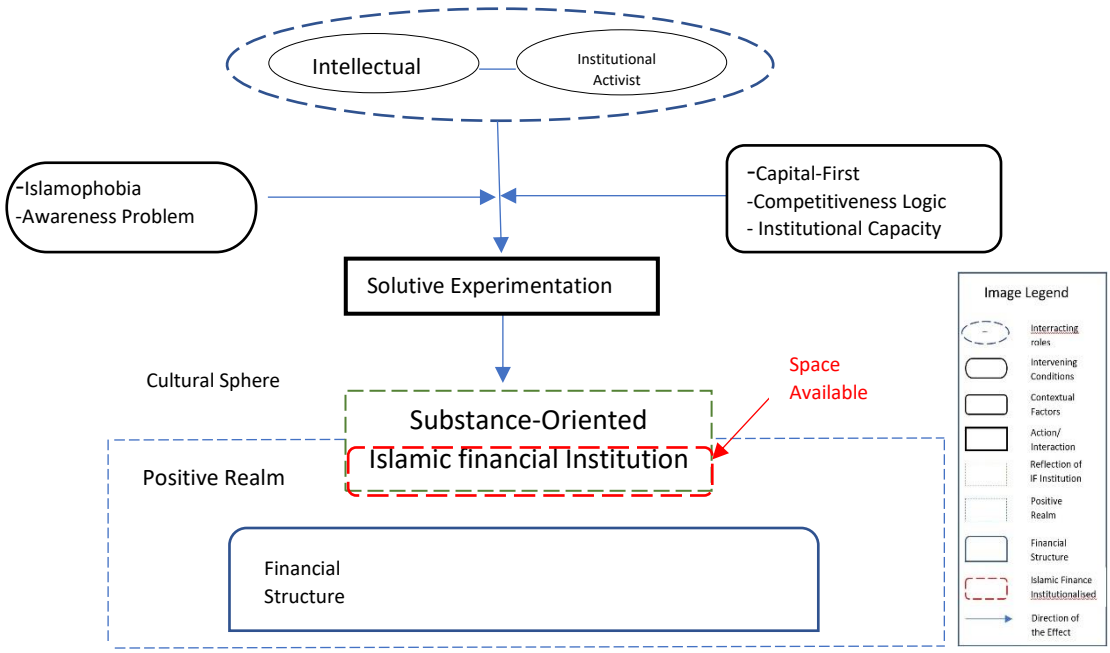
Figure 7.11: Paradigm Model Adopted: Conundrum of Preserving Authenticity within Institutional Presence



For instance, intellectuals of Indonesian Islamic economic activisms' roots of engagement are inseparable from how global Islamic economic fever spread across the Muslim world during the 1970s, as some of the names apparent in such a global movement stem from Indonesian Islamic economic activism, and who attended the first conference on Islamic economics in 1976. This event took place during an emerging developmental debate in Indonesia which emphasised values of justice, as an embodiment of the intellectual epitome prevailing during the period. The inosculation between these two issues conjugated with cooperative institutionalisation trends, aspiring an authentic conceptualisation of the substance of Islamic economics in the form of cooperative-acting-microfinance of BMT. The suitability and universality of this articulation to an Indonesian context needed to trigger such adoption of this experimentation by other roles.

On the other hand, institutional activist is a role within activism that is moved by experimentation within this micro-institution. As influenced by embedded Indonesian Islam capital, actors within such roles actively sought an approach to enable them to deliver *rahmatan lil alamin*, as a consequence. Experimentative articulation of Islamic economics through BMT was relevant for institutional activists on the grounds of providing greater access to finance. Furthermore, this role led to secure the agenda of activism through institutional presence, promoting practical-first orientation within the articulation of value essentialisation. It should be noted that such an existential orientation of institutional activists represented a departure from normative orientations, emphasising the provision of benefits through Islamic economic reflection, beyond normative interpretations.

Figure 7.12: From Normative to Institutional Existence: Experimentative Initiation of Preservation Authenticity within Institutional Presence in Finance



The transformation of Indonesian Islamic economic activism toward institutional presence also expanded the context of such substantiation. While intellectuals encountered issues of secular rejectionism, low awareness, and under capacity within activism of Islamic economic movement, the trajectory towards a positive realm of institutional realisation added extra conditions to activism, which related to the logic of finance as an institutional construct. This ranged from a capital-first orientation, to the logic of competitiveness, into opportunity exploration in its articulation. The expanding contextual factors and conditions increased the consideration of Islamic economic activism both within normative, as well as, positive realms.

Within the conditions and contextual setting that both intellectual and institutional activists experienced upon approaching institutional forms, both roles aimed at generating an approach that nurtured the development within a *rahmatan lil alamin* orientation, which translated as growth stimulation in an inclusive sense. Hence, a strong element of Indonesian-Islamic historicity introduced presence in the initiation phase of Islamic finance institutions.

Figure 7.12 demonstrates the intellectual and institutional activists' shared interest as shown as two interacting elements in the upperside of the figure, leading to solutive experimentation as an articulative action in the bolded box. From *rahmatan lil alamin* aspired orientation, these two emerged roles pushed for experimentation in bringing simultaneous solutions toward underdevelopment and financial exclusion, even under an unfriendly public reception and limited awareness on Islamic initiatives and the pressure for capital first, competitiveness, and requirements for institutional capacity within the area of finance demonstrated as an overriding force in between in sources and action taken in Figure 7.12. This approach stimulates the generation of substance-based Islamic financial institutions in their initial emergence process. The highlight of this form of search resulted in generating authentic Indonesian Islamic finance institutions in the form of BMT, as initial institutional reflections of Islamic economic aspirations in financial sphere, initiated in 1983, and which continued to prolong and colour Indonesian Islamic economic activism's aspirations in the financial sphere.

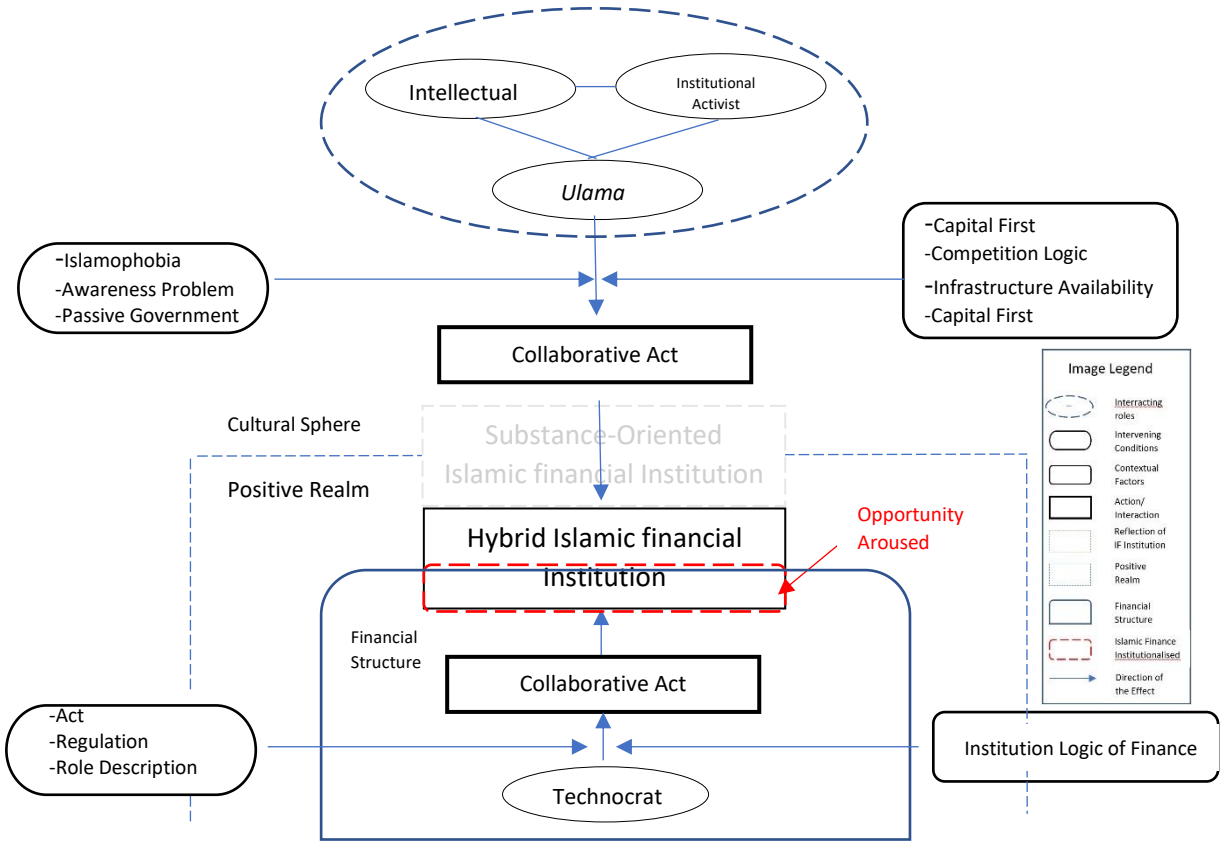
Besides similarities in the preference to articulative action, both intellectual and institutional activists are connected by their collaboration with the *ulama* as the main inheritors of Islamic value systems. Since the experiment of BMT, *ulama* plays important roles in supporting institutional emergence and formation through stimulating the development of *fiqh muamalah*. Simultaneously, *ulama's* involvement with Islamic economic and finance institutionalisation triggered advancement on the area of *fiqh* deemed to be lacking behind in its articulation in economic and finance. In that, existential orientation of Islamic economic articulation motivated the reform of the institution of *ulama* in Indonesia in bettering its approach in turning values into reality.

The reform undertaken by institutions of *ulama* shaped the '*ulama* role' to be proactive in responding to modern challenges. During this process of reform, *ulama* engaged in Indonesian Islamic economic activism through issuing recommendations for the establishment of Islamic banks as tangible forms of Islamic financial institution centering upon the implementation of *riba* circumvention. In accommodating the development of this *messo*-institution, *fatwa* was

periodically issued in offering *Shari'ah* reflections on Islamic finance operations. This further engagement of *ulama* has been within the activist's aspirations towards the practical orientation of Islamic economic accentuation under the umbrella of *muamalah* and the legality of *fatwa*.

Nevertheless, *ulama's* involvement was material in the process of generating a transformational Islamic financial institution when the role started collaborating with other emerged roles. Furthermore, this approach in development not only triggered collaborative action among emerged roles but also invited agents of incorporated roles to contribute to this move.

Figure 7.13: From Normative to Institutional Existence: Initial Preservation Authenticity within Institutional Presence in Finance



As Islamic economic activism entered a positive sphere and rested its aspiration within the modified modern financial institutions, this shift in approach attracted the interest of technocrats within financial sphere that viewed such innovation as an attempt to realise just practices in finance. This particular innovation was accepted due to its nature of continuity derived from professionalism and common practices.

With the positive reception to its course of development, technocrats were observed collaborating with cultural-bearers of Islamic economic activism, especially the *ulama*, in the formalisation of institution of Islamic finance. One of the significant contributions of technocrats in the formalisation of the substance of Islamic economics relates to the accommodation of sharing values to be recognised under the Banking Act. Since then, further accommodation on institutionalised *taqwa* has been recorded in action and measures of technocratic innovation, either within regulatory frameworks or formal institutionalisation.

Figure 7.13 demonstrates the connection and interaction between the roles from both emerged background, which are intellectual, ulama, and institutional activist on the top of the figure, and incorporated background, recognised as technocrat on the bottom of the figure, within the condition and the context in the transformation towards institutional presence. This transforming orientation in collaborative sense pushed institutions emerged further to positive sphere and even to the realm of structure, highlighted by dotted line box in red. This is a shift from substance-oriented Islamic financial orientation highlighted in the first generation toward hybrid orientation with presence in both positive realm and financial structure. This is highlighted by the emergence of institution of Islamic banking, as products of hybridity orientation in 1992, in Indonesia.

While embracing formal structure to manage to appeal to both streams of activism, its institutional focus redirected its orientation toward sustaining presence rather than continuous search for an othering framework. From experimentation in an independent sense, activism started embracing realistic measures of institutionalisation. The main form of process involved institutionalising norms promoted by emerged roles, which, since then, has extended its range from improving competitiveness, expanding collaboration, and introducing additional branding. This pattern remained, however, as a reminder for activists of trends approaching positive sphere, and even to the centre of financial logic with a certain degree of independent pursuance of substance-based Islamic financial institutions.

As the institutionalisation spread toward formal structure upon opportunity emerged, the increasing influence of *ulama* has become significant in further institutionalisation. *Ulama*'s proactiveness has provided activism with the legitimacy, as well as, the basis for institutionalising *taqwa* in finance through adopting a *muamalah* approach. Such an approach is important as a frame for the formalisation of values and norms within the emerging formal institutions. Not only did the *ulama* increased its involvement, the spread towards formal

structure triggered collaboration between emerged roles and incorporated roles in ensuring the process of institutionalisation. In particular, this move towards formal institutionalisation and institutions came with an opportunity sphere for intensive exploration from both streams within institutional arenas.

Within the formalisation, converging social-financial actors assigned or commited to activism emerged as members of incorporated roles. This pushed further formalisation and entrenchment of Islamic financial institutions into social-financial structures. In responding to this, only *ulama became* involved in the process of institutionalisation-formalisation, while other emerged roles continued pursuing different articulations of Islamic imagination in the economy.

Figure 7.14: From Normative to Institutional Existence: Formalisation-Institutionalisation Effect

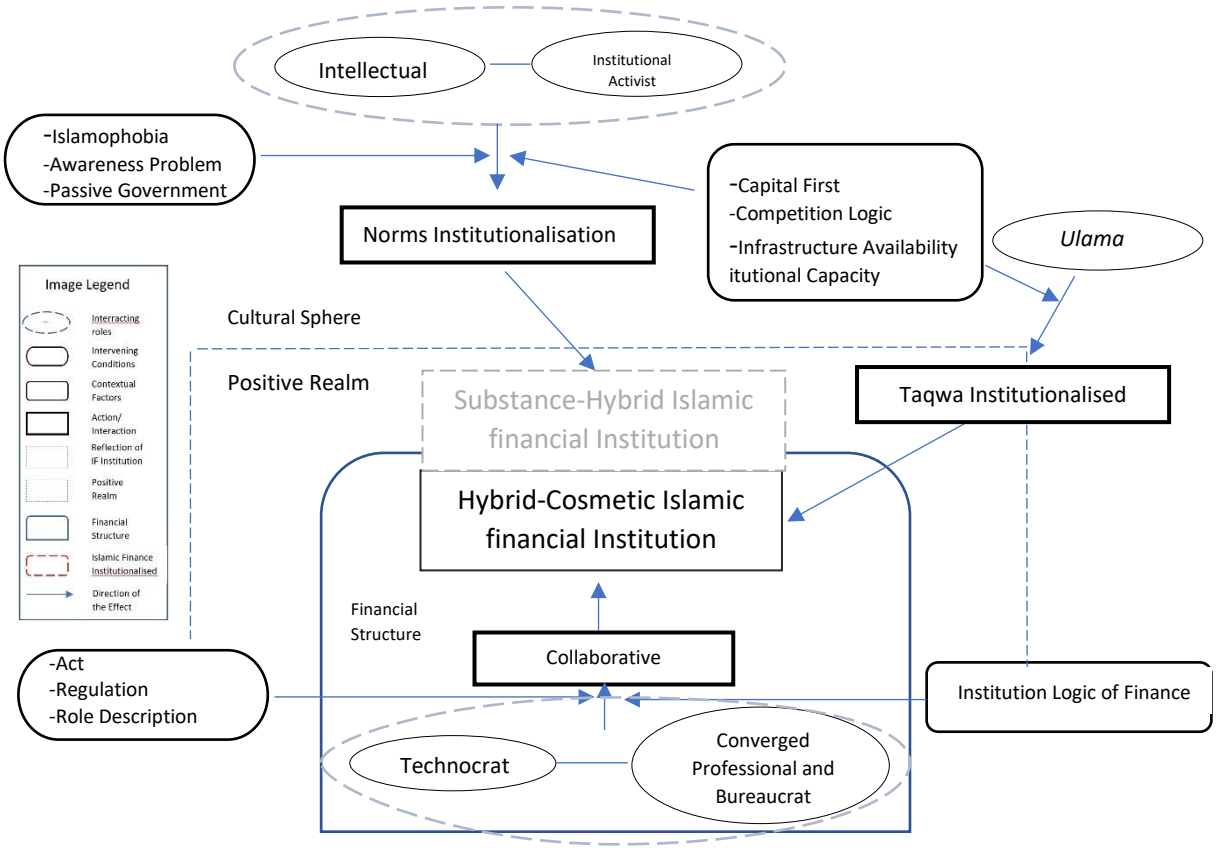


Figure 7.14 demonstrates the process and the consequences of structuration and formalisation of Islamic finance which has not only riven the institutionalisation due to its differing orientation but also the interest and differing areas of engagement of activists within Islamic

economics. Here, two areas are identified: orientation towards generating institutions with a specific base, as illustrated in the faded box labelled as substance-hybrid Islamic financial institution sourced from institutionalisation of norms of cultural elemt of Islamic economics, and shaping-re-shaping evolving hybrid modern institutions of Islamic finance, illustrated by 'Hybrid-Cosmetic Islamic Financial Institution' labelled box shaped by institutionalising *taqwa*. The presence of these differing outcomes suggest that the activism is divided after all, with those attached to social-financial structure appealing to structuration in the case of the latter while others maintain its independent orientation in coming-into authentic Islamic financial institutions in the case of the former. Nevertheless, both arenas and institutional forms are still considered in unity as an institution in formation.

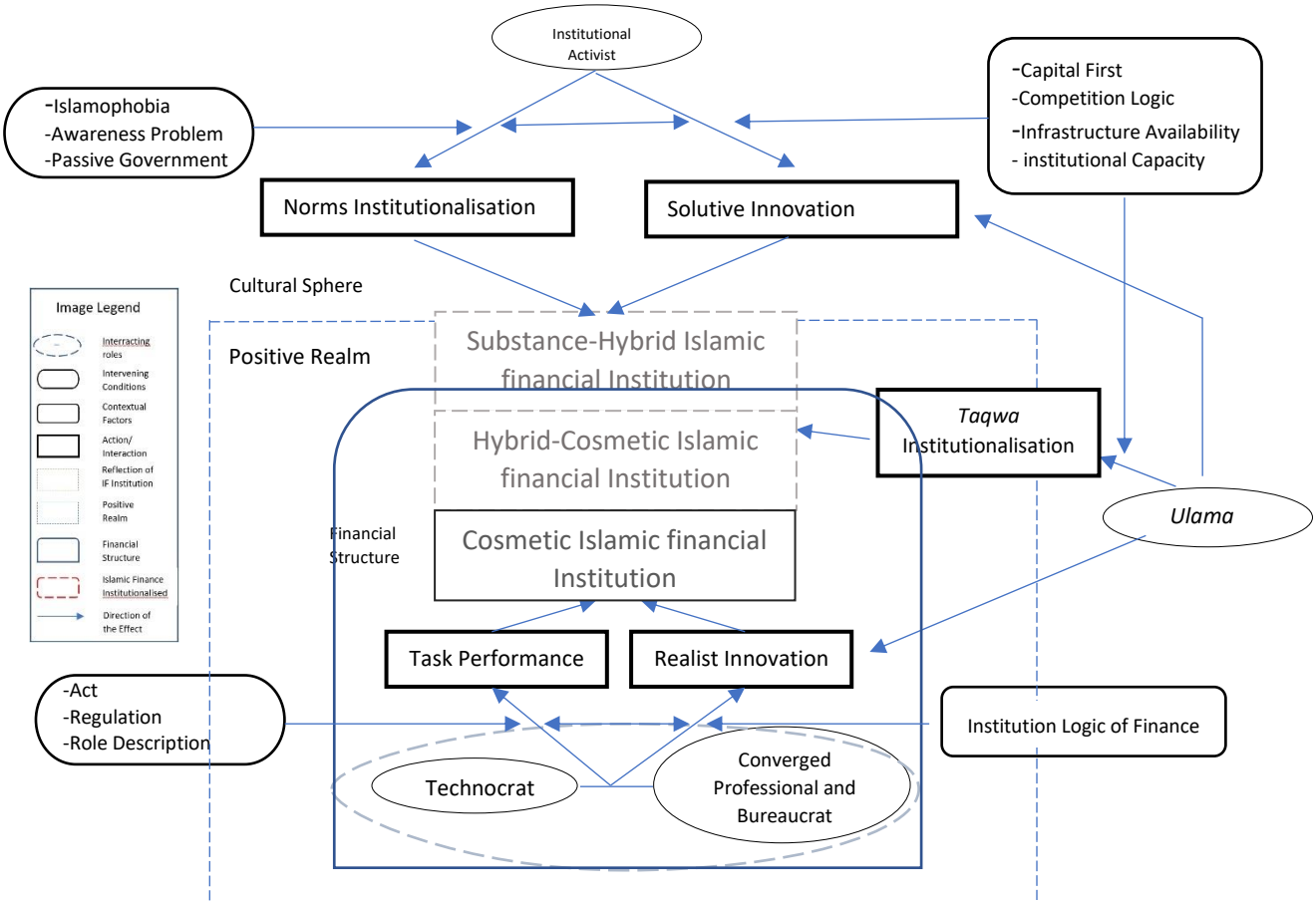
Such trends experienced by Islamic economic activism as values accentuation cemented within institution of finance informs that the process of transition from first generation to the second generation occur in evolving conditions and context. Where issues such as secular rejectionism, low awareness on Islamic economics, and passive government intervention were determining context and conditions of Islamic economic articulation, the manifestation of this spirit within the institution of finance encountered the condition for sustenance related to capacity development of the institution, as well as enabling infrastructure without which actualisation outweighted by imposed effects of conventional financial logic as the dominant mainstream logic. Consequently, it adds layers of consideration for an authentic realisation within the institution of finance, leaving alone authenticity within Islamic economic imagination.

Furthermore, the increasing outreach of incorporated roles within Islamic economic activism provided benefit, as well as, demonstating downside effects. In the early engagement, incorporated roles facilitated the emergence of transformational financial institutions and even enabled its tangible reflection in the form of banks. However, as the pattern suggested that the trajectory of expansion is prone to structuration, the presence of incorporated roles add layers of conventional pressure, within which differing values are propagated and institutionalised. This inevitably created two streams of articulative action post-emergence: one which has sought a deep causal institution of Islamic finance, while other embraced the estructuration in the formation of institution of Islamic finance.

7.5.2. Contraction Process of Value Substantiation: A Trend of Indonesian Islamic Economic Accentuation from the Second Generation to the Third Generation

In notes on intergenerational forms of Indonesian Islamic economic activism, contraction on value substantiation was observed in the transition from the second generation to third generation. This contraction is pictured by two conditions related to the trajectory of institutionalisation approaching adoption of dominant values-norms of finance and dislodgment of the deep causal basis of Indonesian Islamic economic activism. In so far, it is understood that the sustenance orientation as a consequence of existential as a core value place additional weight on the accentuation of collectivism. In a similar manner, the focus on growth also hinders the pursuance of empowerment within activism. Not only due to clashes of values, historicity of Islam and Indonesian-Islam also shape this contracting pattern on value-norms accentuation within Indonesian Islamic economic activism.

Figure 7.15: Contraction Trend: Depiction of Early Engagement within Positive-Financial Structure Arena



Nevertheless, the most important development in relation to this contraction pattern on the activism focuses on the evolvement of the role of *ulama*. *Ulama* gradually hold dual roles including an incorporated one, posing predicaments for *ulama* to commit and to promote independency. This development in the roles *ulama* played contribute directly to the commitment and dimension on value actualisation that can be realised, as dual functions propagating values at a crossroads. At the same time, an intellectual role was disappearing since the second generation. This left institutional activist as the main role seeking for preservation of authenticity. Ultimately, such situation costs activism its solidarity and deters the impact of emerged roles in translating values-norms of Islamic finance institutions.

The diminishing capacity of Islamic economic activism in independently developing authentic Islamic financial institution has shifted the arena of negotiation for its institutionalisation. From a normative-positive position, negotiation moved down to a positive-structure arena triggered by a move towards a hybrid approach on Islamic financial institutions in the transition from first to second generations. During the early period of transition from second generation towards the third generation it was characterised by its focus on an institutional-organisation arena.

Figure 7.15 demonstrates early engagement within financial structure arena given the transition from a second to third period. As the negotiation expanded and produced a reflection within financial structure, the process involved not only a formation of an institution, but also shaped the institution that had been formed. This new development is represented by a rectangular form in bold labelled as "Cosmetic IFI" with the original institutional expansion presented as dotted line boxes labelled as 'Substance-Hybrid IFI' and Hybrid-Cosmetic IFI'. In this, norm institutionalisation persists as a form of institutionalisation. In addition, the adjustment to the institution formed is made through the course of innovation under the conditions of its embodying logic, from capital orientation to competitiveness, accessible infrastructure for institutionalisation, as well as, having both emerged roles and incorporated roles involved in the process. The distinction between the two roles in its substantiation as an articulation of innovation is on the spirit aspiring such innovation. In the process, emerged roles bonded with the solutive orientation, while the incorporated roles subscribed to the realist position.

Beside norms institutionalisation, emerged roles also absorb the task of shaping institution formed in the process. Within the objective of transforming products of Islamic economic activism as a reflection of solutive orientation, this action advanced the institutionalisation

from inside institutional establishment. This differentiated the strategy from a previous one in the sense of moving from the outside-in to inside-out to foster the projected and desired expansion. Both institutional activists and *ulama* introduced measures within the recognition on the conditions of this innovation, such as the competitiveness and attractiveness as important elements within the innovation, in addition to value accentuation. This orientation led the negotiation in shaping the institutionalisation with the aim to reflect on *rahmatan lil alamin,* as referred to an original value substantiation. Again, this distinction set differences between emerged roles on the upper-side of the figure and incorporated roles in the bottom-side.

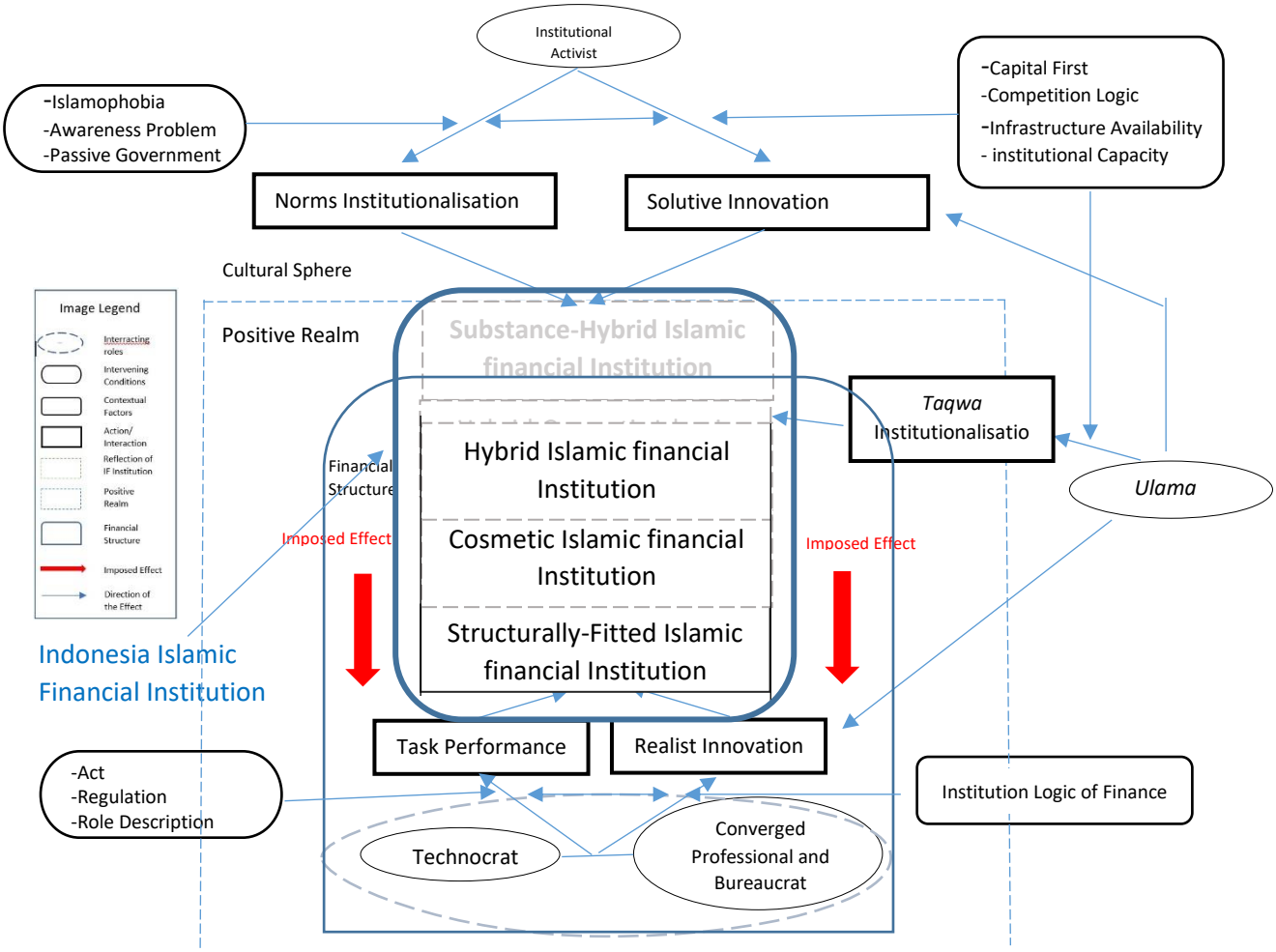
One example of this articulation can be located in *ulama*'s approach to refinement of a *fiqhi* process in addressing modern economic problems (NH-MUAM). This is reflected in *fatwa* issued, as a governing verdict on an approach or process, where an innovative act is accommodated in the light of greater access to economy through financing (MH-FIQH). The guidance of this innovation aims at ensuring that it is not in conflict with the principle of *Shari'ah*.

Innovative strategy and acts are also embraced by incorporated roles, in particular, the technocrats. Within financial structure, technocrat's roles are played by actors attached to the regulatory agency, whose interest is on bringing balance between monetary sectors and real sectors. As the gap has been gradually increasing due to disembeddedness, the formation of Islamic financial institution is directed toward a form of blueprint on finance addressing imbalances. This is the source of its realist orientation, where it demands for a specific tangible consequence within values-norms essentialisation, and boundary of its role.

When this approach is translated, it can be seen that the realist innovation differs from a solutive one, in weighting the condition of consideration. While solutive-oriented innovation sets to expand the institution beyond the condition, realist-oriented innovation is responsive in nature and rather guided by legal and regulatory arrangements in the consideration of *fiqhi* bound mandates that define its legitimacy. The accentuation of this realist-innovation is indeed a blend in between following so-called best practice in finance through *fiqhi* rules and compliance. Nevetheless, the regulatory-oriented approach in innovation frequently caught the process in a crossroad on its purpose, suggesting an unequal weight on the realisation of this approach. In the figure, this is demonstrated by a position of the realist located within a rectangular with a rounded top corner as a positive sphere where the structure lies, which implies that the realist worked around existing financial structure.

It is important to mention that the early process of contraction, which is exemplified by the gravity of interaction between the emerged roles and the incorporated roles, is affected by the dual roles that *ulama* played. This dual role inevitably weakened the pursuance of a deep causal-base of institution of Islamic finance, as one of the actors in this stream has another role to bear which is favouring the standardisation and filtering of Islamic finance in accordance to existing structuring. This is an initial depiction of a realistic determination of Islamic finance with grounded innovation as a preferred strategy that *ulama* followed in collaboration with other incorporated roles.

Figure 7.16: Contraction Trend: Structural Imposed Effect



Furthermore, the emergence of this contracting condition was also contributed by technocrats and converged professionals and bureaucrats' performing tasks conditioned by formal and legal institutions. In particular, the existing institution of finance and its institutional logic directs and governs the task that this role performed. This creates an effect of structuring and

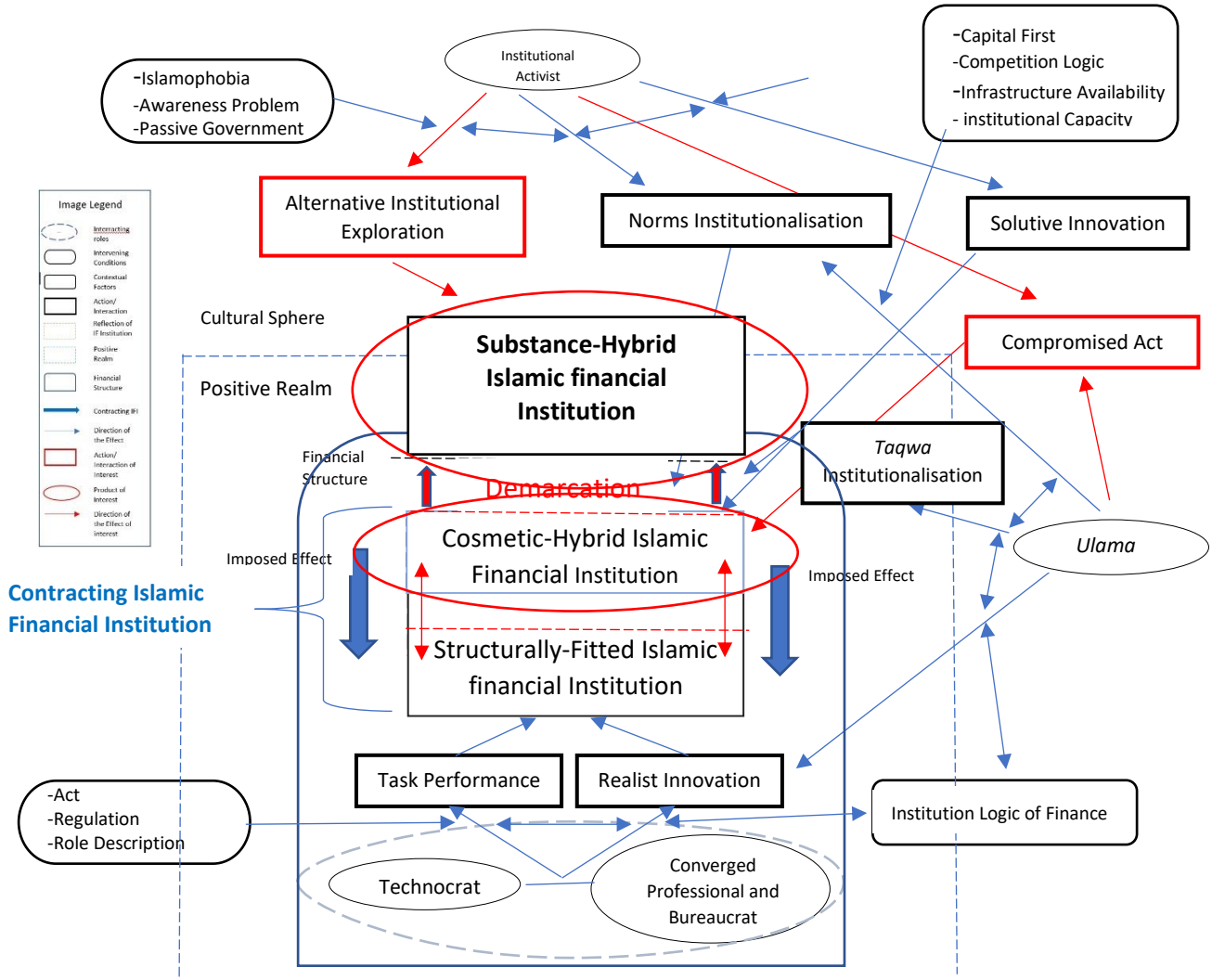
fitting Islamic finance institutionalisation to the logic of finance, where the action of incorporated roles is aligned with regulatory and standardised forms of institution.

The presence of an institutional finance logic has not only influenced the actors of incorporated roles in the institutionalisation process of value orientation of Islam in the economy but has already added conditions to the pursuance of an authentic reflection of Islam within financial institutions, since the early emergence of Islamic finance institution. Nevertheless, the weakening capacity of the emerged roles along with a growing advocation on the existing financial institutional logic, proliferates the magnitude of the pressure and demonstrate its dominancy within an institutionalisation process of Islamic finance. The illustration on the effect of domination of structural impositional power is depicted in Figure 7.16 where institutional formation shifts closer to mainstream of values-norms of existing financial institution. The direction that the red arrow pointing at is the trend that Islamic economic articulation is experiencing, whereby it forms to mimic the presence financial institution rather than expanding the form of the rectangular with rounded top corner. This phenomenon occurred due to an imposed effect of financial structure. As such, the so-called Indonesia Islamic financial institution building block experienced an increasing resemblance to the existing institution of finance logic and structure.

In responding to structurally imposed effect that alter the form and the orientation on the institutionalisation of Islamic finance in Indonesia, two forms of unique measures and approaches emerged, which are a ‘compromisation strategy’ and ‘alternative institutional exploration’.

Figure 7.17 illustrates these additional action/interactional strategies adopted by the emerged roles within a contraction of Indonesian Islamic finance institutional emergence. The former refers to the accommodation of structural requirements in the light of institutional expansion resulting in reduction on the purpose of institutionalisation from finding the balance between expansion and contraction to areas of filtering or compliancy, while the latter stimulates a separate alternative form of institutionalisation departing from the current trend to rejuvenate the initial authentic imagination. Both strategies were written in red boxes in Figure 7.17.

Figure 7.17: Contraction Trend: Compromisation



In comparison to an alternative institutionalisation, the former is indeed an emerging position influenced by discourse within the historicity of Islam, where re-enactment of past institution of Islam is pursued on the ground of its claim to be originally derived from Islamic value-norms-cultural capital. Compromisation strategy departed from a position that aims to acquire benefits from the existing structures in the pursuit of 'acceptable mechanisms facilitating Muslim economic life'. This is within the consideration that institution of finance is bounded by a capital-first orientation, which implies that progress can only be obtained by considering the initial requirement.

It should be noted that a popular trait is identified within an Islamisation orientation with the advancement of Islamic finance institutionalisation's legal basis position as the central key toward the institutionalisation process. In that, a reflection of revival was observed within this approach in financial sphere depicting a dominant element of responsiveness towards the

establishment. In this, an area of exploration focused on the compliance of values-norms of existing financial practices to this hybrid-oriented Islamic financial institutionalisation, involving institutional activists and *ulama* in this process. This resulted in the pursuance of cosmetic-hybrid Islamic financial institution as shown in Figure 7.17.

In contrast, alternative institutional exploration was a follow-up act on the basis of substance-orientation in introducing potential institutional reflection within sustenance consideration. This is different from initial form of pursuance in the first generation, as it is considered to be a bridge from the current trend towards normative transformation on institutionalisation. In this transformational process, hence, multiple conceptions and shapes were introduced to push the normality boundary. Spanned from independent oriented institutional forms with its value substantiation closer to the pursuance of original authenticity to historically acclaimed Islamic version of economic and financial institution, such range created accommodation of differing orientations and allowed for the emergence of different forms and approaches to Islamic financial institutional emergence.

Alternative institutional exploration is indeed an institutional emergence of its own, separated from contracting Islamic financial institutions. This form of institutionalisation positions itself between cultural sphere and financial structure axis with predominant articulation occupying financial sphere as a positive space. This is shown as 'substance-hybrid Islamic finance institution' box circled in red in Figure 7.17. It can be argued that this is a novel approach which splits from the current institutional process on the ground of its dimension of reference, articulative consequence, and, hence, institutional form. The main highlight here is on the value preposition considered and suggested, resulting in departure from current mainstream financial structuration, which is mainly the case with the institution of Islamic banking. In this, it is able to accommodate the aspirations of independently-oriented BMT activists, *waqf* activists, alongside, Islamic capital markets that remained a peripheral institutional orientation.

7.6. NEGOTIATING AUTHENTICITY WITHIN INSTITUTIONAL PRESENCE

The two highlighted themes representing the emergence process of Islamic financial institution as suggested in Chapter 6, provide this chapter with an overview of the transition process from each generation to another, outlining terms of their vision and the operational nature of Islamic finance. In this chapter, this mosaic is stitched together considering the contribution of the roles of activism moving from normative oriented into an existential focus and later experiencing

contraction within its value substantiation that stimulated an emergence of alternative Islamic financial institution. Following economic sociological position on institutional formation, it is revealed that the emergence and later development of Islamic financial institution in the form of BMT, was derived from and propelled by the deep causal setting of its original sources.

This position details a consciousness that values promoted required an elevation to norms and cultural capital in the first layer and roles in the secondary layer before becoming institutionalised. Simultaneously, such an institutionalisation process was also affected by the presence of social structure of finance within established organisational form, status hierarchies, and class structures that affected the extent to which emerging institutionalisation within the area of finance was imbued with religious values and norms. Thus, within the presence of two streams of institutionalisation traits, a perspective on the process of institutional negotiation was established. In this, institution provided the parameter and rules of engagement for organisation and informal entities, while individuals and informal entities responded by complying or opposing to the rules set by organisations. This process was even extended to the conductive collective action to transform institutions beyond compliance and opposition. Thus, this process should be understood as a framework of analysis in comprehending the process of emergence of Islamic financial institutions.

As discussed, the deep causal basis of Islamic economic essentialisation providing a base for Islamic financial institutionalisation was constituted by mainly three branches of actors, intellectuals, *ulama* and institutional activists. Each of these have had different roles, while the dynamic nature of the process necessitated the forming of what is considered as emerging roles that appeared along with the presence and requirement of the differing nature of institutionalisation. Hence, the articulation of each actor not only represented their identity and value-essentialisation but also facilitated the realisation toward authentic Islamic financial institutions as a product of these collection of epitomes. Their endeavours fractioned with their roles as agents of social structures, technocrats and converged professionals and bureaucrats. Their engagement with Islamic economic agenda and Islamic finance institutionalisation were due to roles they occupied within the realm of economics and finance, who viewed such an institutionalisation process as one of the attempts for the vision and missions of organisations to be accommodated within existing structures.

In working toward institutionalisation as an existential form, the early period of Islamic economic activism its aspirations through solutive experimentation. This presented the earliest

form of articulation for negotiating authenticity where intellectual and institutional activists work towards early institutional emergence with value-orientation, even under unfavourable conditions involving context and pressure. This has taken the form of the emerged institution of Indonesian-authentic BMT. Activism progressed further with collaborative acts between emerged and incorporated roles facilitating a hybrid expansion on Islamic financial institutionalisation. By involving *ulama* and technocrats, institutional emergence continued and entered financial structure arena with the rise of Islamic banking in Indonesia as a visible and market-approved form of institution. This new institutional arena for exploration stretched substance-oriented anchoring into existential presence of institutional forms.

As the orientation shifted towards existential presence, the focus of activism retreated from experimentation and preserved norms of institutionalisation as a method to support its sustenance. Within this process, *ulama* experienced an expanding role in leading the process enabling it to assume an additional role within the structure, facilitating institutionalisation of *taqwa* within the emergent or formed institutions. On the other hand, intellectual roles started to diminish gradually, discouraging formational positioning of the orientation. Furthermore, as the institution embraced formal structure, additional incorporated roles converged and acted in favour of an institutionalisation process. Here, institutionalisation of Islamic finance is promoted not only by the technocrats but also by converged professionals and bureaucrats, and to a certain extent, the *ulama*. This development stirred an institutionalisation in hybrid sense, blending Islamically-oriented values-norms with structure-based financial norms. A highlight of this process is on the recognition of the relevant norms to Islamic economic institutions within the legal/regulatory framework.

Such progress on institutional pursuance inevitably triggered two orientations: one pursues a reflection of a novel othering Islamic financial institution based upon value-system of Islam, while the other concentrates on shaping-and-re-shaping the established institution. With two orientations drawing the emergence and the nature of institutionalisation on Islamic values and norms, the choice streamed down to the one with less pressure and conditions, particularly against the super-structure, as technocrats involved in the process. Since then, the activism aligns with a hybrid-orientation focusing on addressing institutional challenge.

The second orientation that emerged along with the transition to second generation activism, came with a consequence. A facilitative act by technocrats allowed activism to expand to space of financial structure. Nevertheless, this facilitative act turned as an extension to existing

structural norms and orientation during a transition from the second-generation to the third-generation Islamic economic activism. Furthermore, additional roles within the structure were also assumed by *ulama*, as part of the cultural inheritance of Indonesian activism, creating dualism with the initial monopsony-oriented commitment to value-orientation of Islamic financial institution. Under such circumstances, the activism's commitment to the pursuance of value-oriented Islamic financial institutionalisation was reduced, while the new strategy imposed itself with structure-oriented institutionalisation due to the additional pressure extended by incorporated roles in favour of the existing financial values and norms as the base of institutionalisation. This gives an initial indication that the work on the creation and refinement collided due to its point of reference.

As the arena of negotiation moved into institutional space, institutional innovation resorted in line with the activist's strategy in expanding the institution apart from norms of institutionalisation. Both emerged roles and incorporated roles pursued this strategy that extended the institution on the consideration of constraining factors of conditions. The main difference is on the value attachment, where emerged roles innovate on the ground of actualising substance, while incorporated roles adopted a realistic stand on the reference to potential expansion under the condition of accepting the hegemony of prime logic (or the institutional logic) of conventional finance. Such orientation enlights this research on the condition of negotiating institutional reform, where it not only interacts with incorporated roles but it is also capped within the prime logic of finance.

This variation in point of reference is reflected in the articulative procedure it followed. For example, in the case of incorporated roles, realist-oriented innovative action and strategy is responsive in nature and heavily guided by legal and regulatory settings, placing their articulation in between best-practice and Islamic legal consideration. Given strong legal and regulatory influence to incorporated roles, value preposition of existing financial structure is central in shaping the direction of incorporated roles in enabling innovation of Islamic finance institutions. Besides performing specific tasks attached to its role within organisations it represented, innovative measures that incorporated roles it is able to undertake, bounded by legal and regulatory measures, and established on the basis of mainstream financial logic which is imposed on Islamic finance.

On the other hand, solutive innovation performed by emerged roles are bounded by the expressed commitment to the inherited cultural system, and it is at the state of declining in the

transition process from the second generation to the third generation. This resulted in the supremacy and the hegemony of the institutional logic of conventional finance in deriving the rules of game as an institutional reflection for Islamic finance emergence. Under extensive pressure of the imposed effect of the structure, which undermined the value substantiation of Islamic economic values and norms, two measures were recorded in the form of compromisation and alternative institutional orientation. Such measures are of interest for the cultural inheritance of Islamic value system which observed and realised that its aspirations are threatened by imposing its effects of financial structure on Islamic financial institutionalisation.

Such pattern of negotiation that evolved around the sphere of its negotiation, from normative space into institutional space and later into financial structure, suggests that there are two conditions of institutionalisation with distinct characteristics, where one refers to an independent form of institutionalisation, while other relates to a negotiating presence within the financial structure's institutional-base. The distinction set between the two creates the difference between an emergence institutional project and its subsequent institution of an emerging pattern. The analysis in this chapter stress upon action/reaction of the emerged roles and incorporated roles within different institutional orientation, considering emerging, evolving, and diminishing roles as part of the process.

Thus, undertaking this debate has allowed this research to trace a brick-by-brick contribution of each actor and the extent to which negotiation balanced out, or sided towards direction in the emergence, forming an institutionalisation of Islamic banking.

As the trend within the discusson presented suggests that financial structure begins to succumb the emerging institution through the negotiation process, illustrated on structure-imposed effect exhibited in Figure 7.16. This unveils an interest toward a potential dominant condition navigating Islamic finance institutional formation and reform, which represents a higher element of environment surrounding this process. Indeed, it has been recognised that actions/interactions adopted by each role are subject to contextual factors, where the intervening conditions present in action-reaction selection of the strategy. Nevertheless, this information is unable to confirm the type of opportunity arisen within different generational action-interraction, considering that even the activism began within unfavourable public receptions, yielding a limited awareness of initiatives. This accounts for the challenge faced in different spheres, from normative to the structure oriented. Such interests are located within the arena of political economy, where the struggle for power lies.

Based on the analysis presented in this and earlier chapters, the next chapter will contextualise the pattern of emergence, products, and contextualisation of Indonesian Islamic economic activism from a political economy perspective to educe a clearer picture of a potential emergence case which has been transferred into the institution of emerging pattern, as suggested by the operational trends of Islamic banks within activism, vision and expectations of the latter generation.

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Chapter 8

UNDERSTANDING THE EMERGENCE OF ISLAMIC ECONOMICS AND FINANCE IN INDONESIA: A POLITICAL ECONOMY LENS

8.1. INTRODUCTION

The previous two chapters emphasised the identification of the base elements of Islamic financial institutions and the process leading to its institutional emergence in Indonesia. In this chapter, the exposure on the base and the process of Islamic finance institutional emergence is elaborated and analysed in relation to its meaning and context within the theoretical framework of emergence, and institutional scope, in an Indonesian setting. The objective of this attempt is to theoretise the emergence of Islamic finance in Indonesia as part of the actualisation process of Islamic economic imagination within its context through a higher level of structural abstraction utilising emergence as a philosophical approach. This requires the analysis to depart from an economic-sociological position into a political economy perspective, where institutional emergence is located within its environmental setting and the structure of polity within which such institutions has emerged and has been operationalised.

This chapter is organised as follows: initially, the emergence case of Islamic economic institution of Islamic finance is revisited to map out the characteristics and form of emergence, which enable the analysis to offer a perspective on 'why' and 'how' the emergence occurred. Then, this chapter delves into discussions on previously mentioned areas such as 'space' and 'dominant logic', which are considered and examined within a political economy exegesis. This helps to refine the core category according to the distribution of opportunity. Later, the relevancy and contribution of Islamic finance institutional emergence to Indonesian development and the reaction and recipient of regime hegemony, and public into an institutional presence of Islam in the economy are considered as part of a political economy analysis of Islamic finance.

8.2. EMERGENCE OF ISLAMIC FINANCE AS PART OF ISLAMIC ECONOMIC INSTITUTIONALISATION IN INDONESIA: REVISITING THE REMAINING PUZZLE

The main presumptive argument explains the emergence of Islamic finance in general in relation to the Islamic revivalism following the cold war period (Van Schaik, 2001; El-Gamal 2006), and the rise of oil prices that led to oil income surpluses in the Muslim world (FSA, 2007; Imam and Kpodar, 2010). The problem of such a position on reading the emergence of Islamic financial institutions is that they undermine the contribution of key economic and social agents (Blyth, 2002) significantly contributing to the process of emergence by acting as norm enterpreneurs in pushing institutional emergence (Sunstein, 1996; Finnemmore and Sikkink, 1998). Such a view often misguided and categorised Islamic economic cause as one that was similar to its political articulation. At the same time, a position that only viewed Islamic finance emergence as a sole Islamic derivation orientation ignored the fact that emergence was not taking place in an ideational vacuum (Payne, 2001: 39) that it competed with others norms and perception of interest (Finnemore and Sikkink, 1998; 897), as a search for an Islamic identity was an important motivation (Asutay, 2011; 2013). Such piecemeal analyses miss the contextualisation factor that affects the real world.

The issue of contextualisation was more critical for an emergence case in its non-traditional origin. In Indonesia, the lens of revivalism or excess wealth is unable to unveil the emergence case, as such factors including the so-called oil wealth did not constitute the context and condition of the emergence of Islamic finance in Indonesia. On the other hand, the reading on an Indonesian narrative would be partial within a view that such a project was populist in nature and positioned as an alternative proposed framework in between colonial continuation structures and arising from nationalist developmental conceptions in relation to the provision of credit alternatives (Maurer, 2005). This shifts the attention of observers of Islamic economic cause in Indonesia from closing the gap between the ideal and the practices to the remaking of Islam, where it attempted to linearise the market with Islam (Pollard and Samers, 2008). This trend has created ignorance toward actor's contributions in the actualisation of Islam.

When one discussed the issue of emergence, especially within an institutional perspective, an investigation of the sources and process was an essential element to this discourse (*see* among others, Williamson, 1973; North, 1990; Portes, 2010). This refers to the base as a novelty of its being and the mechanism facilitating existence in a natural sense upon the contribution of

actors within activism as suggested by evolutionary economic emergence (*see* among others, Hodgson, 2000; Elsner, 2010; Martin and Sanley, 2012; Harper and Endres, 2012). This means that institutional emergence was a consequence of social construction (Hodgson, 2000: 118) that brings together multiple realities as a source of novelty of Islamic economic activism in Indonesia. Novelty within economic emergence oversees a product as a result of a shared understanding of multiple agents within its epitomes of values, which is elevated to a higher structure creating authentic institutions (Hodgson, 2000; Dopfer and Pottes, 2007).

The implication of an economic emergence position encouraged this research to move away from the Weberian disassociation to the social structure (Weber, 1978), where cultural elements and the intention of power located and controlled means and factors of production. For the novelty of an emerging form or institution, an economic-sociology position locates institutions within a deep level value system, containing values-norms and roles of the institution (Portes, 2010). This research argues that the novelty of Indonesian Islamic economic activism is determined by an authenthic value reflection formed by first generation activists, comprised of intellectuals, *ulama*, and technocrats. This authentic reflection as the main novelty of Indonesian Islamic economic activism later acted as a strongly embedding institutional reflection within finance from its original aspiration within Indonesia Islamic economic activism.

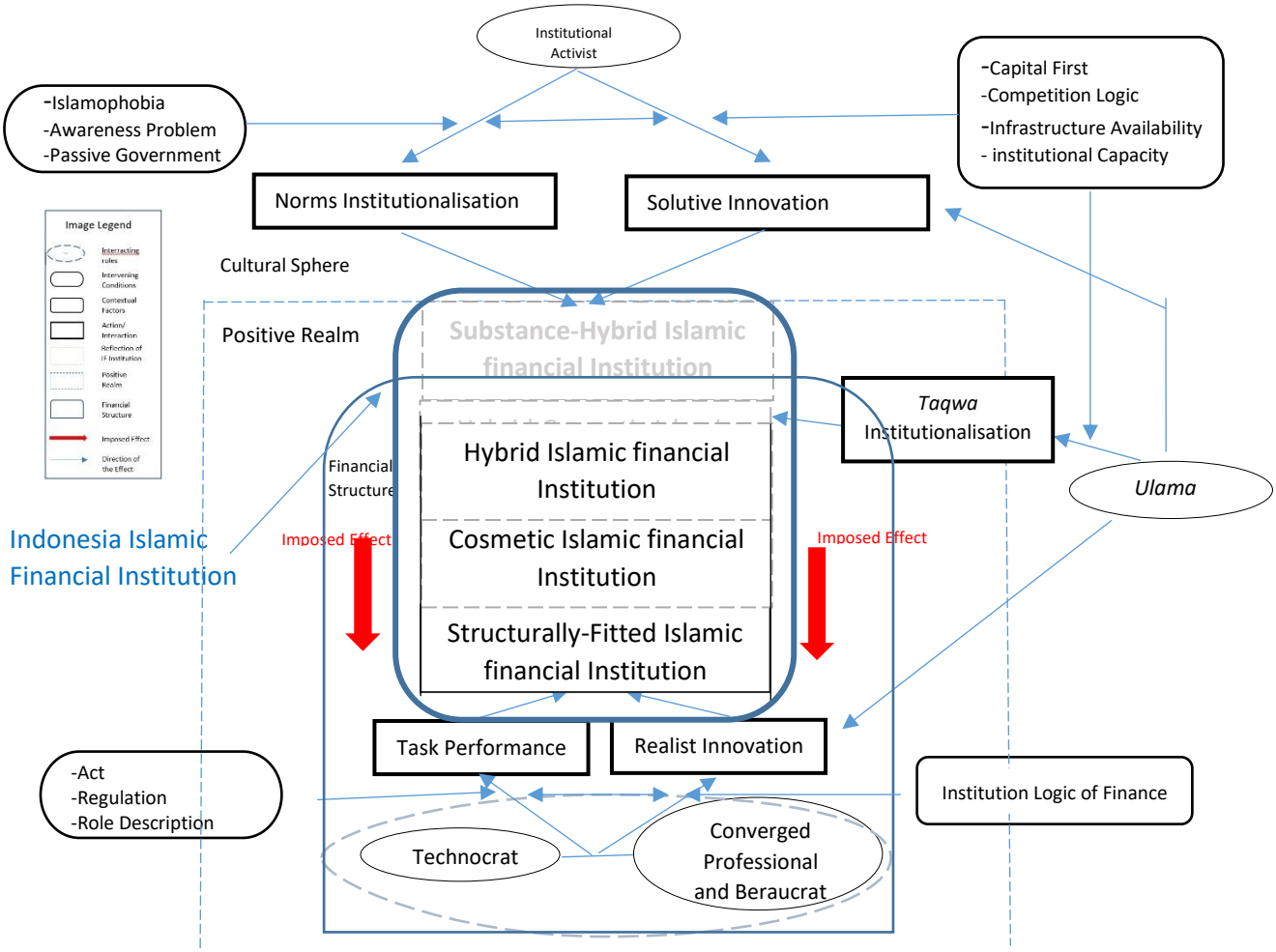
The emergence phenomena of Islamic economics and finance in Indonesia so far have settled around the contributions of actors and roles that they played within this emergence as elaborated in Chapter 7. Upon actions and interactions between actors representing two roots of aspirations within the activism, the deconstruction process manages to record a variation in the characteristics of the activism. In this, authentication is a symbolic representation to activism orientation from the first generation to the second generation, while an *islah* motivated negotiation is a theme illustrating the negotiations between roles from the second generation to the era of third generation activism.

As an image of authentic form of Indonesia Islamic economic is an area specific context related to specificity and historicity of what Indonesia Islam and Islamic economic are, the pattern of *Islah* referred to its definition as a triumph of reformation (Al-Zamili, 2009). In that sense, it is an expression of being piety and contiously improving self presence. It follows a procedure to move away from intolerable activities and morally-degrading toward faviourable and perfection. Hence, it is a mutual recognition to circumvent malicious act, practices and state

(Ibn-Al-Manzur, 1955: 2). This is a character that lead individual to seek for perfection or *ihsan*. In Islamic economic sense, it is an institutional process of such an attempt (Malik, 2018). The most basic reflection of this approach of *maqasid* started with avoidance attitude to prevent *munkar* to acceptable to the extent that it promotes of good. It coves both logical derivation and revealed.

Authentication is the sub-core category of the transformation of activism from normative situations into existential-oriented activism, portraying an independent image of early Islamic economic activism up to the early emergence of institutional reflection of Islamic economics in Indonesia. On the other hand, the period of *islah* characterises the interaction and the intercession between two streams of roles leading to a contraction of value reflections further towards positive realms. When these two characteristics are observed as a narrative in continuation rather than as a temporal expression during transition from generation to generation, it becomes apparent that the negotiation of authenticity within existential presence is dwindling, especially due to resentment of the negotiation within an institutional arena.

Figure 8.1: Contraction Trend – Structural Imposed Effect



The adversity of authenticity project within Indonesian Islamic economic activism is not solely due to the fading pledge of emerged roles leading to extinction of such orientation within activism. The rise of institutional formation from inside has shifted the main orientation of Islamic economic activism from its original authentication orientation to the emerging arena within the institution, involving financial actors. The contracting pattern in the process of *islah* negotiation to approach authenticity is a testament that the negotiation is not equally weighted. Indeed, the transition from the second generation to the third generation is marked by a vanished *intellectual* role from the activism, into the evolving role of *ulama* and into the increasing importance of converged professionals and bureaucrats. This development advises that emerged roles experience abating influences in comparison to incorporated roles, which potentially affects institutional negotiation processes.

Nevertheless, an investigation to the root of this imbalance on the negotiation of values-norms insertion and adoption point out that this situation is attached to the contextual factors and conditions faced by both emerged roles and incorporated roles. In Figure 8.1, financial structure imposition is demonstrated as a force that drag institutionalisation of Islamic financial institutions in Indonesia towards mainstream finance through the convergence process. This refers to structure of power possession with the objective of imposing social norms and rules to micro-elements within the structure. This is illustrated in a red arrow dragging the product of institution to the bottom of the financial structure and its logic. In an emergence sense, this condition can be considered as downward flows of power moving from the macro to micro levels due to the nature of the structures. The presence of this downward causational power on financial structure positions as a condition of presence with a power to regulate institutional presence according to its embodying norms and rules.

It should be noted that the structural imposition of power is not the only condition affecting the institutionalisation of Islamic values and norms. Since the early period, activism exists within particular domains and manages to pass different periods accounted for specificity in the setting. For instance, early Indonesian activism experienced a process of overcoming the boundaries through opportunity creation allowing institution to gradually emerge. When institutionalisation entered the banking space, it was also taking place under a changing environment allowing for institutionalisation in legal and regulatory settings alongside all those relevant amendments, providing a further entrenchment of value system fuelled by the

environment reconstituting during the fall of Suharto and via the adoption of a market economy in the later 1990s.

As activism embraced institutional spaces, additional challenges also sieve articulative actions that actors can perform within the roles. This challenge contextualises the selection of action/interaction strategies deployed by activists, as well as, actors of economic/financial structures in negotiating authenticity of the institutional presence of Indonesian Islamic economic activism. Such challenges grow overtime along with the maturity of institutionalisations of Islamic economics. In Figure 8.1, orientation towards 'capital first' and 'competitive logic' are among the conditional logic filtering articulative action of the activists. Members of economic/financial structures were even predominantly guided by an institutional logic of finance.

Furthermore, the presence of superseding factors is among the external forces influencing Indonesian activism since its early emergence. The most apparent form of this context was the effect of secular rejectionism to such activism. As the activism accentuated its aspiration in the institutional sphere, its capacity and enabling infrastructure was considered relevant to Islamic economic activists in Indonesia. In the latter period, financial structure's imposing effect, which is manifested in the regulatory capacity to intervene, is a testament to structural downward causational power in the sense of governing the entity within the structure that the activism entered. Not only in relation to intervening power of the structure, an axial coding process (*see* appendix III) also identifies a range of relevant issues; such as rational logic shaped by a conventional presence, resistance to activism; confusion due to a Muslim majority; ignorance to multiple motives; knowledge gaps, and a Muslim awareness towards values-norms accentuation, all of which are relevant when investigating the case of emergence of Islamic finance in Indonesia.

In Chapters 6 and 7, exploration surrounding questions of 'why' and 'how' is addressed through deconstructing values-substantiation and articulative action centered on the presence and the contribution of emerged and incorporated roles within the negotiation of values-norms institutionalisation. The discussion in this chapter elevates the analysis to a higher area of abstraction within political economy when considering conditions and context faced by activists and activism in general, in different periods. By utilising a paradigm model developed from Corbin and Strauss (2008) as depicted in Appendix IV, which aims to bring into perspective differing images exhibited from sole authentication orientation project to include

shaping-re-shaping attempts at institutional presence that left the novelty of Indonesian Islamic economy in a form of minimal realisation, signifying emerging patterns, as the case. In this regard, it is also expected to depict the reason why the persistence of alternative forms of exploration persevered to ensemble institutions with greater value reflection of an Islamic system in the economy. The following section explores the issue of space and to what extent hegemonic logic shapes activism within Islamic finance in Indonesia.

8.3. SPACE AND THE PRESENCE OF DOMINANT LOGIC WITHIN FINANCIAL STRUCTURE: NEXUS BETWEEN OPPORTUNITY SPACE AND OPPORTUNITY STRUCTURE IN THE EMERGENCE OF ISLAMIC FINANCIAL INSTITUTION IN INDONESIA

Authenticity negotiation within an existential presence as the theme of Indonesian Islamic economic activism revealed that actors played essential roles in the emergence of Islamic financial institutions in Indonesia within the span of cultural-structural articulation of inner objectives through a socially constructed manner. This set the measure as well as the limitation of value-norms conveyed by actors in the negotiation of transformation through the translation of an Islamic value system. This process inevitably exposes closer associations of Indonesian Islamic economic activism to the new social movement theory as initially propagated by Melucci (1980), which has moved away from structural mobilisation to the areas of values, belief, and identity construction-reconstruction.

Consensus on everyday norms is derived from a shared and interconnected domain between agents operating within economic sphere (Clark, 2003). The articulation to economic area also opens up a new branch of irregularity from previously understood Islamic values articulated within a political arena, where this activism was represented by heterogenous agents with a particular meaning substantiation and limitation of its social placement, exchanging orientation through action shaping institutional forms (Yavuz, 2001: 271). This reality within the contention of meaning generation requires departure from the contentious dichotomy between hegemony and challenging activism, accounting for the dynamicity of interaction between activism.

The earlier analysis presented in chapter 7 focused on developing an analytical reading on the process within the lens of action/interactional strategies of Indonesian Islamic economic actors under a static view in relation to the arenas of negotiation. In order to accommodate the

dynamism of the activism within more complex relations of actors under vibrant environmental settings, the consideration of the space should be versatile. By that, it should acknowledge the presence of structure within organisations as the articulation of its tangible forms and its attachment to a network of ideational sharing through which continuous interaction and refinement of the structure can be possible along with the emergence of cultural-structural irregularities (Yavuz, 2001: 272), such as, Islamic financial institutions.

As informed by institutionalist readings on the connection between individual, organisation, and institution, the arena should be at the level that not only accounts for institutional frameworks connecting to an organisation and individuals, but also accommodates the individual-actors and informal groups' influence on institutions in an open-ended form. This should account for the action of activists, enthusiasts, and interactive social action, either in integration or contestation to established structure as suggested by Featherstone (1998). In the case of Islamic finance, this relates to the implementation of imagination-value systems of Islam within contraction and expansion of the arena to accommodate such space.

Four parameters designate the expansion and contraction of Islamic economic actualisation in Indonesia, which are: 'opportunity creation', 'environmental change', 'passive government', and 'structural imposition by the regulatory framework of finance'. The collection of these codes was termed as space availability, an equivalent to a conception of 'opportunity space' proposed by Yavuz (2003). This conception shares similarities with conceptions, such as, a 'public sphere' (Habermas, 1992), 'opportunity structure' (Wahlström and Peterson, 2006), and other similar conceptions that attempt to draw upon a dynamic environmental setting with a structure of hierarchy recognising the presence of micro, messo, and macro elements.

'Opportunity Space' is a concept adopted in this study in order to comprehend the issue of opportunity and universe within which the institution of Islamic economic activism emerged. This approach suits a social constructivist view of this study where the emergence in question is not only facilitated and utilised by the mobilisation framework related form, but also by provision of 'opportunity space'. Such provision is both a 'network and vehicle' for expression and identity creation, enabling the production and circulation of a value system and the essentialisation of novelty of such a value system (Yavuz, 2003: ix). When this study coded four open codes as space availability, it linked back to 'opportunity space' availability. The four natures of space determine the availability of structure as a network, as well as, enabling elements for further articulating the value-norms of Islam in economy and finance. In this

regard, ‘opportunity space’ recognises the presence of external structure affecting action/interaction of activists of Islamic economic activism that Wahlström and Peterson (2006) coined as ‘opportunity structure’ together with a soft element of the structure containing a value system in constructing cultural element of presence.

The presence of available ‘opportunity space’ in the case of Islamic economic emergence in Indonesia relates to conditions influencing the emergence process, which in this case refer to the condition of the movement (McAdam *et al.*, 1991). This mainly comprises of activists’ space generation within the stream of change that shapes opportunity distribution, passiveness of government as the one overseeing opportunity distribution, and activeness of a regulatory regime of finance, in the translation of value-norms of Indonesian Islamic economic idealism into an existential presence. From this stand point, Indonesian activism negotiated space through actualisation of opportunity structures within which a system of being, such as BMT, Islamic banking, *takaful*, and an emerging Islamic capital market with its *sukuk*, as well as, Islamic socio-economic instiututions, such as, *zakah* funds and *waqf* institutions of finance, filled the space within the structure as the actualisation of the essentialisation of an Islamic value system in economy and finance in Indonesia.

The negotiation of an Islamic value system into an institutional presence here, is also a point of consideration toward adoption of space as a force of opportunity rather than a space of neutrality as suggested by Habermas’s ‘public sphere’ (1992). ‘Public sphere’ as defined by Habermas encounters difficulty to accommodate a heterogenous value system as it has tendency to disregard socio-politico dynamics of the society and, in turn, push other cultural elements to a value-free orientation (Calhoun, 1992: 36-39). Within this limitation, the emergence of Islamic financial institutions had not been facilitated initially as a ‘public space’ and has contracted its space by not allowing an existential area for its presence. On the other hand, the dynamicity of an ‘opportunity space’ as a conception allows refinement and reshaping of the public sphere in order for an othering form of doing finance to prevail. In other words, ‘opportunity space’ allows the creation of public spaces and even provides an opportunity structure by recognising the expansion and contraction of structures of being, even though Islamic economic activists were considered as ‘outsider’ of the structure by continuously performing negotiation for conversion of conventional financial institutions into Islamic ones.

Furthermore, the ability for institutional creators to expand the structure through 'opportunity space' of Islamic economic activism by carving into existing systems through forcing or negotiating further opportunity space, is also bounded by the arena within which the institutional emergence is pushed. While sociological and economy arenas are the main spaces for the interaction between cultural elements and social structures, leading to institutional emergence, both arenas within which the process of emergence occurred was located within an environmental sphere of a higher structure with its defining properties as features of the emergence suggested (Ellis, 2006: 80). Beside space being created, 'opportunity space' is also relaxed and opened following a change in its properties. Two important elements related to this opening are a 'trend of deregulation of the economy' and the 'opening economy' through liberalisation by creating an 'opportunity space'. While the first-generation period is marked with a struggle for opportunity space for Islamic economics, the fall of the new-order regime shuffled the rules of the game, or the properties of political economy within 'opportunity space' encompassing the transition from first to second generation. This verifies the commonly understood preposition that opportunity spaces expand and contract in time of crisis and uncertainty, suggesting the dynamicity of such space (Wahlstrom and Peterson, 2006: 364).

In addition to political economy opportunity, messo-level determinants of properties of the environment are linked to categories of structure of finance and market spaceability. In the case of Indonesian Islamic economic experience, these are set by regulatory forms in finance and authority alignment to the activism. These two are the conditions effecting 'opportunity space' of Islamic economic activism in expanding institutionalisation, such that are considered as contracting elements on the availability of space. While the change in environmental sphere work toward either promotion or opposition to institutionalisation of an Islamic value system in economy and finance, government passivism and structurally imposed regulation pose constraining conditions for the articulation of value orientation of Islamic economic imagination.

So far, 'opportunity space' has been described as the universe surrounding actors and institutions in Islamic finance that affect the institutionalisation of an Islamic value system in the form of finance, articulated in a manner that considered an equal weight of opportunity without initial shape, while the reality suggested that the existing structure was already presence. This existing structure in finance penetrated by Islamic values-norms is arranged by particular value-norms that form financial structure. Within Indonesian Islamic economic

experience in finance, capital first orientation, competitive pressure, rationale expectations, and conventional organisational and institutional forms of finance constituted what is coded as ‘dominant logic’, ‘leading governing norms’, ‘popular perception’, and ‘principal institutionalisation’ that acted as convention for financial practices based on market logic (Lounsbury, 2002; Marquis and Lounsbury, 2007; Hua and Chen, 2015: 84).. The presence of a dominant logic pointed out the fact that the formation of Islamic economic and finance’s existential form was not taking place in ideational vacuum. This dominant logic could be considered as prime value-norms of financial institutions, which determine a structural form of institutional presence.

The fact that dominant logic of the mainstream economy and finance is in presence along with Islamic economic activism’s exploration of opportunity space suggested that internalisation process of an Islamic value system into financial structures and institutions was inevitably interacted with the dominant logic of finance, collection of norms defining financial practices which the prevailing institutional structure of the financial markets generated. In reading such an interaction, a Gramcian analyst would typically split the sides between establishment and challenger in accordance with the concept of a ‘war of position’ (Gramci, 1971: 160). The division sourced from the presumed condition of society was formed by the original value system, which consequently outcast othering sources of meaning. This dichotomy fell short on at least two grounds, which are on the ambiguity of insiders and outsiders and importantly, ignorance of ex-ante conditions due to its articulated focus (Laclau and Mouffe, 2001: 137).

From our sociological reading of Islamic economic activism in Indonesia, we highlighted that both cultural elites and elites within economic and financial structures contributed to institutional emergence in different ways aspired from by their own internalised value system instead of plain resistance-challenge relationship. The transformation of these elites by assuming different roles also suggested that the reading on Islamic economic case in Indonesia has to depart from hegemony in a Gramcian sense.

The situation derived from analytical inferiority of a Gramcian position stimulates the analysis to move towards Laclau and Mouffe’s (2001: 137) conception of hegemony formation, which refines the theorisation of hegemony as one that is socially constructed rather than a static end. Such dynamicity is versatile to accommodate the attempt of Islamic economic activism in Indonesia to expand the frontier not within divided space, but rather in unified ‘opportunity spaces’ with no absolute domination of logic representing hegemony. In thus, opportunity

space functions as interactive melting pot of heterogenous articulatory practices to presence, which consequently leads to continuous refinement and the extraction of structure. Hence, the space is not only always naturally fitted by signifier and signified elements as a dichotomy, but rather conditioned by an open-ended process of reformation that articulated in structure as its existential space.

The question is then raised as to how a dominant logic of mainstream thought is in presence in Indonesia when both signifier and signified was not taking its natural form. Laclau and Mouffe (2001: 141) view the dominant within a hegemonic formation understanding as associated with excess in meaning due to dislocation of articulated action from the structure. Hence, the dominant logic of mainstream structures of finance, from competitive pressure, capital-first requirements, rational expectations, and its structural form, is an element defining existential presence of institutions of finance within which Islamic finance is expanded. This socialibility of logic of finance is not within the purpose of this research to reveal, but its presence limiting other logic within space and structure is recognised as a potential destabiliser of the process (Laclau and Mouffe, 2001: 142).

The existence of a dominant logic, which normalised othering logic within a hegemonic formation of the 'opportunity spaces', suggests that neither absolute autonomy nor absolute signified logics would be able to facilitate hegemonic formation of Islamic financial institution within an Indonesian Islamic economic experience. What can be understood is that accurate articulative action is part of a struggle of realisation due to its interconnection with other articulative actions within the sphere of financial institutions on top of an opportunity distribution (Clemens, 1997; Mische and Pattison, 2000; Granovetter, 2002). In the Indonesian case, these are represented by four intervening conditions that hinder an accurate articulative action that span from 'misreading of Islamic cultural capital', 'authority interest to financial structure with influence and intervening capacity', 'required tangible capital for institutionalisation', and 'awareness as connector of activists and enthusiasts to Islamic economic institutionalisation project'.

Previous literature located such elements detailed above, within a social conflict conceptualisation of Bourdieu internal to the narrative of structural deployment of capital and meaning (Lounsbury and Ventresca, 2002; Schneiberg and Clemens, 2002). Within this study, these intervening conditions are located as shifting parameters of institution within institutionalisation interplay determining its autonomy sourced from cultural elements, as well

as, financial structure. In other words, the articulation of a value-system of Islam within institution of finance depends on the precision of endogenised Islamic repertoires, as the cultural capital of Islamic economic imagination and resources, as well as, exogenised reactions of financial authority and the so-called traditional enthusiasts of Islamic economic activism toward the institutionalisation of this value system. This allows the consideration of intervening conditions in harmony with a hierarchical structure of institutionalisation in accordance to Portes' economic sociology conception.

In the reading of institutionalising an Islamic value system within Indonesian financial structures; perceptive influences, institutional capital pressure, and internal awareness problems undermined the autonomy of Islamic economic activism in generating a value-oriented Islamic finance institution, while financial structure impositions and external awareness problems closely tied with the supremacy of the dominant logic in an institutionalisation process, including its tangible form, as a demonstration of institutional isomorphism (DiMaggio and Powell, 1983: Duina, 2011). The autonomy of Islamic economic activism in producing institutions based on the value-norms of Islam in finance, has been distorted by undesirable perceptions since its inception, disconnecting activism from Islamic cultural capital, and later hurdled by institutional capital pressure when it entered the institutional realm. The solidity of activism is also challenged by an internal awareness problem, which is also located within the public sphere, raising the question of the solidity of Muslims within the cause. As activism extended with the realm of the institution of finance, it contracted with financial structural imposition that drew close to the understanding of isomorphism, together with regulative measures exerted by regulatory institutions. Hence, intervening conditions were not working in favour of Islamic economic activism.

It should be noted that the effect of intervening conditions changes across generations, representing different levels of gravity across different periods of institutional emergence. As it moved to the second and third generations of Islamic economic activism, problems related to the perceptive influence and awareness in relation to the distorted view on the autonomy of Islamic economic institutionalisation have become less significant from the first to the current generations. These conditions enable activism, especially as cultural bearers of an Islamic value system, to negotiate further for the institutionalisation of values-norms of Islam. On the other hand, institutional capital pressure remains pre-requisite for the institutionalisation of value-norms of Islamic economy with capacity, infrastructure, and resources at the heart of whether

one form of activism retains its independency to crystalise this value-norm. Nevertheless, the increasing imposition of structure's form norms into the institution of finance, including an Islamic one, which cost the activism its autonomy in reflecting for a deep causal Islamic financial form. Such intervention is under pressure for resemblance to its form and maintenance of what is considered as essential governing forms considered as the primacy of financial institutional presence.

Among these four intervening conditions, financial structure imposition is a direct condition that attaches more weight to a dominant logic constituting mainstream financial institution as it is not only a pressurised institutional presence in finance to a mainstream format of financial institution, but also resorts within positive measures of a regulatory body as a promoter of good governance in finance. The other three conditions are intervening activists derived from an institution based on an Islamic value system. Its existential requirements pinned down primary elements for institutionalisation, ranging from internal solidity, capacity, resources possession, and effects of competition. This intervening condition affects activism in exploring opportunity scale as it defines the capacity of deep causal oriented Islamic economic activists to resort to generating value-oriented Islamic finance institutions.

A closer reading of space as a field of opportunity and contestation within a presence of dominant logic in a hegemonic formation suggests that Islamic economic activism in finance from second generation onwards pursues a negotiation to refinement of institutions of finance by directly reflecting the authenticity of Islamic economics differing from the dominant value-norms. Hence, it represents a move from space to influence the form of structure through an othering system of values in finance, from its dominant reference. However, this negotiation has not occurred evenly in equal weightage within the space as a result of deterrence created by misperception and poor awareness, pressure attached to institutional form, and importantly structural imposition on the use of space. For narrating the space conditions, the illustration in the next section would reflect the period in accordance to the generation.

8.4. THE EMERGENCE OF THE INSTITUTIONAL FORM OF ISLAMIC FINANCE WITHIN A POLITICAL ECONOMY CONTEXT: CONTRACTION AGAINST PURSUING AUTHENTICITY

The main enquiry in this chapter remains on the ground of inquisitiveness upon potential imbalances faced by activism in negotiating for authenticity. Such a condition is becoming apparent following the trend of activism's articulation that starts to dive deep into financial

structure. This has occurred during the institutionalisation process that aimed at penetrating the realm of financial structures within a positive space, resulting into the emergence of an alternative institutionalisation orientation. In the perspective of negotiating authenticity, such imbalances are deemed unfavorable as authenticity pursuance was overridden by a financial structure's expansion agenda. Nevertheless, it could not be overlooked, as such a situation is located within a greater picture of accessing and devising opportunity space. Within this consideration, financial structure is considered as a tangible form of financial space located in between normative-positive sphere. Therefore, it should be investigated in its entirety considering both soft element and hard element of the space.

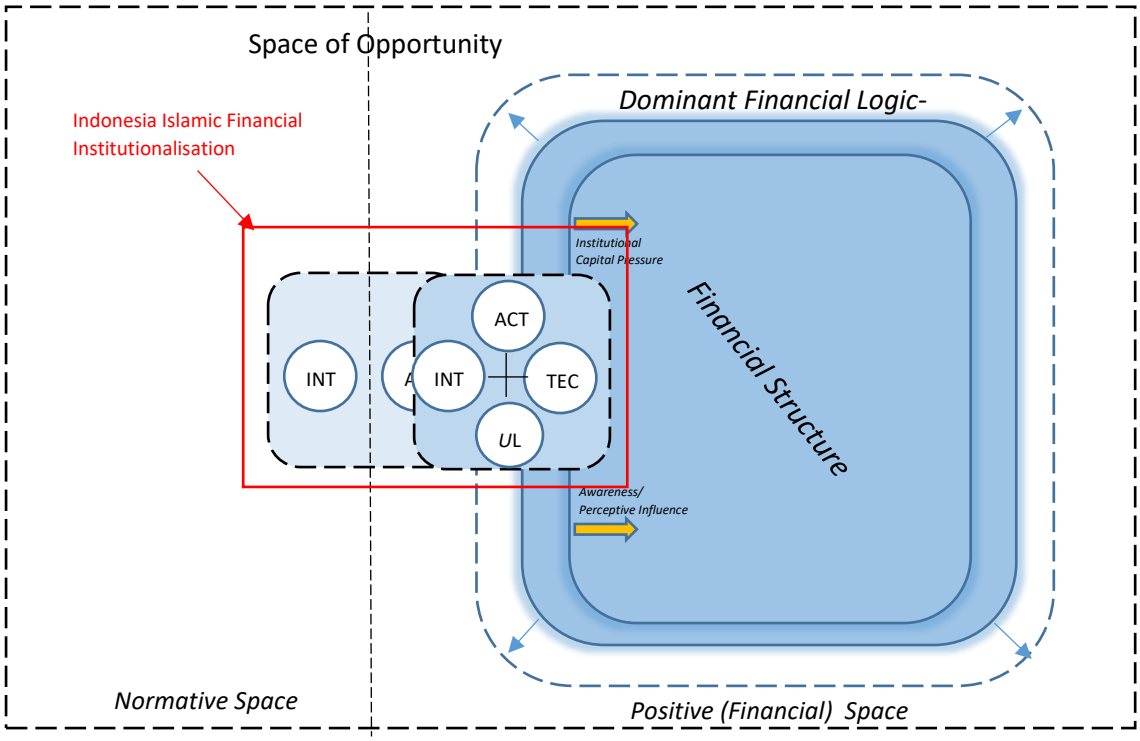
It is apparent that the spirit of independence has benefited the authentication orientation in pushing for an institutional emergence of Islamic finance. From the first generation of Islamic economic activists between 1983 to 1992, a bottom-up characteristic of Indonesian Islamic finance instutionalisation and activisim is demonstrated by a series of grassroots ingenuity in the process of developing institutions (Choiruzzad and Nugroho, 2013; Indrastomo, 2016; Handayani, 2018). The experimental action of Islamic economic activists in generating institutions of Islamic finance is a manifestation of these characteristics, which brought about the establishment of the initial experimental institution, known as *Baitul Tamwil*, or BT. This institutional reflection is the base of the second- generation emergence of the institution, namely *Baitul Maal Wa Tamwil* or the BMT, which is the Indonesian-version of an authentic Islamic financial institution. BMT is a product combining an Islamic model for social distribution with modern forms of commercial finance. It should be noted that even the later pursuit establishing the first Indonesian Islamic bank is derived from independent pursuance for institutionalisation, as in the case of BMT.

In both cases, such institutional articulations are civil-oriented and exercised within areasof interest to the government. Thus, with innovating such institutionalism, the activism socially created an opportunity space to implement their cause with the objective of providing wider access to finance in an attempt to ensure development within an Islamic perspective, and importantly, to realise universal *manfaah* or benefit of Islam, through alternative financing as the contribution of an Indonesian Islamic economic movement. Even under a negatively perceived Islamic initiative and unfamiliarity of Muslim circles toward such a cause, activism remained consistent in deriving the articulation of such aspiration in economy and finance.

This is indeed a depiction of Indonesian Islam's cultural capital imbued with an orientation to turn the substance into practical reflection.

Nevertheless, the articulation of values-norms substantiation within an institutional arena came with challenges, one of which relates to activism capacity in the formation of an institution. Early activism in Indonesia experienced a struggle in resorting to idealism and maintaining its independency due to lack of know-how regarding institutionalisation. Furthermore, the missing legal infrastructure to facilitate institutionalisation added another layer hindering the articulation of the substance of Islamic economics. In a similar manner, the discrepancy in the motives of activism, defined the scope of articulation, and framed the approach contributing to creating a deterrence to institutional realisation.

Figure 8.2: Authenticity Orientation in the Early Islamic Economic Activism in Indonesia

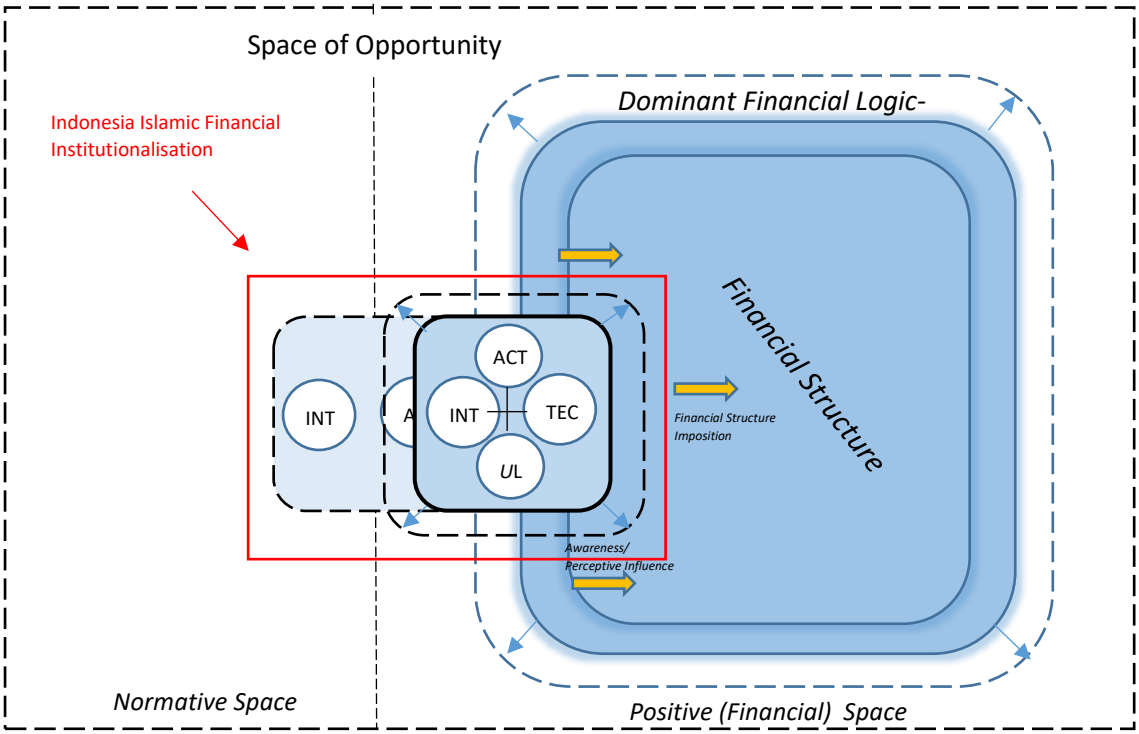


Source: Inspired by Asutay (2012); Avdukic and Asutay (2019), Laclau and Moffe (2001); Portes (2012); Yavuz (2003)

Figure 8.2 depict institutional formation and expansion within the early generation of Indonesian Islamic economic activism. Early institutionalisation emerged in between normative and financial spaces, with the introduction of authentic Indonesian Islamic financial institution of BMT. Such crystalisation of aspiration and substantiation managed to come up with an institutional form constituting an articulation that not only filled the financial space but also carried a normative position within its cause. Then, a collaborative act with incorporated

roles expanded the institutionalisation into financial structures generating Islamic financial institutions with reflection not only in normative and financial spaces, but also via financial structures. This is represented by an expanding reflection of institutionalisation towards the suggested structure illustrated by two rectangles with rounded corner consist of epitome of reflection derived from each roles, which later interact as shown by connected circle of epitome in the rectangle located in the right side. These two events combine is considered as an institutionalisation of Indonesia Islamic finance as suggested by red line boxes.

Figure 8.3: Norm Institutionalisation within Indonesia Activism



As the activism approached norm institutionalisation, this marked the beginning of a shift in orientation from pursuance of authenticity through a continuous search for value-oriented institutions to sustaining presence. In Figure 8.3, this institutionalisation is demonstrated by the expansion of the logic of finance to account for the logical consideration of Islamic finance demonstrated by an expanding rounded corners rectangular on the right side of the red line box that content a shadow of the normative image of the earliest seed of institution of Islamic finance represented by rounded corners rectangular on the left side of the red line box. In that, Indonesian Islamic financial institutionalisation experienced a process of structuration of an Islamic financial institution. When the institutionalisation of values-norms of Islamic economic activism embraced the structuration process, Islamic financial institutions in Indonesia encountered the presence of dominant logic along with various intervening forces that

normalise, standardise, and regulate institutional formation. This constituted contracting elements that conditioned the value-oriented Islamic financial institution that shared similar environmental spheres with financial structures illustrated by yellow arrow pointing into the direction of financial structure.

In organisational studies, such a condition is termed as *isomorphism*. It is a restraining force that pressurise an existential presence to closely echo other logic and forms of institution occupying similar spheres (Hawley, 1968). In Islamic finance institutional emergence in Indonesia, this fitted into the process of structuration, in particular, within an increasing entanglement of actors and with the further justification of the domination of structure with a priori dominance (DiMaggio, 1982).

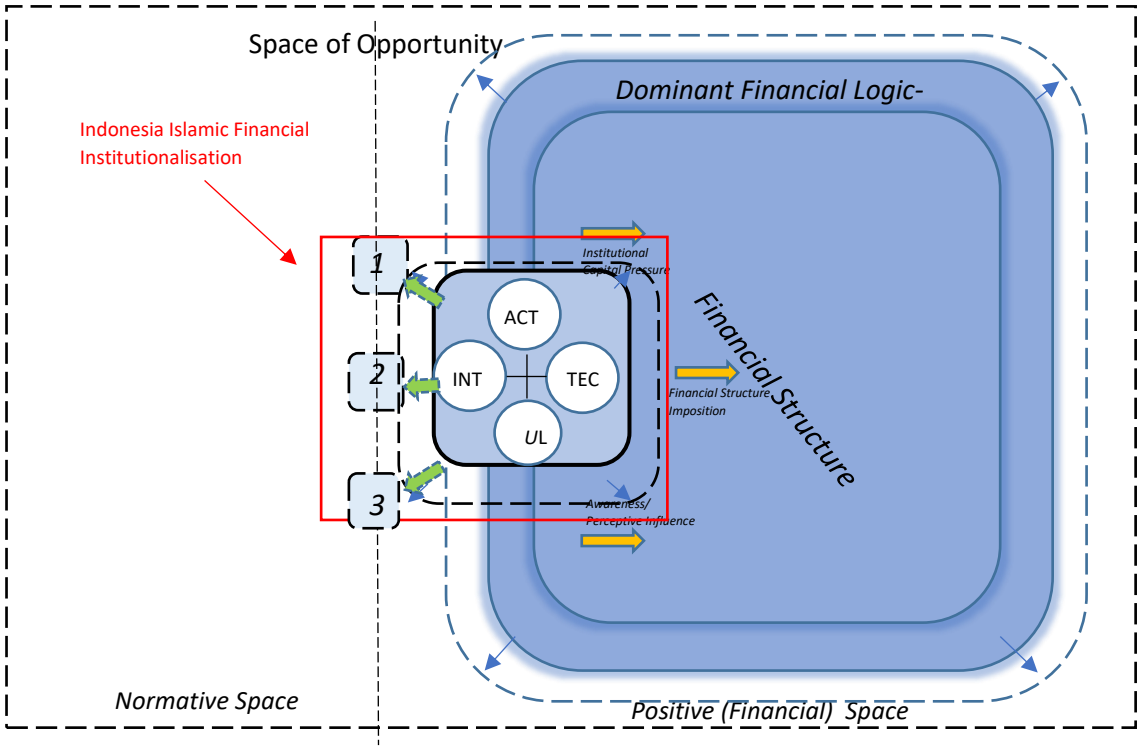
The consequence of structuration of Islamic financial institutionalisation in Indonesia inevitably turns the relevance of at least two mechanisms of *isomorphism*, which are *mimetic* and *normative*. A *mimetic* process is derived from vagueness in multilayers of presence from capacity to target acquirement, to environmental settings leading towards institutional structure resemblance (March and Olsen, 1976; Dimaggio and Powell, 1983). While the adoption of this position was initially comprehended as the pragmatism of institutional actors of its economic rationality underpinning, the narrative on the emergence case of Indonesian Islamic finance considered this as a negotiation process to accommodate value-norms of Islam within an institutional presence. Nevertheless, such activism did not realise that the ambiguity of its institutional search led to absorption of an othering value system in the sense of representing logic that derived from a different base. Indeed, the initial hybrid form that presupposedly sits in between normative and positive realms can be considered as a *minor mimetic*. When the negotiation rested within innovation of the institution, the imperfect form of expanding institution shadowed by imitating trends (Alchian, 1950). Consequently, the process of settlement and structuration of Islamic finance exhibited a reflection of homogenisation toward structure and its logic constituting its essentialisation (DiMaggio and Powell, 1983).

Furthermore, financial structure imposition with its positive measures worked toward diverging Islamic finance institution's normative base from its pre-supposed Islamic economic essentialisation to structure a normative base. Hence, the dominant logic of finance did not only occupy space and cutt off an excessive normative base but also enforced financial structure, especially regulatory bodies, which resulted in *normative compression* (Dimaggio, 1983). The presence of structural imposition placed normative saturation as a long-term trend beyond cognitive repertoire. In addition, in the institutionalisation process, the emergence of

converged professionals and bureaucrats filtered an institutionalisation of values-norms of Islam in finance, as their engagement and knowledge acumen were shaped by filtered expectations, regulated terms use, etiquette, and institutional expectations (Williamson, 1975; Kanter, 1977).

The recognition of both dominant logic and intervening conditions advised the conception of institutional emergence of Islamic finance conditions within expansion and contraction of space and structure. Nevertheless, the trend for its emergence is rather towards closing the gap between institutional development and the structure rather than with the pursuance of value-orientation in Islamic financial institutions. As such, contraction was predominantly colouring the process rather than expansion, with the exception of peripheral initiatives seeking institutional forms reflecting othering value-norms construction, such as BMT and *waqf* activism. Figure 8.4 illustrates the effect of structuration of Islamic financial institutionalisation in Indonesia, where the labels 1, 2 and 3 represents the residual of Islamic finance institutionalisation.

Figure 8.4: Structuration Pattern of Indonesian Islamic Finance Institutionalisation



Source: Inspired by Asutay (2012); Avdukic and Asutay (2019, forthcoming), Laclau and Moffe (2001); Portes (2012); Yavuz (2003)

Labels 1, 2, and 3 are the residuals of this mainstreaming Islamic finance. These are three emerged residual movement of Islamic economic separating themselves with the mainstream

Islamic finance group. There were the Islamic capital market-oriented movement, *waqf* movement, and Islamic microfinance movement. Its institutional preference was representing the motives and substantiation of each of the movement, from turning Indonesia into a productive and investment-oriented society, revitalising traditional Islamic economic institution, to promoting micro-level articulation of Islamic economic motives. Each of this new movement were driven by actors of institution (ACT) and emerged ulama (UL) of the past main movement, to open new opportunity space.

The main form of institutionalisation encompassed firm and tangible forms, yet, it was closely resembling financial structure. Therefore, this *isomorphism* pattern is a portrayal of situational experience by institutionalisation processes, where it was losing normativeness as a result of the effects of positive saturation and adoption of a mimetic process. This resulted into siding the articulation of activism away from authenticity. This is the main source of imbalance in the negotiation where the pursuit of authenticity was hindered by structural imposition as well as activism's capacity, resulting in a pattern of emergence rather than a strong emergence case.

With the trend of mimicking the structure, a new emergence of institutional orientation arose splitting from the current trend of structuration and mainstreaming of Islamic finance institutionalisation. It is indeed a response to unfavoring consequences of this structuration in continuation with the original spirit of negotiating authenticity. As such, one would argue that such emergence is a double movement to the current trend of financialisation, a resolved articulation in response to a contracting pattern to maintain the pursuance of authenticity of Islamic financial institutions.

8.5. INSTITUTIONAL EMERGENCE OF ISLAMIC FINANCE WITHIN A POLITICAL ECONOMY CONTEXT: RE-EMBEDDEDNESS PROGRESS REVISITED

The consideration to the context and the conditions that colour the negotiation facilitating the institutional emergence enabled the analysis of the political economy to recognise and to cover uneven distribution of space in the process of hegemony formation that the movement of an Islamic economic course was inevitable pursuing. It is indeed within the understanding that Islamic economic pursuance with its institutional articulation in the area of finance was a double movement, securing society from disattachment from the economy and finance, which Polanyi (1944) opposed as it further commodifies factors of production which is central to the

organisation of society. In this sense, institutionalisation of an Islamic value system into institutions of finance was a break from an original normative orientation of Islamic economic conception, into a positive measure to bring about a response to what we understand as a 'disembeddedness' project of finance.

From discourse leading to experimentation, institutionalisation and innovation leading to Islamic finance institutional emergence could be considered as progress of not only Islamic circles but also an Indonesian development trajectory as a nation, accommodating a socially embedded initiative in the area that was yet to be explored. Nevertheless, a reading on the space distribution within Islamic finance institutional emergence context supposed that the strategy hit the limit due to the pressure of the dominant logic (of a market economy) and the structure within the space, gradually filtering the activists' articulative action into the perimeter of the logic and the structure, as suggested in Chapter 7. This led to institutional formation that further adopted value-norms of a dominant financial logic which resulted into closely resembling the form that existing financial institutions pinned down within the state of the structure.

This raised the question over the lineage of Islamic finance to Islamic economics as its underlying basis. In other words, Islamic economics as the underlying base of Islamic finance encapsulates value-orientation of Islam within an economic reflection, which is not well-articulated and developed in the financial form. While the initial assumption on culture and social structure as suggested by Portes (2010: 69) assume that factors of embeddedness is in place connecting cultural elements with social structure, the emergence of existential presence of Islamic economics in the form of Islamic financial institutions would initially advise that embeddedness between culture and social structure was not in presence.

Nevertheless, the observation on the space secured a layer of views that the dominant logic pursued and promoted by actors and organisations within financial structures which served to create an uneven distribution of opportunity in accessing either the space or the structure of institutional presence, implying that an initial fair playing level is not even considered for Islamic financial institutionalisation. Accessibility to the financial space by Islamic finance is further hindered by a minimum possession of institutional capital via Islamic economic activism, intervening with the institutionalisation of Islamic value system to acquire value-oriented Islamic finance.

Figure 8.5: The Typology of Islamic Finance Emergence in Indonesia

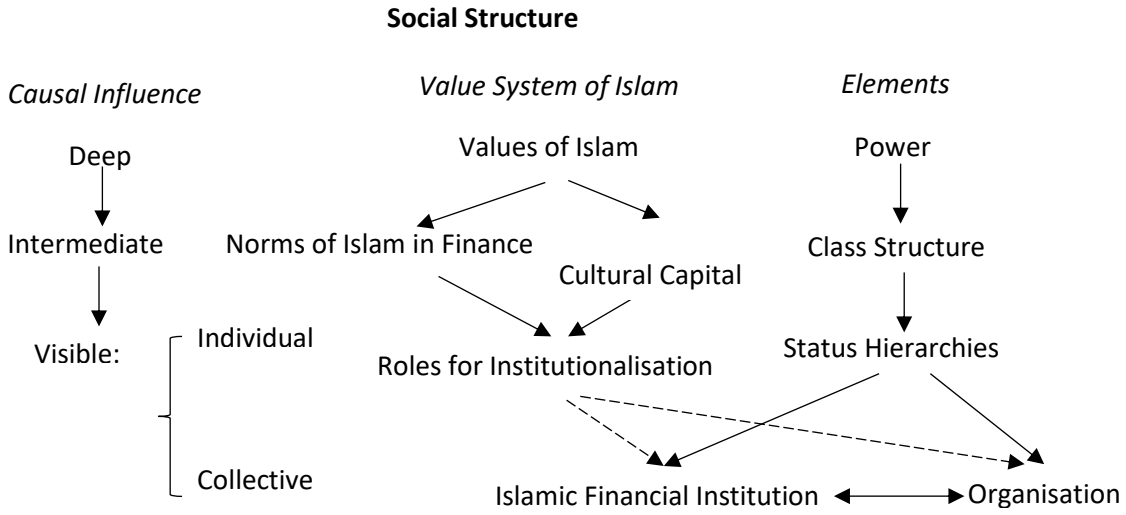


Figure 8.5 demonstrates that the emergence of Islamic economics within the institution of finance remained attached to the element of social structure originated from the pursuance of power, forming social classes being operationalised under particular structural hierarchies. This posed a challenge for Islamic economic activism in generating a deep causal Islamic financial institution. Here, the institution is not only formed by activism's capacity but also by organisation of the social structures and the existing status hierarchies. Apart from institutional emergence, the process only allows certain roles to be extended to organisations within the financial structure in negotiating the value-orientation of Islamic financial institutions within the role occupied in the organisation, such as the *Shari'ah* supervisory board in Islamic banks. As the tangible presence of institutions aimed to be formed, rested within the structure, the negotiation for institutionalisation of value-norms of Islam has been scrutinised and was reduced to a filtering process for the sake of *Shari'ah* compliancy.

Reading Islamic finance's emergence pattern within an institutional arena informs that the presence structure influences the emerging process of Islamic economic essentialisation. The experience prevails a domination, not as a mere superstructure power towards the base, but rather as a leading logic followed by agents, organisations, and even the authority through action aligning with this logic. This domination constituted by the logic and the agents of the economy, has undermined the internalisation of an Islamic value system to penetrate into individuals and organisations within the financial sphere. This brought into surface the condition to emergence that Islamic finance's product should be structurally fitted into the existing structure as otherwise the change of structure would not be accommodated as part of

the system (Birchfield, 1999). As the condition to emergence, such hegemonic elements acted as requirements for the formation of new institutionalisation, which matched with Gramci's (1971: 346) conception of 'good sense', which views the world containing ethics, reflecting value-orientation of the structure, and also embodying ideological domination.

On the opposite strand, the pattern of emerging instead of emergence on Islamic economic institutions opened a layer of debate on contesting ideology of financial structures with its underlying base. As a product of civil initiatives in economy, Islamic finance institutionalisation in Indonesia represented active consent of peripheral members of the public sphere. For the activists of Islamic economics, articulative action within an institution of finance demonstrates a pursuance for a 'new normal' with values-norms of Islam at its centre. Inevitably, this position challenges the dominant logic of mainstream (finance) structure by forcing in the opposite direction of imposing conditions with the authority exercised. In encountering contestation, Gramsci (1971: 13) highlighted the positional power of intellectuals as being crucial in the formation of social hegemony, a role that disappeared when Islamic economic pursuance shifted into institutionalisation in the second generation of Islamic economic activism. With the thin line of civility of the society that located in between structure and cultural realm of presence (Adamson, 1987: 320), the disappearance of intellectual insight hit activism in essentialising the developmental orientation of Islamic economic accentuation.

Furthermore, the reflection exhibited in this chapter suggests that ideational hegemony and its positive measures managed to contract activism's negotiation of space for internalisation and articulation of value-systems within institution of finance. This can be considered as another double movement from the initial double movement, where exchange of position between expanding and contracting parties occurred. While the original intention of Islamic economic cause is indeed protective in nature due to aiming at securing values of Islam in economy and finance through countering market liberalisation (Polanyi, 1957: 144), articulative action within institution of finance by Indonesian Islamic economic activism demonstrate active consent in expanding the *status quo* against the contraction of ideational hegemony of finance, as its counter force.

Such reposition and strategic action from a contraction force to expansion force has shifted from provision of an Islamic value system in the economy into going beyond dominant financial logic as the mainstream, which defines institutional existence. The initial consequence shows how the centre of value essentialisaton moves from an Islamic value

systemin the economy towards filtering this value system with the condition for existence as its emerging reflection. In other words, from essentialisation of a value system, Islamic financial instituitions moved to compliancy through *Shari'ah* filtering mechanisms. This presents a concession and relegation of value consideration as the novelty of Islamic economic activism. In the narrative of process of institutional emergence of Islamic finance as reflection of Islamic economics, the change in the orientation from the substance into a realist orientation has relocated the substance from an activism orientation into a utopia, yet to be realised. At the same time, such shifts in the position that locate activism as liberating force, lack the capacity to face the contracting force of financial structure by preserving 'good practices', resulting in not only the activism losing its substantial roots, but also resulting into subversion of dominant logic and financial structures. Therefore, the debate has shifted to 'Islamic based finance' vs. the '*Shari'ah* compliant finance' in the global Islamic finance industry.

8.6. REFLECTIONS AND CONCLUDING STATEMENT

This chapter starts with a goal to examine the emergence of Islamic financial institutions in Indonesia as an articulative product of Islamic economic imagination in the light of a broader sense of how such institutions managed to negotiate not only institutional presence, but more importantly, within the initial double movement, how it challenged capitalism's institutional logic as expressed by a market economy. The analysis on the emergence process, therefore, moved towards higher levels of abstraction where it explored the consequences of environmental and other intervening factors shaping the institutionalisation process of values-norms of Islam in finance.

In Chapter 7, the trend of articulative action is advising that activism orientation is no longer driven by sole authentication pursuance, as institutional conditioning is gaining increasing importance in the latter period. This emerging field of negotiation costs activism its original pursuance suggested by a contracting pattern. Such phenomena within the development of Islamic financial institutions informs that there is an imbalance within the process of negotiation, where emerged roles not only deal with incorporated roles in institutionalising values-norms of Islamic economics but also face obstuctions of structural downward causational power. This non-actor factor of determinancy in authenticity negotiation within institutional spheres has led this research to embark on investigating the context and condition of institutional emergence within which the institution is linked to an earlier Islamic economic emergence case in Indonesia

The early generation of activism in Indonesia records articulative action led by an independency orientation in the pursuit of an authentic realisation of Islamic economics in Indonesia. Bottom-up forms of actions ranged from experimentative articulation to collaborative action that coloured the institutional emergence of Islamic finance in Indonesia. This demonstrates a civil base initiative in creating opportunity for a differing orientation within an available space, characterising Indonesia's Islamic economic activism. Along with opportunity, the exploration within an institutional space imposed a challenge to activism in regard to the capacity for institutionalisation, as well as, the legal infrastructure of such institutions, which distorts the process of institutionalisation. In securing its product, activism starts by focusing on institutionalising norms as part of an institutionalisation process, which marks the turn from expanding the institution in relation to the original substances, to sustaining the existence of institutionalised values-norms of Islamic economics.

This further emphasises the existential presence within an institution by turning the activism's struggle in negotiating authenticity into a higher level in the face of financial structure and its constituting logic. As the activism started embracing structuration, its expanding institution met with the dominant logic of finance and structural imposition resulting in normative compression and further adoption of norms of the mainstream in the formation of Islamic financial institutionalisation in Indonesia. This phenomenon of *isomorphism* contributed to the contraction of Islamic finance institutionalisation in Indonesia by adversing the trajectory of its expansion from the expected transformational reflection. As a result, institutional formation as part of Islamic finance emergence portrays a subsumed institution by the structure which even triggered emergence of a counter response to this development.

In the light of this phenomenon, it is important to relate back to what institutional emergence of Islamic economics in an Indonesian financial sphere has informed the reader on the evolution of an Islamic economic approach. While its conception emerged as a response towards liberalisation of the market as part of economic transformation toward *laissez-faire*, internalisation of Islamic value system into institutions of finance has worked towards expanding the logic rather than establishing its underlying base. In that, Islamic finance institutionalisation as an articulative action of Islamic economic imagination is a break from substance orientation into existential orientation as a condition of substance accommodation. Such a break illustrates how an emergence expectation is unrealised and rather turned into an emerging pattern as a result of an expanding position rather than a contracting one from its

original position as contester of a market economy. This leaves the novelty of Islamic economic essentialisation in finance to remain in abstraction and also underdeveloped.

Nevertheless, this emerging trend within the articulative action of Islamic economic activism is not without a challenge. Even within Islamic economic activism, the heterogeneity of orientation sparks a counter movement promoting a value-oriented Islamic financial institutionalisation. The attempt such as BMT and *waqf* revitalisation, up to development of Islamic capital markets have been countering the dominant logic of articulation that predominantly evolved around banking structuration, leaving other attempts secondary. While the development of Islamic banking as an institution, as a centre to expanding the structure is crucial in securing the sustenance of Islamic economic activism through its presence, the Islamic banking sector has heavily been influenced by contracting elements of the structuration from the logic to the intervention by the authority, placing a burden into value insertion. Hence, the pursuit of value-orientation realisation of Islamic finance, aside from trends of internalisation, offers hope to the future of actualisation of an original Islamic economic imagination within the institution of finance.

This remains under the condition that such attempts maintain their autonomy in generating an institution of its own derivation incorporating each value system as the base, even under the increasing interest of financial structures to integrate such institutional initiatives into its existence, such as the global emergence of Islamic windows. When this condition is not at presence, idealism's conflict with the existing institutions and structures are unavoidable and have greater tendency to be orchestrated.

Chapter 9

CONCLUSION AND INTERPRETATIVE DISCUSSION

9.1. REFLECTIONS ON THE RESEARCH AND FINDINGS

This research embarked on a journey of unveiling two main questions that remained unaddressed in the existing body of literature on the Islamic finance phenomena: namely, the nature and the process enabling Islamic finance to come into existence. Within a generalised understanding of Islamic finance emergence, oil income surplus and revivalist movements are argued to be the main catalysts allowing Islamic finance to materialise during the 1970s. Nevertheless, such a narrative on the nature and the process of emergence is overly simplified and only suited to a Gulf regional context, as it lost the natural conditioning and contextualisation that is relative across time and space. Such a prevailing reading loses its relevancy in observing the case of Islamic finance emergence in Indonesia, and with such an approach, importantly, the essential value substantiation attached to Islamic finance emergence specific to the Indonesian context will be negated. Therefore, an exploration surrounding the case of emergence of Islamic finance in Indonesia is undertaken as the main research question in this study with the objective of capturing the essence of Islamic finance in Indonesia along with its articulation and environmental conditioning.

By doing so, ‘emergence’ as a theoretical frame has informed the exploration on an emergent nature and process of Islamic finance in Indonesia and, hence, it has met the interest of this research. Among the features of emergence under consideration, this research mainly focused on the presence of novelty in its intrinsic form regarding whether the process leading to emergence depicts a character of determinism, irreducibility, and unpredictability within a consideration of the requirement of naturalism and the presence of a hierarchical structure. Utilising an approach of evolutionary economic emergence which asserts that an emergence travels from the micro element toward a macro element in an independent form. This research

concluded that the emergence of Islamic finance in Indonesia reflects more a pattern of emergence rather than strong emergence as exemplified by its novelty and irreducibility as the basis of emergence.

When the element of a base and the process generating an emergence is studied further, it is known that emerged Islamic financial institutions are constituted by an element of a novel source through its cultural base, which is Islamic economic substantiation as demonstrated in Chapter 6. This finding is similar to an assertion that Utvik (2008) and Atzori (2012) made in regard to cultural platforms of identity within an Islamic economic movement. Hence, novelty is embedded even in its institutional form. Nevertheless, this novelty has not emerged in isolation from the interest of the social structure in generating an institution that fits into the value orientation of financial structures. Even though the initial emergence of Islamic finance in Indonesia manages to independently generate roles and institutions with greater value reflection within institutions of finance, the trajectory of its expansion towards a financial structure as a result of the interaction and shared interest with the state agenda and other members of civil society inevitably has imposed the institutional presence with a downward causational power of the structure as the hegemony dominated by the state resulting into institutional reflection of (conventional) finance in its organisational formation and operational structure in the latter period. Hence, the rise of institutions of Islamic finance as an articulation of Islamic economics tied Islamic economic activism with the condition pertaining to the logic of finance, in addition to the logic of economics.

The emergence of Islamic finance has, therefore, not met the irreducible character as the motions of the whole (Islamic economics) from which it could derive the properties. As the analytical explorations demonstrate the whole (Islamic economics) comprises of roles as norm generators and organisations as institutional shapers. Therefore, there is a divergence between the normative work of Islamic economics suggesting strong emergence and the realities of Islamic finance which is only an emerging pattern. What remains relevant is Islamic finance's unpredictable nature of the structure reflecting the divergence mentioned, which suggests that the properties of the structure hold the characteristic of unpredictability. This would fit into Islamic finance emergence as one that resembles a structurally emergent case where novelty is held under reducibility with certain degrees of unpredictability (Stephan, 1999: 71-72), as the predictability of Islamic finance in relation to the normative world of Islamic economics can be unpredictable. In other words, the unpredictability of Islamic finance emergence is a result

of the structure of conventional finance, which often possesses a reductive character due to the material form of the conventional financial system.

The presence of novelty and structural unpredictability within Indonesian Islamic finance emergence opened discussion on the Indonesian experience of Islamic finance and its relation to earlier Islamic economic emergence, especially in addressing developmental puzzles. The institution emerged as a result of Islamic economic initiatives is aspired, to some degree, by value prepositions of Islamic economics which define the novelty of its presence, suggesting that behavioural norms and local practices of Muslim everydayness determined the practices within Islamic economic social movement to a certain degree. Nevertheless, the form its extended within the area of finance has encountered downward causational power of the conventional financial structure, which holds a reductive influence on its presence in finance. In that, the pursuance of Islamically-oriented developmentalism reflections, encountered a challenge in generating an 'authentic' form of institution and practice, as the point of reference on the production of institutions is not only determined by the notion of social utility as a synthesis of embedded customary reflection but also by the structure and objective of the prevailing financial structure. Hence, environmental setting has allowed Islamic economic articulation to generate Islamic finance, which is streamlined in accordance with the logic and form of financial structure.

Such pattern advises that institutional reflection of Islamic economics loses its bounded consequence to the value system of Islamic economics rather than its novelty related to the consequence of reductive physicalism (Stephan, 1999: 70). In the light of a double movement in rescuing the society from the consequences of the market economic system through the re-enactment of value-based institutions, the performance of Islamic financial institutions so far suggests that the project of re-embedding finance in responding to a de-financialising pattern has not achieved its main goal. Eventually, the institution, namely, Islamic financial institutions that are driven to produce a reflection of Islamic economic forms and practices has failed to demonstrate the essentialisation that infused such norms and forms aspired by Islamic economics.

A closer investigation on the process of the institutionalisation of the cultural base of Islamic finance in forming the institution of Islamic finance demonstrates a promising start when Islamic economic activism in Indonesia directed its aspirations through experimental institutionalisation of Islamic finance in the form of BMT, which is a product of an

authentication trajectory favouring the strong emergence of Islamic finance. Nevertheless, this trajectory started to deviate from the identified aspirational position starting from the point of transition to the second generation, when activism began to embrace institutional logic and forms of banking alongside other structurally prevailing institutions of finance. In the third generation period, contestation has become apparent between activism's authentic orientation and what is considered as a mainstream form of Islamic finance. This transformation in the reflection of institutionalisation asserts that there is an issue of consistency within the realisation of authentic forms of Islamic finance institutions, which was greatly challenged by hegemonic establishment and the institutional logic of finance.

In the changes from one generation to another, roles disappear, and transformations are accounted in the change of direction in institutionalisation of Islamic economic activism within the institution of finance. The disappearance of the role that bears the cultural system of Islamic economics took place within the transition from the first to the second generation, when intellectual roles slowly diminished activism. This left *ulama* and institutional activists of Islamic economics as the last resort of a deep causal orientation of institutionalisation of Islamic finance. As it moved forward and expanded, a transformation is recorded with *ulama* playing both cultural and structural roles, resulting into a conflict on the orientation of the realisation. At the same time, a growing influence and involvement of elites of the financial structure injects further institution of Islamic finance with the value system of financial structure. This suggests that engagement of socio-economic and socio-political community have dynamic consequences to the articulation of Islamic economics, where its involvement sustain the pursuance of Islamic finance, yet, its differing orientation creates impediments to the emergence process.

Such development and changes in roles played by activists impact activism's commitment to achieving a deep causal realisation of an Islamic economic value system. In the early period of Islamic economic activism, intellectuals, *ulama*, and institutional activists of Islamic economics pursued their aspirations through fostering authentically Islamic financial institutions rooted in values-norms set by Islamic economics. Here, it was expressed within the spirit of *rahmatan lil alamin* (beneficence of Allah to all), which is the reflection of the authentication articulation through creating presence sourced from extraction of the substances. Nevertheless, the diminishing role of intellectuals and the growing importance of institutional activists in the latter period drew a pattern of articulation with a presence-first attitude. In that,

existence comes first before othering values, filtering and adjusting value essentialisation. Since then, activism has become comfortable even towards institutionalising Islamic finance presence within a financial sphere and structure. Eventually, activism vows to a deep causal foundation of Islamic finance institutions branched out along with additional tasks in negotiating the presence of Islamic finance within the prevailing financial structure.

The disappearance of intellectual roles within activism that pushed for deep cultural accentuation of Islamic finance institutionalisation and increased engagement of financial elites results from activism's transition to the second-generation period, which cost activism its initial orientation. Instead of focusing on the pursuance of authentication, activism's toleration to accept hybrid institutional approaches that commingle authentic Islamic economic prepositions through the implicit negotiation process has further diminished an initial authentic search. As a result, a dual orientation of Islamic financial institutionalisation has arisen moving slowly towards a one-sided institutionalisation process with significant influence of the structure towards this project. In the third-generation Islamic economic activism, the transformation of the role of *ulama* that also possessed the role within the everyday operations of financial structures, along with the emergence of converged professional bureaucrats, marked the beginning of a shifting orientation of the articulation toward structuring Islamic financial institutionalisation. This consequently led to activism to channel its focus and resources toward structuration deriving value-based from value comingling. This marks the shift in the nature of negotiation, where a structural orientation leads to unbalanced forms of negotiation that mostly neglects its deep causal orientation.

The struggle that Indonesian Islamic economic activism experienced in forming alternative institutions of finance derived from Islamic systems of knowledge echoed the experience drawn from previous initiatives in preserving a customary reflection of identity of the society that also encountered challenge in negotiating the aspiration that the initiative put forward. The experience of the corporate social responsibility (CSR) movement, in general, and socially responsible investment, or SRI initiatives, in particular, across regions portrays similar trends of emerging cases bounded and stimulated by culturally-relevant values, norms and cultural capital and, hegemonic environmental landscapes, which resulted in the accommodation of partial aspirations of such initiatives, ranging from recognising stakeholders to industry emergence. Importantly, a pattern of 'mainstreaming', which highlighted in the cases of CSR and SRI, can also be located in the later emergence of Islamic finance in Indonesia. This

mainstreaming is not only caused by the negotiation that placed activists in a weaker position but also related to conditions imposed to activists resorting to action and downward causational power of a higher hierarchy.

In the analysis, both dominant logics as conditional requirements and structural impositions of power that appear to influence the process of emergence are discussed within the frame of opportunity space and hegemonic formation. In a general view, opportunity space has been explored since the early emergence of institutionalisation of Islamic finance as a sphere within which identity and its articulative actions are accentuated. Even though the available space was very limited in the early period of activism, an account of experimentation was still asserted by the first-generation activists. Continuous attempts in articulative extension toward institutionalisation continued within the available space, even to the extent that it protracted to an area of financial structure. As Indonesian political economy has experienced reformation, the space open to a free-contestation allowed the extensive celebration for articulative attempts to seek a deep causal reflection of Islamic economics.

While reformation created opportunity for Islamic economic activism to stimulate the next levels of emergence formed through space opening, the activism entered into a new period of challenge where such initiatives going mainstream involved the formation of hegemony. This new arena led to a process of negotiation where articulative actions were narrowed upon the condition attached to this process of negotiation. From experimentation and exploration orientation, activism measures were limited to the area of institutional expansion within the innovation of the existing logic and frame. This course of evolvement re-positioned the point of departure of the accentuation from an Islamic value system to the existing logics of finance. This change in the institutional formation process of Islamic finance by focussing on institutionalising the norms inevitably intersected an activism realisation process with the formation of institutions of finance. In such a case, Islamic finance institutionalisation involved the process of forming hegemony.

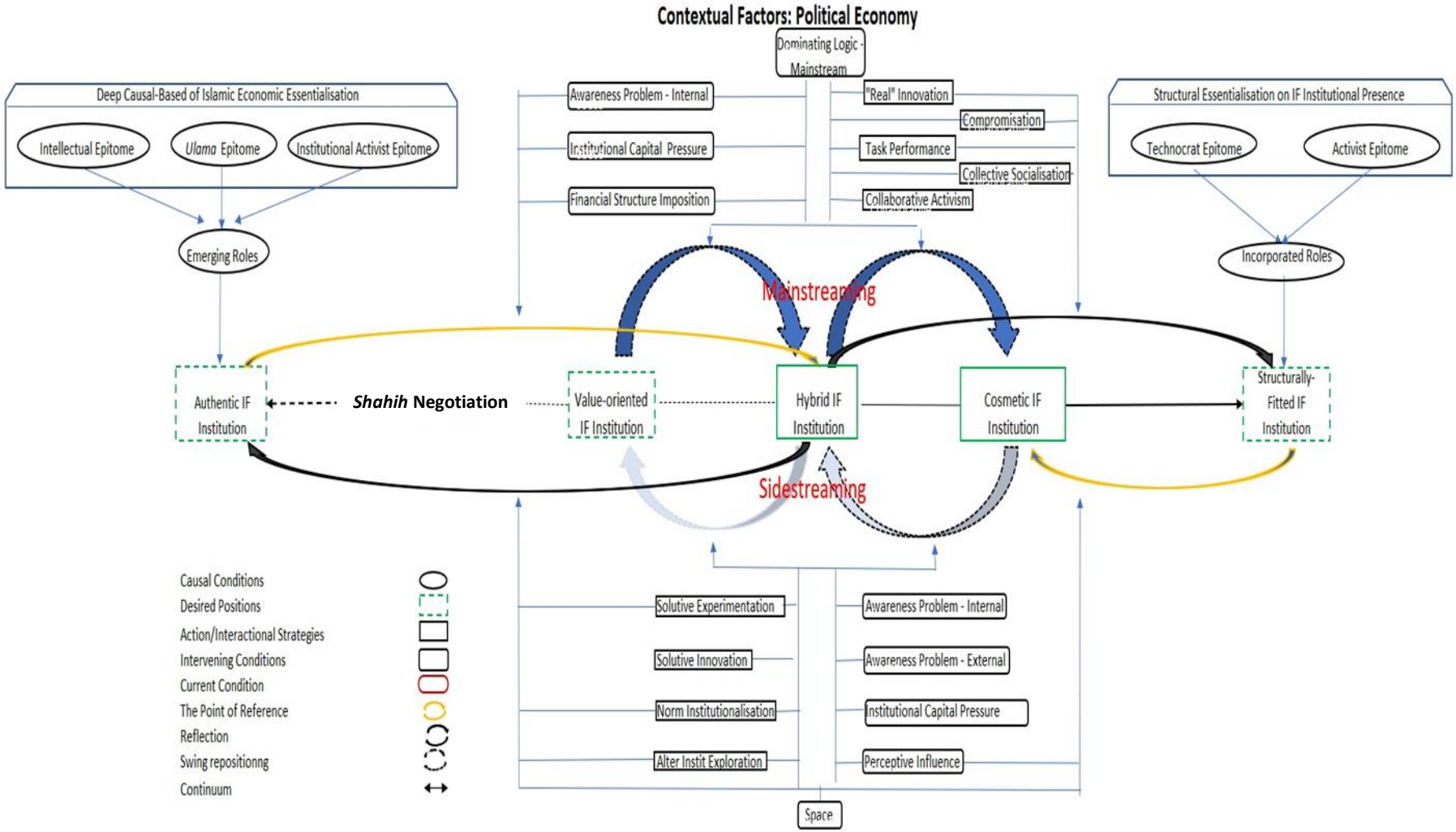
Such process, as outlined above, came at a consequence of what is understood as *isomorphism*. While the institutionalised values-norms of Islam stretched the boundaries of institutio of finance within a recognition of its Islamic branch, dominant logic endorsed by an imposition of power whose structures contributed to the trajectory of Islamic finance institutionalisation, where the logic of the prevailing financial structure started to define Islamic finance institutions. The process of normative compression within *isomorphism* is one that poses

difficulty in translating deep causal values of Indonesian Islamic economics into an institutional format, discontinuing the attempt to bring about authenticity within a reflection of Islamic finance. Eventually, a separation of articulation is materialised in the third generation of Islamic economic activism, splitting activism that pursues authentic Islamic financial institutionalisation with activism that worked toward a hegemonic reflection of Indonesian Islamic finance.

Activism encountered a post-reformation period of political economy suggestive that the condition of opportunity space within a freely contested area exposed promising opportunity for further institutionalisation of an Islamic value system. Nevertheless, this emerging sphere of articulation turned to be more restrictive and challenging in comparison to the new order era. The main interest on the sustenance of the structure has led to policy that curbs the articulation of independent and authentic forms of Islamic finance institutions, for financialised Islamic financial opportunity space. As the structure has been expanding, conditions set by the dominant logic of finance that determine the setting of institutions has also extended its reach to othering initiatives in the financial sphere, which inevitably filtered the possible accommodation of an othering system of values. In the light of heterogeneity of the civil society aspirations, this situation is deemed to be in contrast to its democratic nature as aspirations and, hence, norms are further compressed and forced to work under a similar system of logic, which undermines the identity that each society promotes. When such approaches are followed by elites of the prevailing financial structure, an emergence case is contained, and even singled out, as it is perceived to pose threats to the existing structure of finance.

The political economy of the emergence of Islamic finance in Indonesia can, consequently, be depicted by Figure 9.1 as a result of the detailed process explained in Appendix IV, which discloses a process of selecting coding, whereby codes are located and integrated according to its relationship establishing order suggested by the paradigm model. This section covers thematic narrative development, core category identification, paradigm model construction, and conditional/consequential matrix recognition as an integrated process of selective coding. In differentiating between causal conditions, intervening conditions, action/interactional strategies, contextual factors, and consequences, the legend in the bottom-left of the model provides the meaning of each symbol used to illustrate situation, flow, and relationship.

Figure 9.1: Paradigm Model of the Political Economy of the Emergence of Islamic Finance in Indonesia



The causal conditions of Islamic finance emergence in Indonesia is located in the upper left and right of the quadrants. Each condition works toward generating specific roles and institutional form tied to each orientation within Islamic economic activism. The presence of two contrasting causal conditions suggests within the paradigm model that there are two streams of Islamic economic activists, where the stream located on the left wing of the paradigm model indicates a pursuance of deep causal orientation, while the other stream on the right wing of the model depicts a structurally essentialist orientation on Islamic economic institutionalisation. The presence of two streams with its own value dispositions and reflective purpose in terms of institutional products within a pursuance of Islamic economic articulation suggests that there is a negotiation in determining accommodated motives and values reflected within the product.

The intervening conditions, actions/interactional strategies, and contextual factors of the two streams of Islamic finance institutionalisation process are located in the middle section of the model. The relevant intervening conditions, actions/interactional strategies, and contextual factors of deep causal-based Islamic economic essentialisation are shown in the bottom part of the middle section, while the upper one exhibits relevant conditions, strategies, and factors for structurally essentialist Islamic finance institutionalisation. This means that, while the nature of the negotiation between the two streams is determined by the space available, as well as, by the dominating logic located in the upper and lowest middle part of the paradigm, the space issue is a more important factor for Islamic economic essentialisation through Islamic finance institutionalisation, while the dominating logic of mainstream is more contextually attached to structurally-essentialist activists of Islamic finance. In that sense, the contextual factors determining the dynamic of negotiation is unbalanced given that the existing space already dominated by the articulation of mainstream logic, resulting in the environmental setting favouring structurally fitted articulation of an Islamic economy. This indication can be drawn on the interaction between the two streams that skew to the right, suggesting that deep causal Islamic economic essentialisation is at disadvantage in the negotiation, unless there is a shake up in the distribution of space, such as a crisis and political change.

In terms of intervening conditions, both streams are conditioned by institutional capital pressures and internal awareness problems. The main difference is on the extent to which external awareness problems and perceptive influences are more relevant to deep causal Islamic economic activists, while structural essentialisation is subject to financial structure

imposition in its articulation. This implies that there is a heavier intervening element that deep causal Islamic economic essentialisation experiences, given that not only it is limited by capacity to generate institutions but also it is subject to imposing the power of the structure, in this regard, the regulatory bodies. This creates a greater burden for deep causal orientation to the sidestream, a process of institutional shifting toward the reflection of an ideal form depicted by the arrow pointing onto the deep causal-orientation of Islamic economic activism in the model.

When comparing and contrasting different action/interactional strategies, which shape the negotiation between the two streams, a mainstreaming pattern, which is a shifting process from deep causal Islamic financial institutionalisation to structurally fitted forms of Islamic financial institutionalisation depicted in the model within the symbol of an arrow pointing to the direction of structurally-fitted Islamic financial institutions, is identified by observing inter-generational negotiations, as demonstrated in the model. In the early period of emergence, solutive experimentation of deep-causal Islamic economic activists pushed for value-oriented Islamic financial institutions in the form of, for example, Islamic microfinance. As Islamic finance institutionalisation started to emerge, collaborative action between the two streams came with a hybrid product of Islamic financial institutions in the form of Islamic banking. During the later expansion in the form of post-emergence of a hybrid orientation, the two shared interests in formalising and forming institutional existence rested on norm institutionalisation approaches with deep causal Islamic economic activists actively engaged in further institutionalising the norms of Islamic economics, while the norms of financial structures were promoted via realist positions held by the activists who shaped Islamic finance.

In the presence of dominant mainstream logic, the pressure for the adoption of the leading mainstream logic directed negotiations toward a conventional pattern onto structurally-fitted Islamic financial institutions. This condition led to further institutionalisation of Islamic finance toward cosmetically-oriented institutionalisation focusing on its branding. This was taking place as it moved from the second to the third generation.

This mainstreaming trend was not without challenge as a deep-causal activist strategy involved inducing a normative orientation to the institutionalisation process as depicted by a side streaming pattern, seeing a shifting process from structurally fitted Islamic financial institutions to a deep causal orientation within the model. Nevertheless, the subsequent action was dominated by solutive innovation, whereby, reform was proposed within the institution of

financial boundaries and limitations. Hence, it only managed to essentialise a hybrid-model of Islamic financial institutions as a result of its partial side-streaming attempt. Even *muamalat*-oriented expansion has produced reform within a *Shari'ah* arena, the scale of its extension was unable to strengthen the negotiations. On the other hand, realists were only accommodating a real-orientation of this activism, where it was seen to offer reform to the logic of the institution of finance. This has cornered deep causal Islamic economic activists to compromise and accept the proposal and pressure of financial structures towards which the structural essentialists activists within Islamic finance emergence were part. Even, such unfavourable conditions led to 'negative' innovation to the controversial arena to the extent of compromisation. In the most extreme strategies, deep causal Islamic economic activists that were disappointed with the trend encouraged alternative institutional exploration, which ranged from IMFI to *waqf* institutions. A softer approach recorded with the promotion of Islamic capital markets, as the alternative institutional form reflecting the motive of deep causal Islamic economic activists. Such variations in the articulation are there to negotiate for side-streaming, an attempt to bring the institutional product towards value-oriented Islamic financial institutions, from its hybrid and cosmetic form.

Within the negotiation that depicts an interaction between mainstreaming and side-streaming initiatives, the trend was reflecting more of the process toward mainstreaming. This informed the study that the negotiation for authentication of Islamic articulation gained an upper hand through structures establishing hegemony toward Islamic economic articulation and its Islamic finance.

9.2. THEORETICAL AND PRACTICAL IMPLICATIONS AND REFLECTIONS

This study introduces a lens of emergence in reading the emergence of Islamic finance in Indonesia. In that, this study explores Islamic finance emergence as a continuation of Islamic economics emergence and pursuance within the financial arena, constructing an Islamically-aspired financial mode and institution. Such a frame has enabled this study to observe Islamic finance in its original setting without imposing a condition or even a pre-ordained conclusion, as well as, recognising its novelty determined by Islamic economic activism. This allows an investigation of Islamic finance as a continuation from Islamic economic emergence with differing challenges and conditions affecting its realisation.

The continuity nature of Islamic finance emergence as a product of Islamic economics activism suggests that an aspiration of Islamic economics is shared with construction processes of Islamic finance. The introduction of social constructivism aids in ensuring that the formation process of Islamic economic and financial institutions, in reality, is part of the internalisation of norms and practices of Islam in the economy, through institutionalisation and legitimation of its practices as regards to superstructure. As the discourse is developed within a political economy frame, the negotiation process that accommodated the construction process is accounted, allowing for a more holistic investigation.

As the emergence was fuelled by collective action in the periphery forming a bottom-up initiative, a social movement approach assisted in identifying actors and their roles within the emergence and development of Islamic economics and finance. In that, social movement frame capture roles emerged with its constituting values orientation and norms pushed, constructing a negotiation within a shared orientation and a conflicting purpose. This allows an observation of emergence not only as a static product but also as a process involving actors with different backgrounds and from various generations. The use of social movement analysis allows the study to distinguish between different orientations interplayed, hence, the heterogeneity of Islamic finance pursuance uncaptured by previous studies. The emphasise on the process of struggle highlights civil bargaining within a contested realm, whereby, an increasing interest of the structure representing the mainstream was seen as part of this struggle in realising authentic Islamic economics and finance.

The theoretical sensitivity of the grounded method and approach that this study adopted helped to highlight the presence of hegemony, dominating a realm of finance. While the structurally essentialist Islamic economic activists submit to a presence of domination, a deep-causal orientation with the pursuance of authentic forms of Islamic economics and financial forms and institutions are conditioned as a counter-hegemony measure, offering differing logic constituted by its paradigm. The political economy analysis, hence, allows consideration of the space as one that is shared with the hegemony not as a static condition, but as a reflection of an unbalanced condition already present in the financial realm.

While unbalanced distributions of space were accounted for within political economy, the awareness of the socially constructed nature of Islamic economics and finance emergence raised awareness of a presence of a shared and contested reality. Apart from the presence of structure, the social construction analytical condition also highlights the capacity of actors and

its cognitive cultural capital that resemble a modern-oriented economic individual, whose contribution to the formation of the realist depends on the possession of material and cultural capital. As the activism lacked such capital, the ability to push for authentic Islamic financial institutions is also curbed.

The discourse which developed from the emergence case of Islamic finance in Indonesia establishes the importance of public policy on accommodation of aspiration and identity, through the emergence of othering forms of organising and allocating resources. A democratic economy implies that opportunity has to be made available for members of the social structure to access and benefit from the prospects provided, but, fundamentally, it should allow presence and accentuation of customary forms of society determining interaction and economic relationships. In the growing interest of elites within financial structures towards Islamic finance's institutionalisation, the expanding nature of the financial structure imposing its logic towards formalisation of value system of Islam in finance has limited the organic nature of the development of Islamic finance. As a result, Islamic economic activism in Indonesia struggled to generate institutions referred to as deep causal sources of Islamic economics in finance, and therefore, as a compromise in its failure as a hybrid nature of institutional formation in the form of conventional banking institutional logic co-mingling with Islamic legal jurisprudence, which has been shaping the nature of emergence of Islamic finance in Indonesia, as well as, in other parts of the world, marking it as an 'emergent pattern' rather than constituting a strong emergence.

The recent development that marks increasingly involvement and intervention of the state towards Islamic economic projects in Indonesia, hence, should be read with caution. Indeed, its focus on stimulating growth and increasing reputation is promising to elevate the magnate of impact of Islamic economic and financial presence. Nevertheless, Islamic finance emergence is essentialised by a society-oriented Islamic economic movement. When the direction of its development is determined by the authority, the progressive outcome comes at the cost of its value substantiation and its organic development as the negotiation process, which is already unbalanced, is subverted. Malaysian case on Islamic finance development is a lesson learnt on the consequence of state-centered development with its accommodative policies, as the substance and ethicality loss of the Islamic finance industry has become obvious in Malaysia. In responding to this, eventually, Bank Negara Malaysia, which is the main regulative authority of Malaysia for Islamic finance development, has indirectly admitted the cost of inorganic

Islamic financial growth by announcing the issuance Value Based Intermediaton for Islamic Financial Institutions in 2017 with the objective of bringing back the neglected value system of Islam into the operations of Islamic finance industry (Mohd Yunus, 2018). A similar commitment to value-based intermediation is an arena that the Indonesian authority can potentially facilitate. To that extent, the government can reflect upon the case of SRI within which a value-orientation project had a fruitful engagement with the authority in response to market unfriendly behaviour to the social orientation.

Eventually, pre-supposed motive that attempt to essentialise growth in harmony promoting balanced development is ended with an unbalanced form of development, as demonstrated in table 9.1.

Table 9.1: Strategies and Movement Leading to Islamic Economics and Finance in Indonesia

Goal	Rigid (strategies and means)	Soft (strategies and means)
Vertical (state oriented)	*Autocratic*: Direction from the authority, Law is determined by the constitution *Target*: Formalistic, hegemonic, Reputation, obligatory fulfilment *Outcome*: static, underdeveloped economy	*Despotic*: Direction from the authority, legitimation is required, accepted collectively *Target*: growth opportunity, reputation *Outcome*: progressive yet unbalanced developmental economy
Horizontal (society oriented)	*Essentialist movement*: Everyday based movement, reiterating the Islamic life, Islam as a single solution, exclusive *Target: establishing* an economy based on the shariah completely, push-over religious consciousness *Outcome*: Prophetic economy	*Silence moved*: Islamisation of everyday life through the framework of civil society, acquiring legitimacy and collective acceptability *Target*: soft religious consciousness, applicative economic tools and activities *Outcome*: moral economy

Source: Yavuz's model (2003) adapted into Islamic finance emergence in Indonesia

In the call for the realisation of an authentic form of Islamic economics and Islamic financial institutions, the rise of alternative institutional exploration should be seen as a potential continuation of this pursuit, hence, allowed to develop within its orientation without the centre and the hegemonic push for immediate and filtered structuration, as suggested in the development of Islamic banking in Indonesia

9.3. LIMITATIONS AND FUTURE RESEARCH

The current research is indeed limited by the setting it adopted on the emergence of Islamic finance utilising the lens of emergence that is evolutionary in nature, focusing on the presence of novelty and entrepreneurial creativity. As it is assumed that both micro and macro elements of Islamic finance institutionalisation are unique, it focusses on the interaction of non-linear micro properties rather than distinctiveness of each level of properties (Taylor, 2012). This condition is considered to be restraining and is reductive for contemporary emergentists, as recent developments in the identification of novelty recognised relative positions of elements as the source of unique elements. Hence, this study has not considered extrinsic properties as the main novelty of Islamic finance emergence case, which could be considered in future research.

In addition, a historicity focus on the essentialisation of Islamic finance emergence in Indonesia tied this research into narratives developed from Indonesian experience with Islamic economics, it therefore considered the financial structures and dominant logic as an external force exerting influence without in-depth mapping of its novelty and articulative consequence.

The result derived from this research is indeed aiming towards locating a lens of analysis for further research on Islamic finance that was either set by a pre-ordained conclusion (Warde, 2010) or an over generalised view on the assumptions set by neo-classical economy and modern finance (Henry and Wilson, 2009: 3). As Islamic finance is again attached to its origin within Islamic economics discourse, an understanding of this realisation as activism attempts to generate an embedded form of financial institution toward Islamic prepositions allows this research to be linked back to its origin. Hence, further research can also expand the specificity of contexts of Islamic economic articulation in accordance to regional historicity. Furthermore, its trajectory on going mainstream further informs this research that the conflict between authentication and structural fitting affects the commitment of activism to the original reflection is material, hence, further investigation on such issues in different contexts enlightens our understanding on the negotiation of these two orientations. An area in between weak diachronic emergence and structural emergence can be used as the starting point of this debate. Such analysis can assist future research to examine the emergence case in a lower hierarchy within the product of Islamic finance, and to also study the nature of the application in relation to its original sense.

9.4. EPILOGUE

This research as established in Chapter 1 aims at critically and analytically exploring the emergence of Islamic financial institutions in Indonesia, comprising part of Indonesian Islamic economic activism, as a reflection of the identity search in the country. For this, a political economy approach through the emergence theoretical frame was adopted to examine the nature and the process of its emergence.

As the contents of the foundational, theoretical and empirical chapters along with the research methodology and historical aspects of political economy chapters demonstrates, this research is well established and formed in response to the research objectives. Extensive analyses provided in the analytical chapters are considered as a significant contribution made by this study, which in the end suggests that it has fulfilled its aim and objectives.

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APPENDIX I: INTERVIEW GUIDE

Introduction

How did Islamic finance emerge?
How did this alternative view and scheme of allocating resources and opportunity develop?

These two questions were crucial in identifying what Islamic finance really is and how it became the current form. Albeit the importance, it has not been addressed accordingly. Observers of Islamic finance often jump into conclusion that Islamic finance failed to demonstrate its ideal expectation by promoting inclusive distribution of opportunity and resources through profit-loss sharing mechanism and ensuring that finance connect with real economy with requirement to involve in productive process and activities. They reason that this issue aroused as a result of structural deficiency in Islamic financial institution that tussle in responding to the riddling problem of information asymmetry, moral hazard, and adverse selection in the operation of this institution. Others underline the lack of competitiveness of this institutional innovation in the face of competitive pricing pressure, secured principal practices, and regulatory oddity. As a result, the presence of this alternative financial framework and practices was under fired in providing effective and efficient means of allocating resources or even opportunity for their individual and institutional clients and partners. At the same time, the increasing popularity of this financial arrangement has attracted multiple actors and institutions to tap into and gain from this promising opportunity, and inevitably imposed this new institution with greater challenge in maintaining the momentum to expand without losing support.

The issues of roles and practices, as well as support and momentum to grow are related to the two questions raised earlier. Observers of Islamic finance often ignored the fact that this construct emerged under the umbrella of Islamic economic movement that attempted to articulate its aspiration and imagination in modern institution. By ignoring this attachment, most observation disregard the emergence and the development of Islamic finance as institutions constructed by a social movement that aim at realising this view on the role and function of economic institutions that imbued with dual paradigms and blended operational procedure and institutions. Consequently, those with interest in Islamic finance are unable to conceive the message and the essence of Islamic finance strong and admired development within weak legitimation and heavy criticism given that the context and the process leading to this situation is not fully identified. Recognising the importance of understanding the nature of emergence and evolution of Islamic finance, this research seeks to comprehend the social construction of Islamic finance, from the era of pioneering and building to the process of negotiating and legitimizing the presence of Islamic finance. In addition to that, the mainstreaming process and implication is also assessed in the social construction of Islamic finance as a potential explanation toward structural deficiency and competitiveness backdrop of Islamic finance.

This interview set is developed in order to capture the construction process of Islamic finance. Indonesia is chosen as the sample case as it depicts a process of emergence of this construct out of the consent of social movement pioneered by several figures from various background and later appealed greater masses to join into this project with limited engagement of the center. In that, Indonesian case demonstrate a non-generic process of creating, convincing, legitimizing the establishment of Islamic financial institution with a greater involvement of stakeholders, controlling strong political endorsement that appeared in other cases of emergence of Islamic finance across the world. As Islamic finance is considered as a social construction product, its emergence and development is considered as a product of struggle of part of society with a particular understanding on the role and function of economy in distribution of opportunity and resources. Within this, it is believed that the role of the elites is incremental in pushing forward the agenda of internalization of Islamic paradigm, norms and customs into modern economic institutions. Interviewee is considered in this interview as part of the elites of Islamic economic movement in Indonesia.

Keywords**:** *Divergence, Hybrid Problem, Authenticity, Negotiation, Legitimisation, Mainstreaming, Society-Economy Relationship, Social Construction, Social Movement*

1.1. Role and Contribution

This section aims to bring into discussion interviewee story in the development of Islamic finance in Indonesia. In that, it is interested in exploring the inception of Islamic economic ideas in interviewee story of involvement. In addition to that, interview involvement in the development of Islamic finance is also covered in this section.

How did you grow interest in Islamic economics?

Did you know anyone who attend the first conference on Islamic economics in Mecca, Saudi Arabia in February 1976 or did your teacher, inspiratory, and leader inspired by this conference; or else did you know anyone that attend the first conference on Islamic economics in Bandung in 1983?

Did you become active member of any religious organisation? If yes, could you name the organisations and describe your role and involvement?

Could you describe your organisation as traditional or modern progressive?

What have you achieved with your organisation, in term of personal development and mission development?

Did you involve in any social activities, movements and organisations that advocate and promote Islamic economics, including Islamic finance? If yes, could you name these activities, movements, and organisations and describe your role andcinvolvement?

Did you feel that your view was represented? If yes, how has it matched with your vision?

Did you involve in teaching activities in this area? If yes, which area in Islamic economics did you teach?

How has teaching facilitated your self-actualisation in Islamic economic thought?

How was the response of other stakeholders in this emerging discourse?

Did you notice that the paradigm was shifting from broader Islamic economics as a system and discipline to Islamic finance as a practice? What could be the reasons and consequences of such a shift, if any?

Did you actively involve in the development of Islamic financial and/or tertiary industry? If yes, what were your contributions to the development of industry?

How has your contribution added to the expansion of the industry?

How do you see the nature, progress and development of Islamic finance today in taking into account your own personal positioning, the political economy of the country since the independence, and the economic and political liberalization the country has gone through? Does it fit into your initial imagination of Islamic economics and finance?

1.2. Setting the Agenda

Would you please provide a definition of:
- Islamic economics?
- Islamic finance?
- Islamic banking?

1.3. Social Construction – Society-economy relationship

As a product of Islamic economic movement, Islamic finance contents a particular narrative of aspiration and imagination of society over the role of economy and finance. This aspiration and imagination came out in response to economic reality that challenge and aspire society to come up with an alternative approach that suit with their understanding and expectation of the function of economy and finance. This section aims to identify several key issues in relation to this aspiration and imagination.

Why did you think Islamic economics, in its broader sense, emerge? What factors contributed to this emergence?

Do you see a difference in the Islamic economics paradigm and Islamic finance? If, yes, what are the issues of distinctions?

If, yes, why Islamic finance has taken the priority?

Why did you think Islamic finance emerge? What factors contributed to this emergence?

Has this emergence revolutionise the definition and the boundary of finance? If yes, how has it change the definition and the scope of finance?

Do you think that the emergence of Islamic finance relates to society's demand over economic adherence to custom and goal prevails in the society? If yes, what kind of demand that Islamic finance stress here?

What has been the main promises of Islamic finance and do you think these have been achieved? If yes to what extent?

Do you think Islamic finance has been able to shift the focus of financialisation into real economy? How has it shifted this focus?

Do you think current Islamic finance has been able to deliver the promise of financial inclusion as proposed by the early proponents of the movement and why do you think that is the case?

How do you think about Islamic finance being an alternative construct with its particular mode of arrangement and production in term of re-defining individual paradigm, factor of consideration, and incentive structure?

What do you think about the current state of Islamic finance and its future in term of performing the expected function and preserving rules and norms of Islam? Why do you think that is the case?

Do you see the future of PLS?

Do you think there are other alternatives to achieve this goal?

1.4. Social Movement – Emergence, Negotiation, Legitimisation, and Mainstreaming

The rapid development of Islamic finance in Indonesia was often taken for granted. The large Muslim population in Indonesia has led the reasoning for this expansion. This neglects the fact that Islamic finance emerged through a process of negotiation, construction, legitimisation, and mainstreaming that surrounding the emergence and the development of Islamic finance. This section aims to capture this process.

How did Islamic finance emerge and develop? Did this relate to a particular approach that Islam convey to economy and its institution?

Why do you think this approach rested in modern institutional form such as bank? What are the implications and hindrances?

Why BMTs were considered as the initial institutions rather than directly negotiating the establishment of Islamic banks and financial institutions? Can there be a particular Islamic or local reason?

Given that elites were playing crucial role in the emergence of Islamic finance in Indonesia, what do you think motivating initial individuals involved in the starting of the Islamic economics discourse? What was their aims? An ideational, political, social or developmentalist agenda? Or all of these? What provided them with the legitimacy to initiate such a movement?

How the process from a group of individuals moved to larger communities and the society?

Did you witness any shift in the movement: after the rise of BMT: the establishment of Bank Muamalat: Reformasi?

What do you think about the supporters of Islamic finance from time to time? How has it changed given the current state of development and the increasing integration of Islamic finance to conventional one? Given the increasing interest of wider structure?

1.5. Hybrid and Authenticating Issues

The emergence of Islamic finance witnessed the birth of institutions with dual paradigms and dual ideas, meaning, and institutional production process, creating what has been recognised as hybrid institution. This dualism of value system and process integrated within this institution encounter individual and organisations involved in the system with a challenge of contradicting and conflicting purposes and meaning. One fundamental issue of this hybrid structure of Islamic finance is on fulfilling the demand for the incorporation and adoption of Islamic paradigm, system of values, and production mechanism into the framework. Critics referred to the lack of this Islamic characteristic within the model of Islamic

finance suggest that one paradigm might over dominate the other logic. This section aims to capture interviewee perspective on this Hybridity-Authenticity issues.

How authentic Islamic finance in terms of institution and operation?

How should the authenticity can be ensured in Islamic finance operation?

Has the framing of Islamic finance in Indonesia as 'Shari'ah' finance contribute to the authenticity issue or the other way around, and why is it the case?

Considering that it is a modern construct with Islamic legitimacy, would you consider them as hybrid institutions? If yes, has it facilitated the development of Islamic finance?

Considering the nature of Islamic finance (perhaps being hybrid), would you consider that there is an authenticity issue? If yes, what could be the sources of this divergence?

Has the dualism of paradigms and mechanism for the production caused operational and strategic problem? Why has this been the case?

Do you observe a particular domination of paradigm and mechanism for the production of meaning causing problem and how do you think this affect Islamic finance in Indonesia?

Do you observe any externality that sparked problem or concentration in this structure with two contesting paradigms, such as regulation or external pressure? How has this externality affect the operation and planning of this hybrid organisation?

Do you think having Shari'ah scholars being embedded in Islamic financial institutions through the Shari'ah board creates conflict of interest in terms of providing authenticity? If yes, what kind of authenticity institution can be considered?

Do you have any other suggestion that can ensure authenticity is tied with the rapid development of Islamic finance, e.g. non-banking development, more traditionally-oriented development, and how will it contribute to this journey?

1.6. Epilogue

Do you have other issues that you would like to express that we have not covered?

APPENDIX II: OPEN CODING EMERGED

Grounded Theory analysis commenced with the derivation of open coding, a first stage of coding that group together identifiable instances, pattern, and events and label them accordingly (Strauss and Corbin, 1990). The following analysis describe the data of the emerging categories and labels in its very early form. After that, similarity and difference of properties and dimension of this category is constantly compared to produced higher-level preliminary description, named as Open Codes (Corbin and Strauss, 2015). The analysis conducted drew out 164 open coding and out of these 164 codes, only 72 open codes are relevant to construct the analysis on axial and selective coding analysis. As for the following chapter, it will only focus to describe those open codes relevant for generating analysis in the subsequent result.

At this stage, open codes analysis is performed by looking through the lens of their properties and dimensions. Properties are open code characteristic that help in locating the code within a dimensional range used in axial coding analysis for extracting higher-level abstraction (Ullah, 2014). For easing the reader and the writer, the analysis was put in framework basis. Table 4.3 present the categories, open coding and its label.

Table 4.3. Categories, Open Codes, and Labels

Categories	Open Codes	Label	Open Codes	Label
Values	Existential	EXIST	*Tawhid*	TAW
	Collectivism	COL	Social Equality	SOC
	Holistic	HOL	Transformation	TRANS
	Justice	JUST	*Rahmatan Lil Alamin*	RAH
	Empowerment	EMP	*Authentic*	AUT
	Developmental Response	DEV	*Tawhid*	TAW
Norms	*Taqwa* Institutionalised	TAQ	Profit-Loss Sharing	SHAR
	Riba Circumvention	*RIBA*	Purification	PUR
	Profit-Orientation	PROF	Government Activeness Expectation	GOV
	Independency	IND		
Cognitive Repertoire	Global Islamic Economic Capital	GIE	Historicity of Indonesian Islam	INDO
	Historicity Acumen of Islam	HIS		
Characteristic	Bottom-Up	BU	Civility	CIV
	Heterogeneity	HET		
	Innovation	INNO	Profit-Loss Sharing Enactment	PROF
	Solutive	SOL	Chanelling	CHA
	Real-Oriented	REAL	Concept in Search	ConS

Action/ Interactional Strategy	Stimulative Initiation	STI	Accomodation	ACCOM
	Explorative	EXPLO	Opportunistic	OPPORT
	Higher Education	HE	*Shari'ah* Implementation	SHARI
	Muamalah Oriented	MUAM	Branding Approach	BRAND
	Fiqhi-Approach	FIQH	Filtering	FILT
	Fatwa Based	FAT	Ulama Activeness	UL
	Institutional Orientation	IST	Standardisation	STD
	Independent Orientation	INDE	Enculturation	ENC
Intervening Conditions	Capacity	CAP	Resistance	RES
	External Awareness	AWAR	Infrastructure	INFRA
	Secular Rejectionism	ISPHO	Scale Barrier	SCA
	Ignorance of Multiple Motives	IGMO	Knowledge Gap	GAP
	BI Effect	BI	Imposed Effect - Dillema	SIE
Contextual Factors	Competitive Pressure	COMPET	Status Quo	STQ
	Imposed Effect	IMPO	Supervised Structure	SupS
	Opportunity	OPPO	Planned Islamic Economic	PIE
	Passive Government	PAG	Underprevilleged/Previlleged	UND
	Environmental Change	ENVC	Rationale	RAT
	Conventional Presence	CONV	Capital First	CAPF
Othering Motives and Initiative	Revitalisation Purpose	RevPur	Islamic Micro and Social Finance Development	MicSoc
	Islamic Capital Market and *Waqf* Development	ICMWAQ	Assigned	ASSIGN

A description of the open codes will proceed in the section below:

2.1. VALUES

2.1.1. Existential (EXIST)

Name	Highlight
AM Saefudin (AMS-EX)	- Islamic finance developed after the monetary and economic crisis. - A demonstration of Islamic bank sound and resilience to the crisis - Conventional one responded by tapping into the market
Mustafa Edwin Nasution (MEN-EX)	- Seeking alternative due to conflicting reality and realism - Apolitical and wrong with system - Constructing just and fair system
Antonio (MSA-EX)	- Multiple crisis stimulates learning process, hence, we talked on IE - Crisis speed up the socialization process as the building of financial system collapsed and people started opening their eyes
Nadratuzzaman Hosen (NH-EX)	- Remained to question on whether there is such a thing as Islamic economic

	- Referring to main reference, it is mostly on the presentation of ethics, yet, operational fuction was not specifically mentioned - Recalling that on wordly matter, human had central role and option to shape with recognition and maintenance of the ethics - *Riba* was part of this norm defining ethics of market - Economic in presence have to consider values, norms, and rule of the game
Adiwarman Karim (AK-EX)	- Islamic economics is an attachment between moneny and good - Economic bubble was triggered by this mislinked - M is adjusted independently and redirect the purpose of credit – side streaming - Disappointment of the current system, hence, experimenting - Bubble led to crisis. An objection aroused and alignment between M-R is proposed - Differing financial system which put no burden on collateral and exclude people - Just system is not when people can access this with collatral
Dhumairi (HMD-EX)	- Shop in the surrounding are consuming ribawi money - Socialization on the haramness of riba, its threat, and related material - Da'wah bill maal can not be abandoned, - Collection of evidence from the people - Global economy concept influence domestic economic concept
Muhammad Touriq (MT-EX)	- The reference was on the fact that there was a mechanism of capital arrangement over which undermine Muslim involvement - Facilitating was provided in order of Muslim way of life and its identity to be preserved
Irfan Syauqi Beik (ISB-EX)	- In the beginning of institutional emergence, it is pure idealism sourced from identity existed of its idealism - The condition of this identity preservation was limited by the capital requirement in securing such - The attempt was somewhat in relation to supporting micro and mass agricultural activities that were both seen as more real and secured (in relation to crisis) - Identity is somewhat partially attached with agricultural-real basis
Rahmatina (RK-EX)	- Monetary crisis and its subsequent effect to financial institution, especially bank, has caused existential crisis to such institution - Shari'ah bank successfully passed through the crisis - General presumption seen *Shariah* bank to be more resilience and stronger in encountering the crisis - *Zakah* has presence in Indonesia far before *Shari'ah* bank in the era of dutch colonization. - *Zakah* is not something different from convetional - *Shari'ah* bank was once seen as th solution of the problem of conventional finance and banking that were regarded as unstable and subject toc risis - Conventional financial system had problem and this is a solution from Islamic group - Conventional finance collapsed and affect other sector, hence, we had to provide (preventif) solution - Even though it has been there since '91 '92, it only turned people attention later after crisis - People were prosperous before
Ahmad Fauzi Nur (AFN-EX)	- Speaking toward targeted market, it was indeed focusing on specialised segment on the market with particular lifetyle - This lifestyle is defined by an awareness that *ibadah* is inseperable from social interaction others - Hence, It attempt to attract individual with particular identity described by this lifestyle - In other word, identity describe its preference - Yet, when he was further seek his interpretation on this, he found it difficult

Rully Prasetya (RP-EX)	- Identity was rejected here as the cause of this as claim of identity has made its identification of the problem to poorly mapped - With the intention of realisation, identity was linked to the problem as the problem of the ummah - Yet one could not deny the effect of this pursuance of existence has made them executing and attempting to wrap this pursuance as ideological pursuance
AScarya (ASC-EX)	- Reference to history of how Islam as identity faced difficulty in the past, identity seek as it was pursued with Islamic economic could be sourced from confusion in determining its identity - The consequence of such would create conflict with other identity as commercial institution - With that, it affected on the confidence on determining identity, with several case might draw other picture
Ahmad Iqbal (AI-EX)	- His reference was recent on the middle class of Indonesia - Majority Muslim country means majority Muslim middle class in place - TArgetting and facilitating particular lifestyle
Anwar Abbas (AA-EX)	- Seeking alternative due to conflicting reality and realism - Sourced from the nature of Islamic identity, formed as a motivation - Apolitical and wrong with system - Constructing just and fair system
Pungky Sumadi (PS-EX)	- He consider the existence due to specific norms its ascribed - For instance, it was mentioned that he was attracted by avoidance to speculative behavior and attachment to real activities - Instead of its Shari'ah ness or Islamicness, it is is its logical effect of it that attract other to the existence
Sigit Purnomo (SP-EX)	- He expressed view that the recent generation have tendency toward appraising wider existence and presence - This represent a view that existence become important within identity preservation - While in the past, micro-oriented development was a mean for existance, the pattern has changed along the time
Nurmahmudi Ismail (NI-EX)	- With the background related to revival and exploited individual, awareness and willingness to help and to support - With this in mind, revival that require a presence went together with the fact that addressing this need resources - In that, existence with material presence and possession draw the line on this

2.1.2. Collectivism (COL)

Name	Highlight
AM SAefudin (AMS-COL)	- It is the basic of Islamic economic - not promoting free competition - Big/strong do not expropriate and oprress the small/weak one - Free cooperation - Living and practical reference to Japan with its grater connectivity between micro,small, and corporation - Could only perform under professional management on ecological effective manner - Suggesting a presence of Inefficient market due to liberal scheme - an adoption of free cooperation able to bring upon the efficiency beyond liberal proposal, where ecology was kept close - linked emergence of the discourse on people economy which received rather marginal
MA'aruf Amin (MA-COL)	- Snowball effect - Strengtehning and solidify the movement - Idealism becoming importance - Freedom is importance - Vision+collective spirit

	- Multifield contribution - Promising future – increasing awareness
Mulya Siregar (MS-COL)	- The key to success as well is on how to influence others - This can be done in different way - E.g.: Internal Bank Indonesia through training and assignation - Converting their purpoe
NAdratuzzaman Hosen (NH-COL) (Jamaah basis)	- Unlocking jamaah basis as social capital - Moving on the basis of solidarity between Muslim - Linking this back to collective action as the basis of collectivism - Cooperation needs to be built involving major stakeholders - Build through dialogue and set it around fact - The tone should also allow for freedom
Adiwarman Karim (AK-COL)	- Highlighted the important of collective contribution - Even in disorganised manner, collectivity can be formed
Dhumairi (HMD-COL)	- Collectivism is a key strength - The reality did not show this - Authenticating is on going
Aslichan Noor (AN-COL)	- Collectivism has been accentuated in the beginning in action with cooperation between actors - This cooperation has even come up forming coalitional power - This collective spirit even facilitated chanelling of resources between institution in the beginning - Yet, this changed sihce the fall of Suharto
Muhammad Touriq (MT-COL)	- The relevancy of collectivity in economic management from macro stand point - It is highlighted that scale of economy and government stimulation are key here - Collective economy as suggested were in line with macro-economic understanding over which coordination and planned were set in national level, through a vision - Indirectly suggesting a national economy with presence of government
Ahmad Fauzie Nur (AFN-COL)	- Snowball effect - Strengtehning and solidify the movement - Idealism becoming importance - Freedom is importance - Vision+collective spirit - Multifield contribution - Promising future – increasing awareness
AScrarya (ASC-COL)	- One should realise other competitiveness in order to understand function - For this matter, one can not meet all function, hence, on consider that innovative and team work - Yet, this has to be done collectively - The key is knowing the limit - In addition, the orientation to assist others was important as a motiation
Dian Masyita (DM-COL)	- He discussed this in a manner departing from the contemporary issue where what ought to be are not institutionally performed - Collective spirit was introduced where it bring down all the odd of philanthropic-profitable and stakeholder-shareholder into one - What it propose is integration of *waqf* and *zakah* for the cause managed by this
Achmad Iqbal (AI-COL)	- Insstitutionally, collectivist has been the view - Bringing together all interest into one wagon
Tendy Ahmad (TA-COL)	- Collectivity was seen as integrated and interrelated consequence - One advanced would benefit others , for instance, Shariah bank advance would make BMT advanced - In that, it argued a channeling by definition - Expectation toward government
Anwar Abas (AA-COL)	- Collective is a universal value that also aspire or sourced from Islamic values

	- In his view, the foundation of just, balance, truth, and freedom could not lose this collective principle - This would control freedom to have limit on what it is acceptable - Centre from Muamalah provision, in that the avoidance one due to its consequence
Yunahar Ilyas (YI-COL)	- Muhammadiyah support over policy enacted toward financing, moving cacpital - Muhammadiyah also tap in by establishing its own institution - Fatwa on the haramness of banking interest - Socialisation can be done through working together with this
Ventje Raharjo (VR-COL)	- Indonesia Islamic financial activism is attached to welfare role orientation - The idea of increasing social welfare is closely connected to improvement in redistribution, in which IFIs facilitated

2.1.3. Holistic (HOL)

Name	Highlight
A M Saefudin (AMS-HOL)	- Integration betweenen spiritual, ethical, behaviour, and positive reflection - Integrated and evolving manner of acceptance in dynamic manner - Including active involvement of government
Jimly Ash-Shidique (JAS-HOL)	- Considering the importance of substance essentialising the consequence - In that, the end can not always justfy the mean - Essentialisation within the practice of *halalan toyyiban*, where *halal* cannot stand alone by itself without pursuing *toyyib*.
Didin Hafidhudin (DH-HOL)	- Economic problem is multidimensional - Indeed, everyone is pointing at capitalistic mode - Yet, the solution can notonly be on removing that capitalistic mode within the system - The idea is to bring back the values to overcome many behavior, such as greed - This is also a condition for *shari'ah* implementation that it has to be holistic
Mustafa Edwin Nasution (MEN-HOL)	- Holistic referred to expectation of *kaffah* that remained an ideal form - It is suggesting that, in order to be at this state, it should be based on *tafsir* - Nevertheless, the everyday one were not running life on this thinking - He put a requirement that this is mandatory to follow Islam in completeness – related to this - As it aims at returning to this, Islamisation was pursued initially - From Islamisation of knowledge to community interpreted within action of prophet
Maaruf Amin (MA-HOL)	- The main concept is to preserve *shari'ah* - what we should understand is the difference between hakiki and assumption - There are those different assumption, which might not necessary right - hence it is not viewed from people perspective – but rather the purpose of *Shari'ah*
Charmeida (CHA-HOL)	- Highlighting that it is clear that consequence of subscribing to Islam involve both spiritual (emotional, mental) but also in real and action basis - This is under an understanding of approaching the concept in comprehensive consequence - Al-Qur'an and Hadith lead to *rahmatan lil alamin*
Antonio (MSA-HOL)	- Coming from the reference that Muslim action should resources and based on guidance and legal framework of *badah* set by Muslim - This was somewhat an Islamically-aspired understanding on believing in Islam
Dhumairi (HMD-HOL)	- Achieving *kaffah* was the goal - This purpose was further accentuated with an action
Irfan S Beik (IB-HOL)	- Should not emphasised on finance

	- The approach that we should adopt should go beyond finance and include all sectors
Rahmatina Kasri (RK-HOL)	- Sourced from the belief that this spirit came from the concept of *kaffah* - This concept inevitably bring together ritual and othering life - Having a Shari'ah finance was part of this advancement
Anwar Abbas (AA-Hol)	- Non-dichotomous mind sourced from an orientation to involve religious injunction in everydayness - This normativeness extended and guided application on othering practices
Rully Prasetya (RP-HOL)	- It is self experiencing that a more holistic lifestyle is what it drives - At the same time, religious circle also arouse
Dian Masyita (DM-HOL)	- Islam as *kaffah* often absorbed as doctrine - With such doctrine, it exemplify the logic within Muslim majority
Sigit Purnomo (SP-HOL)	- Beyond ritual oriented religion, *kaffah* consequence was indeed extended into way of life - The change of the era require this form to be further institutionalised and systemised

2.1.4. Justice (JUST)

Name	Highlight
Jimly Ash-Shidique (JAS-JUST)	- Justice refer to a condition of which one can witness collective improvisation - The expectation was for greater people in receiving benefit - Profiting was acceptable in the light of greater recipient of benefit - It is proposing a Sharing Economy, - Collective Motive - Equitable Distribution - Spread *manfaah* - profit-orientation as the norms of success has consequence for this justice as defined above
Karnaen Perwataatmadja (KP-JUST)	- aiming at just and prosperous society - Just is defined as anti *dzalim* , harmful and exploitative act - In that sense, just is equated with not harming
Mustafa Edwin Nasution (MEN-JUST)	- Errorness of the current system - Endevour was rathen on seeking for alternative - Central argument is that the current economy is not just and fair - Just as an academic concept in economy
Ramzi Zuhdi (RZ-JUS)	- Addressing the issue of poverty through job creation - Banking as a mechanism for job creation to bring about poverty - A dimension of just was within this coverage
Adiwarman Karim (AK-JUST)	- Economic system impose no collateral - Hence, just touch issue of inclusion - Consumptive based was supported with - Objection to the current syustem
HM Dhumairi (HMD-JUST)	- Just is when no dzalim - Attaining goal to give people perspectives
Rahmatina Kasri (RK-JUST)	- Profit Sharing - Uneven Relationship - Risk-Return Attachment - Proportional - Injustice Condition
Charmeida (CHA)	- Within a function, finance perform this role in expanding distribution - Until now, available conventional institution were seen as hinderance - Hence, institutional emergence was expected to perform this distribution
Ascarya (ASC-JUST)	- The treatment of the world are reflecting of the unjust - From the gang of the elites like IMF, and how then the fiat favour translate that - IE movement possible respond to this

Tendy Ahmad (TA-JUST)	- Considering that the presence of BMT should have provided that access to just financing - Just in here were translated into a fair rate of financing, where it should be in arithmethic patter, lower for the small and larger for the bigger - This linked later into activities of financing that worked toward distributed productive activities
Ventje Raharjo (VR-JUST)	- *Shari'ah* economy, like any other economy, centered around the orientation to realiset just
Rifki Ismal (RI-JUST)	- *Shari'ah* bank as a tool to realise just economy - This is a derivation on the understanding that IFIs are for the purpose of realising justice through avoidance of *riba*
Dian Masyita (DM-JUST)	- Just is when not only the opportunity is open for all, the outcome should care for all - Imbalances was due inexistence of mechanism or institution to reflect such an outcome - In neutralising over exploitation of private sector, *waqf* is considered an agent of change
Anwar Abbas (AA-JUST)	- For him, just is orientation over which a balance was found in between liberal freedom of individual and role of regulatory and decisive coordination - This is a reference over which alignment was not on individual or collective one but on the definition of just - If the economy was tended toward corporation, just would suggest an oppositely alignment and focus toward non corporation - This just value was indeed fully prooted
Yunahar Ilyas (YI-JUST)	- Capitalist system is non just - Just is what the society need - Substance of Islamic financial institution - Just is first after competitive and affordable - An important issue on distribution system
Farouq Al-Awyni(FA-JUST)	- The beginning was expressed by the search for a fair and just system of economy - Along the way the issue was relevant as socially-induced justice over which even Islamic bank expected to perform this task - Vision of Islamic bank in the beginning was for addressing micro sector needs of capital
Setiawan Budi Utomo(SBU-JUST)	- It is considered as the pillar of *Islamic economic* over which both *aqidah* and *shari'ah* was realising along with maslhah and harmony - Later highlighted just realisation as avoiding riba and **Haram** - In other words, it is opposing any practices opposite to this standard

2.1.5. Empowerment (EMP)

Name	Highlight
Halide (HA-EMP)	- Expanding scale of a production activity require portion of capital - Measured and proportional portion of this resourced required for production - Hence, financing linked to this need, which directed to production - Modern finance missed this portion of connecting and running, as it is narrowing to financial requirement as determinant of financing channel
Charmeida (CH-EMP)	- A realisation of which came from the fact that stimulation was in need in the form of demand creation - This creation require capacity to facilitate - Within banking Islamic, intenal training was undertaken while external promotion was conducted - Yet, this does not work and raise the empowerment role of its
Muhammad Syafi'I Antonio (MSA-EMP)	- Islamic economic movement Is pure economic, nothing to do with imposing *Shari'ah* to Islamic believer - The issue touched were on empowering and redistribution

	- For instance, vision and mission of Bank Muamalat was at empowering small and medium entrepreneur
Nadratuzzaman Hosen (NH-EMP)	- Reviving through educatin purpose so that the community is empowered - This should be measured in term of how supportive toward the institution created as well as critical - Hence, balance and check are in place
Dhumairi (HMD-EMP])	- Instead of focusing on empowerment, the focus was acceleration, a moderation effect of empowerment - Before benefiting from modernity, quantum leap of breakthrough was executed to get into the same page of synergizing - This also bound to good governance expectation - This was seen as acceleration first before empowerment
Aslichan Noor (AN-EMP)	- The context from which "experimentation" for IFIs institution, which was small and micro, was on empowerment - In particular, the target was of finding solution to empower family and underprevileged - Indeed, Case like BMT by itself is self-empowering on the initiative of the people - Earlier programs were encouraging the number of people establishing BMT
Rully Prasetya (RP-EMP)	- Facilitating those with promising concept - Boosting the ummah productivity of which investment can be channelled
Sigit Purnomo (SP-EMP)	- This issue was important among Islamic activists as it is relevant to actualization of Islam - Islam in this regard should have say in dealing with the issue of the poor - Hence, it is relevant in stimulating micro-enterprises and Islamic one
Achmad Iqbal (AI-EMP)	- While the earlier attempt of establishing BMT was on the fact that regulaton on establishing this was less stringent - Even after that we realised Bank Muamalat was there to push forward - The agenda was still on targeting lower class - Hence, the issue remain within empowerment and nurturing process - BMT as a tool to speed up people access
Rahmatina Kasri (RK-EMP)	- Existence of institution of izakah and waqf were for this purpose - Serving purpose that facilitate the left-behind that government could not managed to address - This took place in participative manner, signing empowerment as such
Tendy Ahmad Satrio (TA-EMP)	- The establishment of financing basis is for the purpose of empowerment - The current transaction set werenot in support for empowerment - AS empowerment came with both risks and opportunity
Anwar Abbas (AA-EMP)	- Islamic articulation encourage universal opportunity to enable individual in the economy - The development of capital provision only serves upper and middle group in the economy - Interest on micro-level demonstrate this interest to enable less powerful individual to reach state of development
Rifki Ismal (RI-EMP)	- Indeed, *Shari'ah* economy is based on real sector - Beside improvement of buying power, the mission goes on to empower the poor - By the assumption of *Shari'ah* FIs within Shari'ah economy, it is indeed the effect of which was on empowering through financing for real sector activity

2.1.6. Developmental Response (DEV)

Name	Highlight
AM Saefudin (AMS-DEV)	- Being in **less develop state** and **indebted** in the early emergence sparked the journey to pursue this

	- The important of financing directing the economic development of a nation - IFIs as infrastructure for financing, substituted non-shariah compliant one - SME enterprises focusssed - Stimulating economic development
Karnaen Perwataatmadja (KP-DEV)	- Emerging financial institution pooled fund for economic development - Deregulation allowing this tto take place - Deregulation as opportunity space? - Profit-loss sharing as a move to investment basis
Jimly Ash-Shidique (JA-DEV)	- The purpose of which what refer to as Islamic economic within a socio-economic atmospher refer to development in economic as an important value - The proposal, however, take different recommendation of development, over which development should be achieved in collective manner of interconnected work, responsibility, and benefit - Beyond stimulation of individual through material incentive
Didin Hafidhudin (DH-DEV)	- Questioning why we were left underdeveloped? - Enquiring whther *Shari'ah* economic can offer solution? - Why should we subscribe to capitalistic economy? - Beyond the context, it was recognised on its contribution within individual and societal level - Expectation remained on pushing the concept in contributing to macro level development reaching prosperity
Ramzi Zuhdi (RZ-DEV)	- The proposal of *shari'ah* bank is in line with idea of addressing poverty - This is due to its function as intermediary to create job that can create poverty
Dawam Raharjo (RD-DEV)	- It is a developmental response within the light of material - It was first highlighted that post-oil boom, the country was still under capitalisation - The measure taken with the emergence of Islamic economic institution related to attempt to strengthened capital for development - Hence, it has not reached with developmental orientation
Muhammad Syafi'I Antonio (MSA-DEV)	- The reference often came from developmental problem in the Muslim world, which affected one commitment with subscribing to Islam - As it is related to one iman, when dealing with the fulfillment of basic needs, especially with poverty, a developmental-oriental solution was derived with the purpose of macro-contribution and going along with modernity - This was excerted with innovation in practical sense
Ahmad FAuzi NUR (AFN-DEV)	- *Shari'ah* bank as agent of change - Contribution of national economy - Economic development of the ummah? - Performing good intermediary function - Good Corporate Governance
Ventje Raharjo (VR-DEV)	- *Shari'ah* economy, like any other economy, is committed to development of the poor
Achmad Iqbal (AI-DEV)	- *Shari'ah* finance as a motor of economic development - Malaysia trajectory as an example - Several stakeholders have not come into aggreement
Dian Masyita (DM-DEV)	- A tragic side of which development' only reach upon the issue of inheritance and *zakah* - Othering issue in relation todevelopment was not considered - In other words, issue of development was even more central in the construction of development concept in Islamic sense that is lacking
Anwar Abbas (AA-DEV)	- Development was often seek to return to the glory era of Islam - Yet, this development requires a transformation of religious thinking that promote hard working, goodness, opposing to previous understanding of accepting the nature

	- This view on the *ulama* at that time was seen as the stone covering Islam from enlightening - **Modernist trend**
Setiawan Budi Utomo (SBU-DEV)	- The characteristic of development was indeed a process of learning - Development in this regard was often reduced to increase of awareness of masses - AS long as there were more conversion, it was seen as development (Progress)

2.1.7. Tawhid (TAW)

Name	Highlight
AM Saefudin (AMS-TAW)	- Tawhid as the base of economy with education supporting this - It is the sourced of its authenticity - Nonetheless, this was not represented as profit-hunting has the capacity to replace profit hunting - Detach from tawhid – at the end - Hinderance to this would be put aside - *Tawhid* as a continuation from the time of prophet – degree of development and success
Ma'aruf Amin (MA-TAW)	- Religiously driven upon admittance to tawhid as it is understood - *Tawhid* he reffered is a proactive one
Didin Hafidhudin (DH-TAW)	- Islamic financial project was based upon an Islamic teaching - What is important is to include God as central to economic activities beyond materialistic - With the recognition of God, economic activities will related to Tawhidian consequence - Contextualisation – presence one at the beginning did not consider God – - From materialistic to putting meaning (holistic)
Antonio (MSA-TAW)	- Muslim positioned qur'an as legal source of all factors - *Tawhid* on ibadah - the question is how about muamalah?
Adiwarman Karim (Lillahitaala) (AK-TAW)	- Not strongly avowed - In other word, Tawhid has that dimension of which acclaiming was not necessary as the purpose of one action as not due to fully achievement made or contribution made
Ahmad Fauzi Nur (AFN-TAW)	- Partial of Tawhid as it is understood by him was on agents of *Tawhid* moving in non-organised manner for one purpose of realisation - Hence, Tawhid was somewhat related to existential condition - It is linked to, ofr instance, support of Muslim on legislation - This remained an expectation and condition defining tawhid
Rully Prasetya (RP-TAW)	- He expect that Tawhid is the start of creativity, innovation, and expansion in Islam - This extends to economics later on, where understanding Islam should come with the knowledge on this staging process over which the centre remained on Tawhid
Ascarya (ASC-TAW)	- A dimension of Tawhid he described have an effect of forfeiting those deemed to be unIslamic - It has the same degree of preference determination that an institution have
Anwar Abbas (AA-TAW)	- Tawhid for him has that consequence over which came with norms - This norms inevitable came with different conception of freedom, where certain measures were kept in place - Oven measured within the expected role that men and women performed and norms over which interaction were facilitated - This norms went to some extent toward absolute preferences to conditional preferences - Depicting *tawhid* within complementarity definition

Yunahar Ilyas (faith-based) (YI-TAW)	- The source is religious values of haramness - Dream of Tawhidian based bank - Hence, it was not reactional, rather people fear of the haramness
Farouq Al-Awyni (FA-TAW)	- *Tawhid* recognition is at the central of Muslim belief - on the consequential layer, not violating *shari'ah* (as norms) - Ultimately, it create tendency between freedom of the free market and confinement within protectionist - Tawhidian consequence came with view that there should be economic and finance that did not violate principle of *Shari'ah*

2.1.8. Social Equality (SOC)

Name	Highlight
A M Saefudin	- Equality in term of provision of space - Refer to purposeful space distribution - Non-liberalised mechanism
Jimly Ash-Shidique (JA-SOC)	- Economic institution play role in creation of socio-economic benefit - This was due to the spread of outcome - the increasing gap between owners and customers suggested that there was a penetration of outcome bring to the owner
Karnaen Perwataatmadja (KP-SOC)	- Social equality can only be realised to harmonised condition - Harmonised condition is demanding independency - Hence, social equality is stand for acknowledgement of individual independency as a pillar of harmonised conditon
Didin Hafidhudin (DH-SOC)	- Inequality within capitalist economy - Poverty is created rather than solved - Due to greediness and its promotion - Added further by those in circle of power
Mustafa Edwin Nasution (MEN-SOC) 2nd	- Equality received not due to contractual arrangement on perceivement of work - Equality achieved through voluntarily action over which sharing on not only material but also capacity - Yet, this level has not been achieved yet and such attempt was aiming for this
Aslichan Noor (AN-SOC)	- With the consideration of social equality, there was an emergence of solutive action within the emergence to help the poor - Stimulating employability as well as business were part of the action to bring this into context
Dian Masyita (DM-SOC)	- Mentioned on the opportunity created for unbankable and subprime individual - With the intention to address poverty, instrument should be developed with clear capital - Tendency to bye lenient to this sub-category yet not clear how it is going to be
Tendy Ahmad (TA-SOC) 3rd	- Problem of execution for greater social equality was on the imbalance of its focus - It was expressed through BMT focusing on commercial side and forgetting maal function of such - Expectation of such equality remained on the discussion of access on affordability
Rifki Ismal (RI-SOC)	- With real basis, it aimed at improving people purchasing power - Especially it focused on improving less powerfull - *Shari'ah ias Islamic characteristic* within which equality was attempted to that point
Charmeida (CHA-SOC)	- A concept require a platform or media within which it was realised - Even this concept was later contextualised in order to find its place - Hence, there is a degree of concept that shoul match with the problem - Disparity and social equality are part of the problem that should be addressed - This link to Islam offer solution to most problem

Farouq Al-Awyni (FA-SOC)	- Social equality was also an issue of whether micro-level agent of economic was looking after - Inequality existed since then with the presence of conglomeration
Agus Sediarto (AS-SOC)	- The underlying orientation was on opening access or establishing financing framework that tailored to community economic activities - That was due to the result of unbalanced, hence, society attempted to fund its own solution

2.1.9. Transformation (TRANS)

Name	Highlight
Karnaen Perwataatmadja (KP-TRANS)	- Aspired by Madinah condition where the prophet managed to make transformation within it and it sourced from economic problem - The interest was personal, yet, it is expected to expand from society to country level – just as other commands always started with individual one – from fast to riba, then to *zakah*. - Even within the teaching, norms, and particular action, there were condition that should be met relative to measure of material and time - -Again, the long time prosperity have not achieved, while the propher turned this within 10 years - Should be start even within imperfection
Ma'aruf Amin (MA-TRANS)	- Earlier, there was Suharto's support - In particular, taking the lead - Currently the situation become more open and involve civil society - this aid the development
Dawam Raharjo (DR-TRANS)	- The expectation for this transformative was to be the replacement of conventional one - With this expectation came with a condition that has to be fulfiflled - Nonetheless, it stuck with the transformation process - This sourced from cost-additional condition that it imposed, conventional benchmarking, and adoption of the norms
Mustafa EdwiN Nasution (MEN-TRANS)	- Within the spirit of reform, moving forward, especially the conservative - Transform within Islamic definition
Irfan Syauqi Beik (ISB-TRANS)	- With izakah orientation, promoting this strategical institution and transforming its managerial and governance to reflect a core principle - In that, his position was on the original vessel that should be awaken - This require institutional transformation with particular act (environment) supporting its presence
Dhumairi (HMD-TRANS)	- Seeking for breakthrough and synergy - Working toward solving where we are short - Combining expertise – professionalism and characteristic - Real life – e.g. pesantren situation with certain standard such as professionalism
Muhammad Touriq (MT-TRANS)	- Cost of fund on banking operation is high, cumulative cost in the economy is high - Mismatch funding lending – long-term project not fulfilled by banking institution as it preferred short-medium one - Moving from banking-based society – saving society -to cap market/investment society - Sharing concept - Turning point
Rully Prasetya (RP-TRANS)	- Distorted development of Islamic financial institution is seen as achievement - It is much better than not achieving at all or declining trend - Priorities on the basis of those that are no hving more mudharat - Performing the aspiration as it is
Sigit Purnomo (SP-TRANS)	- He resorted to believe that this transformative vision was there in Islamic economic movement in Indonesia - It was conserved in the earlier stage

	- Yet, the sense of this transformative orientation was reduced along with practical oreination - Adjustment on this vision when it has to face compliance, competition, and efficiency
Anwar Abbas (AA-TRANS)	- He asserted that the transformation have already started during late 1980s with the generation of Din Syamsudin, Azumardi Azra, sent to the US to renewed Islamic teaching in criticila manner - This create anti-thesis over which a new thought arouse where the new approach attempted to address issue of the era
Setiawan Budi Utomo (SBU-TRANS)	- Transformative has been the nature of the activism - This is haracterised by its dynamicity, even not fully dogmatic and worked down under to bring irahmatan lil alamin - Even when competition pressurised, the activism strive to fulfill those

2.1.10. Rahmatan Lil Alamin (RAH)

Name	Highlight
A M Saefudin (AMS-RAH)	- What is ethical depends what bring benefit the most - Lead to pursuance of Universalisation of the benefit
Halide (HA-RAH)	- The motive of this pursuance of Islamic economic related agenda that it sourced from *rahmatan lil alamin value* - The idea of economy was on constructing prosperity - In that, it is indirectly referring to prosperity as part of realising this *rahmatan lil alamin*
Karnaen Perwataatmadja (KP-RAH)	- While induced with value system of Islam, the articulation offer universal benefit - At the same time, it is a continuous pursuance for a solution to social problem - Hence, On the idea of proactive pursuance for universal benefit
Dian Masyita (DM-RAH)	- Islam as *rahmatan lil alamin* - What this was translated was that for any proble, Al-Quran could be the last resources or worldview - It was indeed in exploration this hypothesis, from looking into such conception of Ibn Khaldun
Anwar Abbas (AA-RAH)	- This thesis was a representative of what ascribing to Islam would result in, Islam as a solution to problem - This was contextualised as Islam that has relevancywithin modern context - Deductively values and norms were translated in deductive manner that have impacted to *maslahah* - In that, the predictability of the consequence guide the approach on - Indeed, attraction to explore Islam has started, leading toward activism that we have today
Ahmad Fauzie Nur (AFN-RAH)	- Banking is a need - Adherence to our principles - Beyond ritual of salat, zakah, hajj
Aslichan Noor (AN-RAH)	- Facilitating Muslim in doing business - Emotional client avoiding *riba* - Capital can fuel any project - access is an issue in Islam - Ta'awun mission
Mulya Siregar (maslahah) (MS-RAH)	- While political Islam do not demonstrate maslahah - As it is more due to the grief of power - On the other hand, Islamic economic language was rather talking about *maslahah* - This has greater opportunity
Tendy Ahmad (TA-RAH)	- An extension toward sharing *rahmah* is on proactivity in empowering the community

	- One of this proactivity was on creating opportunity for an appropriate form of financing - Another form of proactivity lies on intention to address people problem
Farouq Al-Awyni (FA-RAH)	- The spirit of *rahmatanlil alamin* lead to one to embark into the journey of searching that fairer and just economic system - Even that took place in the most unlikely one like a bank in order to address its fairness issue

2.1.11. Authentic (AUT)

Name	Highlight
Jimly As-Shidique (JA-AUT)	- Authentic intention was on providing with halal framework for the provision of capital to cut off disincentive of Muslim in doing business - By emphasizing its Islamic reflection, not only that it become facilitator but also act as driver for development - Nevertheless, authentic expectation discovered through its observation on the change of ownership of institution of Islamic bank - This imply that there is an expectation of authentic Indonesian ownership
Ma'aruf Amin (MA-AUT)	- Deviation is not an option - aim at preserving Shari;ah - range from *hakiki* to assumption - not on people perspective, but rather on the purpose of *Shari'ah*
Didin Hafidhudin (DH-AUT)	- Shari'ah bank = people wearing hijab - Characteristic had to be placed in front - People limited understanding on what authentic is - Being educated
Adiwarman Karim (AK-AUT)	- Different from Malaysia - Size with Impact - Real IE =impactful economy to stability and macr economy - Self-regulated self standardised institution
M. Syafii Antonio (MSA-AUT)	- Islamic Finance loss uniqueness - Low IF ratio – profit sharing, benchmarking basis, shaded away
Anwar Abbas (AA-AUT)	- Uniquness discovered along with renewal of Islamic understanding - In that critical reading involve and push for a dynamic form of reform - Islamic economic articulation is an anthitesis that come from this renewal to address problem on economy - Islamic finance as an extension of Islamic economic in expending the opportunity
Dhumairi (HMD-AUT)	- Shariah contract using fiqh on salafi basis - Apparently the product of which come from pesantren
Rahmatina (RK-AUT)	- Shari'ah label for differentiation - Yet this does not guarantee the substance – business model or organ practice - From loyalist to rational - Ideological Continuation or opportunity
Ascarya (ASC-AUT)	- The genuiety of Indonesian case lies on the form of integrating social and commercial one - Authentic of being attaching finance and real – direct financing - Authethic micro solution - The issue of option? What differentiating

2.2. NORMS

2.2.1. *Lawfulness* (*Taqwa Institutionalised)* (TAQ)

Name	Highlight
AM Saefudin (AMS-TAQ)	- Benefactor of Islamic finance institution should be halal business - Consequently exclude "haram" activities - Expanding definition haram to cover those modernly understood of producing negativity beyond traditional supporting/producing haram product

	- An inclination toward a declaration of the halalness of this institution, for differentiation between its presence with haram one - Halal do not have to be Muslim
Jimly Ash-Shidique (JAL-TAQ)	- the centre of the argument around halal/haramness of a practice - If this istranslated into a modern discourse, it is on the lawfulness of the issue - Haramness of institution of a bank = its unlawfulness – Muslim tendency? - This position was the cause avoidance – leading to idea of Islamic bank - Ulama acceptance was important in this - Without knowing its indifferences - Tangling together *halal* with *thoyyib* as inseperable – **HOLISTIC**
Dawam Raharjo (DR-TAQ)	- When it is on the issue of *halalness*, debate would not be able to settle, it requires an authority in this regard - Even though this discourse was stimulated by ICMI, it was under the authority of the *ulama ithat such discourse* rested its legitimacy - With their position on this matter, then institution of *ulama* given its authority moved along and even acted as one that supervised this
HM Dhumairi (HMD-TAQ)	- Halal understood in holistic manner – in a sense of halal wealth into mind and body - In other word, on the understanding that **holisticness** and **universality** of halal concept was in presence, as from consumption, apersonally related was there **consumption** - Purpose of being obedient **Taqwa** leading to **ihsan**
Rifki Ismal (RI-TAQ)	- A differentiation on the rule of interaction was related to condition related to activities that are considered Islamically-lawful - In that, the orientation of regulatory activists was to accommodate on the condition that set by *shari'ah* based on the contract and legal maxim
Ruri PRasetya (RM-TAQ)	- The norm that become the source of fiqhi articulation, whereby a ring of non-tolerable act and practices were identified and become the guidance for *muamalah* expansion
Dian Masyita (DM-TAQ)	- From Fatwa to the **halalness** of Shari;ah bank - Consequently leading to the seclusion of conventional one from Islamically permissible act - Preferential effect?
Setiawan Budi Utomo (SBU-TAQ)	- The approach of determinant of lawful or not move from ideological/dogmatic into dynamic one - Hence, the lawfulness was a beginning before good governancem - In accordance to shari;ah it was for its barakah
Agus Sediarto (AS-TAQ)	- Recognition of unlawfulness of negatively labelled business – among others were cigarette and alcohol industires – related to *muamalah* were allowed on this (Norms) - Intention for pure *shari'ah*

2.2.2. Riba Circumvention (RIBA)

Name	Highlight
A M Saefudin (AMS-RIBA)	- Holding position that interest taking fall into the category of *riba* - Consequently, interest-taking practices is deemed to haram, strictly forbidden within Islamic understanding - In other form, interest-taking was not as part of *riba* that categorised as *haram* - This difference in postulating frame of *haram* inspired
Ramzi Zuhdi (RZ-RIBA)	- As interest practice of financial system is equated with *riba*, in that sense, God forbid *riba* - Social consequence of this prohibition is associated with low involvement of Indonesian, whose majority is Muslim, with bank - Islamic bank is an epitome of financial practice that circumsied *riba*
Ma'aruf Amin (MA-RIBA)	- The debate on the issue of interest practices - Indeed, no one recognise its halalness

	- the debate is on its absolute halalness, disallowing and allowing - Even those who are allowing practices commit that a solution should be found - Partial fraction of the society proposal
Didin Hafidhudin (DH-RIBA)	- Pillars of *Shari'ah* economics consist of three items - First, functioning real sector/enterpreneur - Second, free of riba IFIs - Third, existance of third sector
Nadratuzzaman Hosen (2nd gen) (NH-RIBA)	- Came across with this issue when invited to workshop on riba - Even further jumped to the issue of interest putting burden more to productive activities than consumptive - Started with its basic discussion on riba - Riba as an ethical principle
Adiwarman Karim (AK-RIBA)	- Riba as the central issue in the equation - The dreamt of differing financial system without collateral - Discussion on the consequence of interest practice regard to exclusion effect - Again, the issue of just raised - Complaint of how such requirement not imposed for a particular purpose of finance, like consumption financing - Stimulating experiments
Dhumairi (HMD-RIBA)	- The main basoic of *shari'ah* in *muamalat* is circumvention of *riba* - The problem is on the renteir system on the ground - Th question is on whether we could remove the *riba* out of the process - On top of that, we had to look into how their operation is - Solution that both address the process and the operation
Aslichan Noor (AN-RIBA)	- There were those who were avoiding *riba* - Facilitating Muslim majority popuation - BMT as infrastructure of doing business - Btw, this has been regarded as the first motive - Other motives in sequence were rahmatanlilalamin, intermediary, and promoting taawun
Dian Masyita (3rd gen) (DM-RIBA)	- The prohibition of *Riba* was again becoming norms - Coming into the reference of 2007 crisis, this was seen as the root of the problem, even from christianity point of view - The recognition of this by others were important
Muhammad Touriq (MT-RIBA)	- The attempt to prevent economic activities fro *riba* was also stretched to the initiation of *Shari;ah* capital market - Hence, the focus was on introducing capital market activity that take into consideration this main issue, on top of shariah requirement - Within that, its treatment on riba was on siding out what it not acceptable
Rifki Ismal (RI-RIBA)	- Earlier in its emergence, prohibition of *riba* is the reason - Riba is unjust while just economy is what is expected - Establishment of IFIs institution to aaddress this - Later, the expectation grow to establish beyond
Dian Masyita (DM-RIBA)	- The importance of *riba* circumvention is on increasing stakes, especially on the series of crisis linked to this expropriation pracices - Importantly, ensuring circumvention of *riba* allow for improving the moreal filter in the economy - The current moral standard is at detereoriating stake - In addition, there is an expectation for a good cause to spread
Tendy Ahmad (TA-RIBA)	- The problem of indebtness in the periphery was on the ground of a *ribawi* transaction, unfair relationship and contract with capital owner exploit the relationship - A new form of relationship is needed on the basis of proactivity and opening access for greater involvement of everydayness.
Yunahar Ilyas (YI-RIBA)	- Muhammadiyah came into undestaanding that interest-based system is strictly haram - Observing in term of *manfaah*, state-owned still accepted

	- The privately owned is not endorsed
Farouq Al-Awyni (FA-RIBA)	- Riba circumvention attempted sourced from the belief and ideology - With *ulama* going forward, it gave the sign that it has been confirmed of its haramness (interest practices) - Yet, there still different approach on this -
Sigit Purnomo (SP-RIBA)	- *Riba* circumvention here was seen as an attempt to reduce *zalim* / expropriation within the economy - *In that*, riba has been turned within its meaning as an economically negative consequence - Within this definition, he tided to an attempt of purification as it still within the accepting the nature mind
Dawam Raharjo (DR-RIBA)	- He highlighted the problem started with the attempt to erect riba circumvention - Even when it was considered to unlawful in shariah, there were still disagreement in the beginning - Yet, Islamic economic later advanced with its association of non-riba as well as inclusion of *zakah*
Nurmahmudi Ismail (NI-RIBA)	- It was meet by the need on the ground that the poor were pressured by *rente* - On top of that coming from the awareness of middle class and intellectual that there is mislinked in translating Islamic values - Avoiding *rba* was part closing theory and pratices
Setiawan Budi Utomo (SBU-RIBA)	- Normality of *rba* was seen as the problem - Implemented Islamic values would require *riba* issue to be addressed - With the reasoning of its *haramness*, such circumvention was seen as the key of the realisation of just

***2.2.3. Profit-Orientation* (PROF)**

Name	Highlight
A M Saefudin (AMS-PROF)	- Deriving reflection of economy of Islamic bank is due to its profit - Yet, this happened in development with give a suggestion that it was not the primary of its origin - The idea of *Tawhid* was somewhat belief to be originated, not necessarily profit one - Expected mode was seeking profit within an understanding that the benefit was universal, not limiting anyone from profiting
Jimmly Ash-Shidique (JAS-PROF)	- Raising norms of profit-making as the indication of one success, one **existanec** - When is not profiting, it is a failure - As this was important, the potential sharing as an epitome of collectivism could only be done on the ground of this collection
Didin Hafidhudin (DH-PROF)	- The purpose was on creating an institution minding Shari'ah yet, still profitable - Hence, Shari'ah was not a riddling to profit seeking - Hence, it is on top of profitability such that measurement aslo transformed to not focused on profitability, yet, not ignoring the importance of profitability - Middleing of collective improvisation
Dhumairi (2nd gen) (HMD-PROF)	- Islam has allowed earning, either from trade, sharing revenue or selling service - What it avoided was on cultivating money - In particular, trade was encouraged for one to earn - On the issue of money cultivation, it was targeted through sharing the profit, not through placing requirement
Sigit Purnomo (SP-PROF)	- Related to principles for transaction that reflect Islamic principle in supporting economic activities

	- Fulfilling development = not only on fulfilling needs through earning + but also realising vision of life
Ascarya (ASC-PROF)	- Apart from a pure substantivist motive, there is a free rider within the activism, which primary motive was extracting the net-outcome of the institutional product - This orientation can be located in all level of articulation from micro to macto level - Inevitably, the activism also work toward such norm
Tendy Ahmad Satrio (TA-PROF) (3rd Gen)	- Analysing BMT, he raised question on whether the early motive was on providing just financing - He had preference to Profit-loss sharing as norms that reflect not singly focus on proit - Hence, profit frst was replace by real first - The trend of this sourced from BMT moving to profit seeking - This has hampered the image of BMT
Agus Sediarto (AS-PROF)	- The focus on implementation of professionalism in running business of Shari'ah bank - Fiqh orientation has often undermined its profit orientation (business orientation) - The requirement in securing this orientation was on the important of business process - Quantitative measurement important
Setiawan Budi Utomo (SBU-PROF)	- This logic could not be ignored - The domination of this was inevitable - Fully rejected, yet, it still dictated and priming shari'ah orientation

2.2.4. Independency (IND)

Name	Highlight
Jimly Ash-Shidique (JAS-IND)	- Doing business is faard - economic movement with entrepreneur driving is a must (Being active) - the purpose is reducing reliance to others - Created with knowledge the law of nature, for instance, on the law of attraction - It is common within economic activity to turn one on its attraction
Karnaen Perwataatmadja (KP-IND)	- Reflective upon the purpose as well as value essentialisation - In order to stance far from the tone or reducing concept of conventional - Can not be done in instances, promoting purification as stimulus
Didin Hafidhudin (DH-IND)	- Questioning underdevelopment - Questioning why *Shari'ah* economic can not provide solution? - Questioning why we (ummah/member of the movement) must ascribed to capitalistic economic?
NAdratuzzaan Hosen (NH-IND) 2nd gen	- Independency of its institution require recognition of its base - In the case of Islamic economic institution, its base has not been recognised as a discipline with system of knowledge, paradigm, and theoretical stand - As it did not have strong Groud, theoretical foundation absorbed from the conventional (neo classical stand) - Too early to claim its independent
Adiwarman Karim (AK-IND)	- Not all BMTs were under FSA, only "KJKS" - Reason is due to its being capped in one city - Diversification is one key business success - One license all over Indonesia - Another thing is the conviction that it is self-regulated for BMT
Aslichan Noor (AN-IND)	- His experience often related independency with experimental - This means certain degree of independency lead to experiment - Later, he prone toward independent action in pushing emergence of Islamic economic institution
Ruri Prasetya (RP-IND)	- Indonesian experience came in natural sense, sourcing from down under

	- This often referred to experimental experience with BMT and how its continuous existence lasted without subsidy – his story: from not having capital to forming cooperative to next one - Hence, from experience, it is self (independent development)
Irfan S Beik (ISB-IND)	- Partly aiming at revitalizing Islamic teaching - Constructing Islamic teaching in economy that were not relying on foreigners
Dhumairi (HMD-IND)	- Chanelling is the reality of BMT presence today - On top of that, even BMT deposit their fund in the bank - This create dependency to the system by formal rule
Ascarya (ASC-IND) (3rd gen)	- What make people to some extent expect for independency was that dependency is destructing - What happen when there is crisis? - How about diversification?
Anwar Abbas (AA-IND)	- An understanding that without an institution on the basis of Islam, the function that can facilitate capital move without any prejudice or alignment toward one side would not be possible - Islamic financial institution in tangible form is on the idea of for Muslim, within Islamic term, for the purpose of Islamic order
Tendy Ahmad (TA-IND)	- Believe that private capital collected can push for micro-sector development in independent way initially - Yet faced by the fact that regulatory imposition was on limiting the form used and explored have direc influence to independency - In the later development, those with independency orientation was fractioned , leaving certain group to work on ths (PBMTI)
Suminto (SU-IND)	- Substantively bottom up creating a real based - In addition, it is community basis with outreach - Outrach > volume --- inclusive
Sigit Purnomo (SP-IND)	- Possibility of advancement can come from both government and mass Muslim organization or other groups - Indonesian case unique due to transformation of those activists with scholarly background being the backbone of Islamic economic - Hence, a degree of independency came with the fact that process of analytical support was undertaken

2.2.5. Profit-loss sharing (SHAR)

Name	Highlight
A.M. Saefudin (AMS-SHAR)	- Promotion of sharing of entitlement of the adverse condition (implied) - mechanism created by introducing a scheme that allow, for instance, individual account holder to be a partial investor - Recording loss - Market grow - MUI-driven concept
Jimly Ash-Shidique (JA-SHAR)	- Sharing economy where benefit is spread - Islam as solution of modern problem - Profit-loss as characteristic – should not go into one packet - Attached to entrepreneurship – develop creativity – institutional work on the motive of sharing economy
K. H. Ma'aruf Amin (MA-SHAR)	- accommodated in the banking law - *Sharing* is part of *Shari'ah* - People initiative
Dhumairi (HMD-SHAR)	- Only three items allowed for this - Earning from trade, sharing revenue, or selling services - Forbidden from cultivating Money - Consequently the new conception on the obligation of returning principal – yet, not on the share of profit
Rahmatina Kasri (RK-SHAR)	- No return without risk in Islam - Sharing concept

	- Turning point
Rully Preasetya (RP-SHAR)	- Shari'ah implementation in finance through profit-loss sharing - This system drive the operation of BMT - Yet, due to further difficulty, many BMTs collapsing
Tendy Ahmad (TA-SHAR)	- Preference on the application of profit-loss sharing mechanism to realist just - Hence, related to just financing where risks should be shared, not imposed - Avoiding rentenier
Anwar Abbas (AA-SHAR)	- It was a norm that was seen as primacy of Islamic economic inserted in banking modification - He discovered as a consequence of translated values within a bank within which accommodate the purpose of Shari'ah - Even, within a framework of a bank, it is possible
Yunahar Ilyas (YI-SHAR)	- Sharing spirit as norms opposing capitalistic economy - Islamic economic is on the basis of sharing spirit - Articulation – profit or shared among financing for businesses - The current condition has not reached there – *mudharabah* > *murabahah* - yet *mudharabah* has great risks - Expecting sharing as an advanced mechanism

2.2.6. Purification (PUR)

Name	Highlight
Ma'aruf Amin (MA-PUR)	- Expecting boom in IF institutions - both commercial and social-based institution - preparing over this potential flourishment
Mulya Siregar (MS-PUR)	- Bank Indonesia anticipated over series of discussion - Responding to situation in the country - Extending the mandate of Act - Unaware whether it is political or apolitical
Ahmad Fauzie Nur (AFN-PUR)	- Intertwining Agenda, with those in Power - Preserving vision and Agenda - Emerging interest - Neutral Islamic finance - Required good communication
Dhumairi (Okay-PUR)	- The idea of which Shariah finance concept grow is on the fact that something haram can be allowed when the *ilat* of its riba can be removed - from that understanding, Islamic finance practices are made possible (based on qiyas) - From that we know that purification process can be done in this way
Sigit Purnomo (SP-PUR)	- Income and capital was being purified - This was due to increasing awareness that income generation should consider Islamic principle - Institutional emergence was a supporting line for this income purification
Ascarya (ASC-PUR)	- This process oriented indeed gave a perspective that within a circle of activists, there were those with purist orientation - Nevertheless, there were other activists with more commercial intention, deviating the consequence - Even within this deviated result, in the end, there was an attempt to straighten up the position through splitting the function of commercial and ummah related caouse - BMT has deviated as it is more on commercial side of it that work - Turning back the question of its social purpose
Anwar Abbas (AA-PUR)	- Purification in term of following ethical direction of Islam - The purpose is to correct imbalance and wrongdoing - Refer to mostly avoiding action that can generate negativity - At the same time, it is on the purpose of following *sunnatullah* in term of demand and supply

Rifki Ismal (RI-PUR)	- The main preposition of its purification was on the ground that its contract remained authentic, rather than hybrid or combined, hence it remained within the purpose of purification - While othering was seen as entering dangerous game with contract that were deemed to be violating the principle - This often reminded that Indonesia has a pure prospect due to strong public support and ulama support
Yunahar Ilyas (YI-PUR)	- From Muhammadiyah not stimulatin yet within the alignment - In that it is clear that the policy was on supporting Islamic financial institution - This was on the purpose of purification not directly involving
Agus Sediarto (AS-PUR)	- Purification redeemed through localised financing mechanism from the bank - With three pillar, business, risk, and operation attached to each other - Not centralised and rather distributed - Risks is locally and independently controlled, operation with its independency - Business was on getting the deal - Operation is the one checking fulfillment of iakad - Purification reversal
M. Touriq (MT-PUR)	- Demand driven nature - Idle fund required investment channel - Islamic cpital market as inevitable development

2.2.7. Government Activeness Expectation (GOV)

Name	Highlight
AM Saefudin (AM-GOV)	- Lack of control of government – stagnancy of this nucleus plasm – Uneven unfair game of competition - Cooperation require government facilitating – check and balance – change in regulatory approach – - Corporation bargaining power - Liberalism should be adjusted for disribution
Maaruf Amin (MA-GOV)	- Government involved when they are invited - Expectation is on more active government like what Malaysia did. - KNKS gave hope? - Next might be mega *Shari'ah* bank
Didin Hafidhudin (DH-GOV)	- Government commitment is little - One of the unfulfilled expectation is on moving fund to IFIs - This is considered as unresponsive
Dhumairi (HMD-GOV)	- Weak government role – cooperative charter were not protected - Legitimacy of the business is not important - Predicted consideration versus real consideration
Muhammad Syafii Antonio (MSA-GOV)	- Support was in presence, yet, it is not well orchastred - The triump of which it has been working on is on the affect policy - Nevertheless, (it has not been favorited) like fund channeling, instruction
NAdratuzzaman Hosen (NH-GOV)	- Indonesia did not have the luxury like what Malaysia did, supported by government - It is left looking for its own place and happened to have intersection with central bank - In this regard, interchanging motives
Rully Presetya (Dissapointment) (RP-GOV)	- Independent work was conducted in dealing with government passibeness - The other side were so embedded with government
Yunahar Ilyas (YI-GOV)	- due to different capacity – small will be weaker than the bigger - Guarantee mechanism is needed
Ventje Raharjo (VR-GOV)	- Government activism determined which area to be explored without which Islamic financial exploration look to be less attractive - When activism is unable to produce outcome, government stimulation is needed

	- Loosing understanding of government activeness as norms as its activism is considered as last resources
Ascarya (ASC-GOV)	- Implicitly, he reffered this as condition as what government ought to do - The involvement of Central bank was seen as Act responsive - When involvement was there, at least to the level of alignment, capital support would be in presence - Even though it was seen that total support was expected, the implication was on expecting that government/authority was in presence
Agus Sediarto (AS-GOV)	- Refered to growth oriented Islamic financial development - This can only be facilitated by relevant authority providing special conditions - In that, a leadership of the government is wished for
Pungky Sumadi (PS-GOV)	- He revealed that for years, there has been no vision in national level - Fast starter was later slowerd down - Coordination function was not perfprmed, even by domestic or foreign institution - Government was seen as the missing part of leadership
Setiawan Budi Utomo (SBU-GOV)	- While the consideration of *riba* as the main argument was no longer questioned, having presence of institution of Islamic finance were becoming trend - Government was expected to perform this task from the beginning - It was only later that it was recognised, yet, it has been expected from the beginning
Charmeida (CHA-GOV)	- This is seen as the facilitator of development - As initiative, financial support and policy support can be provided

2.3. COGNITIVE REPERTOIRE

2.3.1. Global Islamic Economic Capital (GLOB)

Name	Highlight
A.M. Saefudin (AMS-GLOB)	- OIC influenced - Finance-driven - Underdevelopment - The rise of IDB - 1st IE Conference
Karnaen PErwataatmadja (KP-GLOB)	- IDB relevant as he was influenced by - Islamic banking in Indonesia as reference - Opportunity relevant to transformation embraced
Halide (HA-GLOB)	- Reference was made to the meeting of minister of finance of OIC member countries initiating Islamic development bank - Even though the argument initiated with *riba*, the intention went beyond this to promote a practice in accordance to Islamic teaching within a global scope
Jimly As-Shidique (JA-GLOB)	- Increasing awareness in '75, institutionalised in the form of IDB - Haramness of interest as norms - Financially Excluded - Solutive Experimentation for this purpose - Unaware
Ramzi zuhdi	- Prior to Indonesia embracing Islamic economic, there are other cases of Islamic economic project - As the discourse for developing Islamic bank is related to
Irfan S Beik (ISB-GLOB)	- Prof. A.M Saefudin and Halide - 1st IE Conference - Active engagement - Informal spread
Muhammad Syafii Antonio (MSA-GLOB)	- Exchanging experts - Pakistani-origin professor all around the world
Rahmatina Kasri (RK-GLOB)	- Global Community - Motivation

	- Impact
Anwar Abbas (AA-GLOB)	- Globally the trend of convergence continued especially in relevance with the global atmosphere, such as crisis in 2000s - When the system moved into equity-based financing, Islamic bank has promoted that even before
Ascarya (ASC-GLOB)	- Shari'ah bank started to develop in '77s - Before that there were those that develop this - Shari'ah bank become the set of rules
Farouq Al-Awyni (FA-GLOB)	- Indonesian path was linked to the glbal one - With that, global tend was inevitable from Indonesian story

2.3.2. Historicity Acumen of Islam (HIS)

Name	Highlight
A M Saefudin (AMS-HIS)	- Recalling th golden age of Islam in the past from the era of *Rasulullah* until the time of abasyid - The rise of institution of Islamic finance as the sign of appearance of this golden age
Karnaen Perwataatmadja (KP-HIS)	- Reconstruction the past practices within the golden age of Islam - Condition refered to expectation to retract back to gold based currency, presence of institution of hisbah
Jimly Ash-Shidique (JA-HIS)	- Two dimension, which are the debate and the practices - The debate refer to tension on contextualizing the issue of halal-haram as consequence injuction - He proposed less rigid approach on this in order to come up with a expected result - The shadow of romantisation of past tradition of Islam was also faced a debate on its relevancy to the future (past practices) - Religiosity endorsing business - What classical good practices can be accommodated? When it meet the frame and challenge of today's world - Islamic civilization require active business and success - Preaching success related to business success - From iti Khadijah, to Swahilian and Maghribi - expectation is real sector user that make us of monetary services
Halide (HA- HIS)	- He made reference to caliphate Umar time - Hence, there was a reflection of the era of the caliphate over which planned and management was undertaken in due manner
Mustafa Edwin Nasution (MEN-HIS)	- Reconstruction of the past Islam - Aiming at returning to original through Islamically derived - Emphasising *kaffah* and *taqwa*
Didin Hafidhudin (DH-HIS)	- Sporot to advancing was caused by Islamic revivalism - On the ground of universal ummah concept, spirit to advancing Islam
Charmeida (CHA-HIS)	- There has been a mark in the history of Islam where there is a separation of which a reflection and Islamic understanding was pursued - Reviving in this sense did not bring that originality, but rather its closenesss with Shari'ah
Adiwarman Karim (AK-HIS)	- Classical good practices during the prophet and sahabat time transcend today - God's planned through potentially "invisible hand" - Different opinions and made that cross in the middle
Irfan S Beik (ISB-HIS)	- Another recognition of revival of *green* symbole (Islamic symbol in Indonesia) - Importantly, it recognsed elite emergence - It started with awareness in small group aiming at revitalizing teaching
Ahmad Fauzie Nur (ISB-HIS)	- Emergence of green symbol and modernist Muslim - MUI also strengthened during that period - Rising awareness of small group of *ummah* revitalizing Islamic teaching - Earlier is due to the rise of Islamisation rather than the needs

Nurmahmudi Ismail (NI-HIS)	- Since the fall of *caliphate*, foundation of Islamic way of living has been dismantled - Revival was taking place in ensuring that this dismantlement process - In economic and finance sense, this spirit could not be ignored that reaction was observed
Ventje Raharjo (VR-HIS)	- Classical contract developed as a financial product is an asset determing the uniqueness of Islamic financial institutional presence - This is in regard to how then this contract has business relevancy to financial practices
Rifki Ismal (RI-HIS)	- He made reference of economic practices as one that revived from the time of *Serikat Islam* - This made Indonesian story to have a further base copared to Malaysia - Hence, it was not something new
Anwar Abbas (AA-HIS)	- He observed the trend was growing further until now, making Islam revived even in higher education to reflect the glory of Islam in the old time - What should revived in his term related to interpretation following the consensus of *ulama* or expert on particular area - This pattern was already observed from the second and the first generation - Yet, the first generation might not recognise this as a pattern of revival given its different struggle
Farouq Al-Awyni (FA-HIS)	- Awarekening in the sense that finance should tie into or consider religious consideration - This came from the intellectual - Beginning of the journey to fit the epistemology to the institution emerged
Setiawan Budi Utomo (SBU-HIS)	- Instead of surplus, Indonesia started from awareness on religion - This later extended into action in the economy - Often referred back to back then at the time of *Sarekat Dagang Islam*

2.3.3. Historicity of Indonesian Islam (INDO)

Name	Highlight
Jimly Ash-Shidique (JA-INDO)	- When it is linked to an expectation of authenticity, it implicitly referrd to Indonesian first orientation and expectation to avoid domination of foreign in the economy - When it was proposed an Islamic solution, it was expected to and connected with past Islamic solution to Indonesian problem
Halide (HA-INDO)	- Linked to the context of Indonesia within a post-colonial context where a respond was driven - The establishment of IMF and IBRD inspired a new relationship mechanism for capital, where capital owner interest could be secured with pre-determined rate of financing - Indonesia Islamic economic journey was part of the anti thesis to foreign influence by making it relevant for economic evolvement to reflect not only the history of Indonesia but also the stage development of Islam in Indonesia
Ma'aruf Amin (MA-INDO)	- Traditional experiencing modernisation - Especially, within the pesantrent in the periphery - Enterpreneurial creativity induced within a pesantry
Nadratuzzaman Hosen (NH-INDO)	- A heritage of Indonesian approach on deriving Islamically-induced teaching and ruling has always been to put the condition of people to its normal stand - In other words, treatment of an ideal never been the case as it approached he society and individual in its setting - The heritage of Indonesian Islam has been on **changing reality** (Page 7) - BMT came with a potential favoring farmers , with BMT utilising all potential form of institution of Islam in economy - Non corporation basis suited into the needs
Ahmad Fauzi Nur (AFN-INDO)	- Islamic economic emergence related to the needs of the *ummah*

	- When it is further elaborated it is justified by the pride of Indonesia as most populous Muslim in the world - In that, there is a link of this needs was indeed an expectation that Indonesian *rahmatan lil alamin* was not just sit and watching - It was not usual for majority to stay silent
Ventje Raharjo (VR-INDO)	- The trajectory of grounded Indonesian Islamic economic reflection only entered a different form of - From traditional to pre-modern form, leave along modernisation - Islamic economic ideas contract with tradional understnaidng, establishing an Indonesian oriented articulation
Anwar Abbas (AA-INDO)	- His observing the reform of the *ulama* in the mid '80s - What is important was that past Indonesian Islam was not promoting hard work and commitment to work - In other word, activeness of individual Muslim was not promoted and deemed to be non-contributive - Renewal of understanding toward contributive and hardworking one
Yunahar Ilyas (YI-IND))	- An orientation of creating an Islamic system including the economy one - Again sourced from majority reflection, being minority in economy - A reflection on its fear contaminating with not permissible , not rather due to disappointment
Farouq Al-Awyni (FA-INDO)	- Issue of secularism was also dealt in Indonesia and this was related to economic and finance - The fact that some of the elites involved with IIT suggested that it went that way (Islamisation)
Ruri Prasetya (RP-INDO)	- BMT facilitating activism which focus on making Indonesia great - In other words, BMT suit into the idealism of Islamic economic activism as part of internalised Indonesia Islamic economic view - Even its association basis is different from

2.3.4. Shari'ah Implementation

Name	Highlight
Ma'aruf Amin (MA)	- Having *maqasid* as the standard of goal, deviation from shari;ah should not happen - Implementation of Shari'ah rulling was part of the mean to preserve shari'ah - In that, norms with disbanment consequence as well as promotion can be translated into practice, such as in economic and finance, as part of implementation of Shari'ah - This can extend to service or pricing
Ramzi Zuhdi (RZ)	- The prohibition of *riba* created that avoidance behaviour - Bringing about the implementation of *shari'ah* is one of the cause of promotion of Islamic financial institution - This happened to push other interest due to shared commonality in the result, which is involvement in finance
Mulya Siregar (MS)	- Shari'ah was not implemented dude to it remained unexplained (conceptualizing and approaching problem) - Conventional approach of optimization and dynamic one is used - With the motive to obtain acceptance for shari'ah implementation
Antonio (MSA)	- Internally, it was one **individual exploration** - Yet, when he reflected on the practices and reality, the implementation of *shariah* bounded by either pressure from target of director and manager, business target derived from institutional profit motive - When it was proposed as preference, there was no punishment or negatve consequence of such
Adiwarman Karim (AK)	- Implementation of *Shari'ah* within an Indonesian understanding, especially around the elite power circle, was on the basis of *muamalah* - With this approach, shari'ah implementation has offered a different degree of contribution toward shariah implementation was associated with

Rully Prasetya (RP)	- Intervention to intermediation in Shari'ah way was seeked indeed to open access of those who were not previlleged - Indeed, there was needs in which sycronised Muslim belief with practical options - Prior to this addressed of Islamic economic to the problem of finance, Muslim were stranded with this *ribawi* cycle - Facilitative in nature
Ventje Raharjo (VR-TAQ)	- He highlight the main of existence was due to individual expecting to implement shari'ah in its own life - Related to the purity of shari;ah adopted and how institutional presence response to this
Tendy Ahmad (TA)	- Essence of *Shari'ah* economy implemented in the periphery - BMT as an approach in empowering and turning productivity within cooperative institution - It is a different form of shari'ah implementation with the attempt of outrach in practical sense in accordance to problem faced
Anwar Abbas (AA)	- When one claimed that it is *Shari'ah* financial institution, implementation of shari'ah was what was promoted - This create expectation that implementation of Shari'ah should be in place
Yunahar Ilyas (YI)	- In Islamic jurisprudence, there are two aspects. First is formal legal aspect, which is easier as it is more determining the mechanism…it is set in term of *fiqh.* The more challenging one is the core of Islam itself..*maqasid al-Shari'ah*. There two processes: the first stage is Islamising the formal legal structure, then we go into the substance.
Aslichan Noor (AN)	- During the discussion on the establishment of Islamic bank - The idea was on inserting *shari'ah* consideration in institution, spreading values inside

2.4. CHARACTERISTIC

2.4.1. Bottom-Up (BU)

Name	Highlight
Karnaen Perwataatmadja (KP-BU)	- Activism orientiation carrying substance to be applied - On the basis of reenacting the past on time of shabah or ottoman
Ma'aruf Amin (MA-BU)	- On the institutionalisation of values-norms of Islam and establishment of tangible form of institution, collective initiative was recorded and taking part in the process - Even to the extent of further institutionalisation of the norms with regulation and Act
Ramzi Zuhdi (RZ-BU)	- In the beginning, it was bootom up initiatives channelled by ICMI - Hence, bottom up was represented within the dynamic on the central of power - At current, we are embracing top down - b/c it is not efficient from the lesson in the crisis to facilitate the process of sizing up - If we wanted to be big, top down is the answer
Adiwarman Karim (AK-BU)	- His version of bottom up was that everyone fighting each other without any special treatment, the last remaining one is the special one - On the other hand, Mas Aris had different approach, influencing government policy and public policy - Overall it was due to the spirit in Indonesia that it hass that breakthrough character, just like the informal lecture series
Dhumairi (HMD -BU)	- Bottom up in his regard refer to proactiveness of civil member (in this case, him and his institution as member of the society) to assist in dealing with social problem - This social problem lies on community indebtness as the consequence of *riba* as a norm

Muhammad Touriq (MT-BU)	- In reading the phenomena, the non-presence of policy support is translated into an understanding that it is market riven - In this regard, it is the informal part of the market that drive the development
Irfan Syauqi Beik (ISB-BU)	- Initiative was delivered by civil member, uncontrolled and unmanaged by the government - This has been seen as an upperside of Indonesia Islamic economic activism
Ahmad Fauzie Nur (AFN-BU)	- Gradually people are participating and open - The movement has stayed bottom up for 15-16 years
Sigit Purnomo (SP-BU)	- Soft approach of convering or realising the motives and orientation of Islamic economic activism - Such characteristic is taking longer process in achieving meaningful change
Ascarya (ASC-BU)	- The difference of such bottom-up presence is on the fact there are grounded problems - Such needs were not provided or addressed by the government - Hence, it is reversed from typical acs, institution, banks, incentives tools, so on
Dian Masyita (DM-BU)	- The militancy of civil organisation was recorded in socialising Islamic economic as an alternative economic - These are, among others, MES, IAI, and university level study group - In her opinion, civil engagement is crucial in driving tis
Rifki Ismal (RI-BU)	- Bottom up has been very phenomenal already - There is no provision of spaces and others, but it continues to grow - At the same time, there is certain limit to it that it will not grow large - Top-down approach is what enlarging the size
Tendy Ahmad (TA-BU)	- The activism on Islamic finace was on the basis of voluntarism - While it has pushed for initiative to emerge, it does not bind to the condition - Commitment of other parties was low due to this characteristic
Suminto (SU-BU)	- Comparasion between Malaysia and Indonesia is on that government led project and civil project - The history started when people come together to build BMT, shariah cooperatives, and later the banks by itself - Involvement of ICMI is high
Agus Sediarto (AS-BU)	- Even later shariah bank that come after reformation, it was some others taking initiative to build things and getting the space - It was later that the government taking interest
Farouq Al-Awyni (FA-BU)	- Refer to society engagement in responding to the atrocity created by the market - Using social and cultural capital of Islam, creating an institution that function to serve society rather than on the basis of the market
Setiawan Budi Utomo (SBU-BU)	- Indonesian bottom up linked to increasing awareness on applying and implementation of religious values - It is now however rather taken as the history, rather than articulative orientation

***2.4.2. Heterogeneity* (HET)**

Name	Highlight
A M Saefudin (AMS-HET)	- Heterogeneity in what is constituting unlawful - In particular, recognised since the early time on the consensus of interest taking practices as riba
Ma'aruf Amin (MA - HET)	- even within the haramness of its, there are differing opinion - disallowing and allowing in the emergency situation - even, allowing a practice also expect for a real solution - Moving everyone together to build a solution
Mustafa Edwin Nasution (MEN-HET)	- Capital providers of these emerging institutions were heterogenous, yet, predominantly it was conventional structure

	- Society is rather heterogenous, from those loyalist, benefit oriented, - As within the internal institution, majorly were those with conventional mind. Small faction were shariah riented
Ramzi Zuhdi (RZ-HET)	- Optimism hindered by heterogeneity in the opinion that set back the agreed consensus - This agreement even located with prevention of riba as a norm
Nadratuzzaman Hosen (NH-HET)	- Multiple stakes involved created heterogeneity in th e motives and articulation - Each interest were in line and, in some cases, in conflict - When there is a conflict, those with authority were upper handed
Muhammad Touriq (MT-HET)	- Essentialising the phenomena as one that refer to heterogeneity in contribution due to various stakeholders, - It was not coordinated but rather collective contribution
Irfan S Beik (ISB-HET)	- Internally, our activists were heterogenous - It is a logical consequence since we are talking about building sstem within current system - Competition between potentially conflicting ideology and system
Ahmad Fauzi Nur (AFN-HET)	- Multiple articulation sourced from vision which translated within its acknowledged arena - The basis of multiple appearance with shared identity
Rully Prasetya (RP-HET))	- Accommodation of multiple actors into the initiative were the sourced of the variation of articulation - This can be even seen on BMT articulation, as the founders have their reasons, each BMT constituted an orientation on the basis of this
Achmad Iqbal (AI-HET)	- Ummah movement has many version in Indonesia - Due to this heterogeneity in general, fatwa making institution has to be undertaken from consensus initiated from communication between members - The downside is that wiehtin the element exist to this point, no forum able to homogenise perception of a model of its own
Ascarya (ASC-HET)	- What emerge in Indonesia represent what Indonesia is, archipelagous, multiethnics, - As such it is indeed complex and unidentified?
Dian masyita (DM-HET)	- For some others, heterogeneity create problem, variation - Even though it is clear there is no force pushing others and at the same time, some of these are able to show Muslim from interesting angle - Yet, it side effect indeed taking different things from different form
Tendy Ahmad (TA-HET)	- The interests of multiple parties varied, hence, values proposed varied - While one party is seeking for independency, another group was looking for a consolidation with the authority - This refers to differing association appeared, hence, ununified initiatives
Anwar Abbas (AA-HET)	- Another layer of heterogeneity problem was on the generalisation that the activism is singular, hence, one act represented the entirety - On the other hand, there are multiple stakes which articulate aspiration differently according to the areas involved
Suminto (SU-HET)	- Substantively heterogenous leading to variation in articulation - In that, it reflect a real form of articulation
Pungky Sumadi (PS-HET)	- Islamic economic activism involved various stakes, from industry to professional association to sympatisant - This is a rich group with multiple articulation - Create problem when it was set to a uniting orientation

***2.4.3. Civility* (CIV)**

Name	Highlight
Ahmad Fauzie Nur (AFN-CIV)	- Nahdatul Ulama started co brandin with 61 million member potential - Muhammadiyah had hospital network and civil organisation - the current existing civil network is an opportunity as such

Jimly Ash Shidique (JAS-CIV)	- Creativity as the source of civil society - Social entrepreneur as the next creativity in the civil society - Shariah economic as the financer of this social entrepreneurship - The success of civilization depend on the success of the business within
Maaruf Amin (MA-CIV)	- Islamic Civil organization converge into *Shari'ah* financial institution - Civil response toward Islamic solution on finance - Sign of collective support or unification as such - Expecting rapid development with the convergence of civil organisations of civil society - Civil involvement after pak Harto is more alive - Initiative were recorded from civil society
Didin Hafidhudin (DH-CIV)	- Due to engagement of member of civil society in developing a market-based articulation - In that, it imbueds with substantial orientation of this civil activism
Adiwarman Karim (AK-CIV)	- The increasing power and role of the people retrospective to government - Prior marginalization trained them to contribute even though it is not part of public policy - Public contribution out of the superior people
Aslichan Noor (AN-CIV)	- ICMI is part of this Non-government organization initiative for development - Encouraging people empowerment - BMT located as an operator of this function - Hence, BMT emergence and development is part of this civil engagement arrival - From absorving aspiration, advocative function is established in the form of association
Irfan Syauqi Beik (ISB-CIV)	- Seed was from small group initiative whose awareness on identity preservation to lead to authentic pursuance - Civil form of Islamic translation on economic activities.
Ahmad Fauzie Nur (AFN-CIV)	- Nahdatul Ulama started co brandin with 61 million member potential - Muhammadiyah had hospital network and civil organisation - the current existing civil network is an opportunity as such
Sigit Purnomo (SP-CIV)	- The rise of IMFI in the 80s and 90s without government-state concerned suggest that the seed of Islamic economic articulation is civil based, on the proactivity of member of the society
Ruri Prasetya (RP-CIV)	- Even within Islamic economic , civil involvement either close with the government or being independent from the political power. Each were moving by their way - The independent one was promoted by other social philanthropic institution like DD, affiliated with Republika running 1000 BMT programs
Tendy Ahmad (TA-CIV)	- Involvement of civil association such PBMT, APSINDO, and PIN-buk and even Dompet Dhuafa demonstrate its civil characteristic
Dian Masyita (DM-CIV)	- Believe in the involvement of civil groups such as NU, PKS in the development - This is related to how then people life moved
Suminto (SU-CIV)	- Civility is driving *shari'ah* finance emergence in Indonesia - This is the reason behind initiative driven by people - In contrast to Malaysian case
Farouq Al-Awyni (FA-CIV)	- Refer to engagement of civil organisation,such as, association in promoting Islamic microfinance - For instance, through engagement in *shari'ah* cooperative association, in bringing the streng together
Setiawan Budi Utomo (SBU-CIV)	- A society driven initiative out of the consent - Exercise its will upon the contested arena where civil engagement is possible

2.5. ACTION/INTERRACTIONAL STRATEGY

2.5.1. Innovation (INNO)

Name	Highlight
A M Saefudin (AMS-Inno)	- Innovation was introduced by regime to allow for *Shari'ah* window to operate - From there forewoard, it expanded beyond border
Halide (HA-Inno)	- It is lack of innovation to exercise - Only focus on emergence without considering how the development is pushed
Mustafa Edwin Nasution (MEN-Inno)	- While fatwa has been the backbone, innovative dimension need to be added - This is solely to dynamic condition - Hence, balancing in between these
Ramzi Zuhdi (RZ-Inno)	- Innovation root from the arrangement of the transaction to default a relationship to an addition of a mechanism to ensure its orientation to shari;ah - An example was on the use of aqad - Another example was an addition of *shari'ah* supervisory board to ensure its align to shari'ah
Dawam Raharjo (DR-Inno)	- Reflection: unsatisfactory - Trend suggesting of following conventional standard - Expectation remained on innovativeness
Adiwarman Karim (AK-Inno)	- Certain approach want to create *crème de la crème* - In supporting this and attracting this, innovative move has to be made - for instance, monetary support, for this, they created BMT Ventura
Aslichan Noor (AN-Inno)	- The way forward is toward expanding the network through innovative mean - One way is to utilised or fitting into a program of others - Ministerial program is preferred
Muhammad Touriq (MT-Inno)	- Emergence within regulation - Referred to the case on the introuduction of *shari'ah* mutual fund and sukuk within existing regulation - The legal certainty within the market as a condition of its presence - Later innovating from inside through legal breakthrough just like turning it upside down
Irfan Syauqi Beik (ISB-Inno)	- Contribution through innovate means - In this regard, he emphasise innovation through the attachment of branding of *shari'ah* - In other words, *shari'ah* branding as uniting or differentiating source for innovation, with particular *shari'ah* consideration innovation
Ruri Prasetya (RP-Inno)	- Innovative can be negative in other sense, as it has been the platform to find the loopholes on riba - To this extent, certain case drive a more debatable issue to be allowed - Hence, innovation in the sense of sometimes going beyond
Ascarya (ASC-Inno)	- Indeed, the solitairity push them to self innovate - Imagine being single fighter in such of this - Crisis change the game
Tendy Satrio (TA-Inno)	- Positioning, and realising the potential push them to create strategies, including trust fund - Learning from the experience of BMT moving toward to these - BMT is not a perfect learning process
Achmad Iqbal (AI-Inno)	- The purpose has always been on empowerment and toward nurturing lower classes - Micro institution is less stringent to this so that the purpose can be delivered
Rifki Ismal (RI-Inno)	- The reality of today world has been driven by huge innovation - One of which related to product development - An understanding of what innovation is deemed necessary

	- The consequence of this is great , haram becoming haram - Regulatory activists perform innovation within its scope - The main innovation was on generating norm through fiqhi reform
Anwar Abbas (AA-Inno)	- Innovation driven by renewal understanding on Islam, that Islam promoted one to accumulate capital, actively working - Those that coming with BMT, are doing innovative work due to this renewal understanding to go beyond capitalising oneselves - Establishing financial institution, with capital supplied by philantrophy

***2.5.2. Solutive* (SOL)**

Name	Highlight
Halide (HA-Sol)	- As norms of *riba* circumvention was in placed, an alternative to address the consequence of such practices in needed - Non-interest taking financing activities
Jimly Ash-Shidique (JAS-Sol)	- Consistent to the belif that Islam offer solution to any problem - Islam addressing modern economic problem - In current time, sharing economy might reflect more of Islamic values, as it promote sharing - In addition, the activism added an ethical basis for non-consumptive and sustainable practices
Ma'aruf Amin (MA-Sol)	- Again, institution of *iftar* that had the legitimacy over *fiqh* and fatwa came to find solution - Interestingly, the solution is discussed and reached through intensive discusion - Importantly, this is the beginning of institution of *iftar* - Grivience raised over the difference between belief and practice - Solution of which thre is no difference between fiqh in practical concept and on the ground
Didin Hafidhudin (DH-Sol)	- Concern over underdevelopment - What kind of solution that *Shari'ah* economic offer - Beyond capitalist economy
Mustafa Edwin Nasution (MEN-Sol)	- Solution of which is still concentrated in particular form, banking - Other general economic topics were not addressed and developed - The question is why we have this? Would that be of the thought that without revealing a different concept, the solution is inorganic?
Irfan S Beik (ISB-Sol)	- Learning from the failure of Pakistan: radical change would not give an instant solution - Declaring problem and avoiding it without solution, collapsing a running program - This happened when infrastructure is there - This inspires we can not avoid 100% don't leave everything
Nadratuzzaman Hosen (NH-Sol)	- It was ulama position that triggered the discussion on the issue of riba and interest - Islamic bank was initiated from the recommendation of religious council - Hence, it is an ulama proposal - Another case is on how BMT was there as a miniature of Bank in dealing with shark loan money lender
Muhammad Touriq (MT-Sol)	- Regulator see that the friction of the population included in the monetary system is relatively low at the time of banking deregulation - BI see that it is win win solution to facilitate those outside the monetary system - recognition of identity and way of life in doing finance or involving in economy - BI purpose is to control market, maintain inflation, set interest practice
Rahmatina Kasri (RK-Sol)	- Beyond Normative - Quantified Model - Empirically Proven
Sigit Purnomo (SP-Sol)	- Micro financing was so civil society – searching for solution in Islamic solution

	- Sourced from Islam as solution orientation - This will extend to national level Islam as solution orientation - Partial to this was an element of Islam as rahmatan lil alamin
Achmad Iqbal (AI-SOL**)**	- At the same time, solution proposed should be successful as credit point - What can guarantee success was this one, as it leads to bankruptcy - Solution with minimum risks (secured)
Ruri Prasetya (RP-Sol)	- Its presence was there to help people - From conceptual to a more applicative solution
Dian Masyita (DM-Sol)	- Solutive initiative hindered by capacity to offer better and alternative solution - Expert was not in presence, in turn, norm remained norms and even succumb by common practices – e.g. 8% margin around the world - Due to professionals approach based on its practicality - When it is implemented, the system based on common practices pressurised the practicality - Solution that contribute to national economy
Tendy Ahmad (TA-Sol)	- In the micro level, the problem aimed to be solved related to stringent loan with shari'ah financial approach for finance – issue of access - This approach could only be facilitated through institution in micro level such as BMT - Collectively aiming for this - Short term solution later in development for its internal problem
Anwar Abbas (AA-Sol)	- Contextualisation on bank targeting financing for big clients – - Pyramid view suggested that there has been no facility in the micro sector – for business purposes
Yunahar Ilyas (YI-Sol)	- Exploration of *fiqh muamalah* - Reform of *fiqh* - Ulama Role

2.5.3. Real-Oriented (REAL)

Name	Highlight
Karnaen Perwataatmadja (KP-Real)	- Currency backed by gold and real assets - Market overseen by institution of hisbah - Market behavior is matched - Finance attached to real sector
Didin Hafidhudin (DH-Real)	- pillar of *shari'ah* economic - run by enterpreneurs and trading industries - Free of *riba* and their IFIs - Third sector support
Mustafa Edwin Nasution (MEN-Real)	- Sub-optimality of Islamic financial institutions - Financing that should be related to real sector - Where production was undergoing - Financing is not fully for the purpose of production, bu rather for profit mking
Ramzi Zuhdi (RZ-Real)	- Implication of its approach was on the requirement of heavily real sector oriented - This is sharp turn from conventional orientation
Mulya Siregar (MS-Real)	- Economic concept fueled by underlying asset - Balance between monetary and real sector - This underlying assumption should hold for economic to be Islamic - As this is related to distribution of wealth - Shari'ah principle is an activity with underlying principle - Activity with real sector exposure
Dawam Raharjo (DR-Real)	- Arranging economic incentives around productive activities - IFIs stimulate productive activities through putting incentive to produce or to do trade
Irfan S. Beik (ISB-Real)	- Perspective of institutions, covered real sector, financial sector, and the third sector - Real sector as the motor of the economy

	- Yet real sector is stil underdeveloped - Awareness of the emerging sector
Ruri Prasetya (RP-Real)	- Finance as a facilitator of trade and real sector - The current trend was shown otherwise - Bringing back that function to its original mean
Ventje Raharjo (VR-Real)	- The main appeal of *shari'ah* economy notion was on its real-sector orientation - With this notion, *shari'ah* finance is promulgated on ensuring access and endorsement to real economic activities
Ascarya (ASC-Real)	- Banking business in Indonesia is rather on retail rather than corporate - This is represented by the number of customers itself of retail industry in Indonesia
Dian Masyita (DM-Real)	- One of backbone of *Shari'ah* economy is on its emphasise to the real sector - In that, the promotion of real-sector involvement was emphasised and pushed forward, undermining the engagement in capital market - It started with the interest to reduce and to eradicate speculation, yet, it then demand Islamic finance to engage with tangible economic activities
Tendy Ahmad (TA-Real)	- Conditions that relate to what attract real engagement - This is requirement of accessible and fast financing
Achmad Iqbal (AI-Real)	- *Shari'ah* economic based is real sector - Shariah drag finance - Fostering development - Growing with the communities
Rifki Ismal (RI-Real)	- Economy based on real sector is *Shari'ah* economy agenda - Improving buying power and empowering the poor - Regulators endorsing real sector - Indirect stimulating real sector - Connectivity solving treatment
Yunahar Ilyas (YI-Real)	- Stability related to *real* sector - *Shari'ah* economic predominantly related to real sector
Agus Sediarto (AS-Real)	- The bottom up characteristic of Islamic economic activism and its institutional orientation drive for real sector - Real in this case attach to community economic activities - Hence, outreach is part of the mission, and hence, articulation
Setiawan Budi Utomo (SBU-Real)	- Preferences were expressed upon micro-institution of BMT - This was due to its community basis, reflecting more on real economy

2.5.4. Stimulative Initiation (STI)

Name	Highlight
A M SAefudin (AMS-STI)	- In the light of facilitating motive - Process of gradually substituting - Periodical initiation to push for the process
Karnaen Perwataatmadja (KP-STI)	- Activism started in small circle - Multiple form of initiatiation in the form of cooperatives - Mostly started in Jakarta and West Java
Didin Hafidhudin (DH-STI)	- orientation on bringing substance to humanise individuals and to prevent from exploitation - Applied with intention
Mustafa Edwin Nasution (MEN-STI)	- Initiative should not only be directed to Islamic articulation in finance - Stimulation should be attached to increasing production process such that financing platform can assist - Without productive activities, financing has no point
Ramzi Zuhdi (RZ-STI)	- Endorsement toward initiation of Islamically oriented bank on the ground of bringing more job - On the regulatory side, it is through creating stimulative environment whereby such institution can be established and operated, such as liquidity easiness (interbank market) - Recognition of dual (unequal system) is another stimulative recognition

Mulya Siregar (MS-STI)	- Lead the project on expanding Islamic banking in Indonesia - Hence, initiative was within the task given
Dawam Raharjo (DR-STI)	- Upon the emerging characteristic of initiative in Indonesia - This mostly happened without any conception and rather fpund fitness within the arena unexplored
Nadratuzzaman Hosen (NH-STI)	- Reactively in pushing for a respond and counteract to problem such as money lenders - Mobilising collective fund in the periphery through IMFI, *zaka*, and Waqf to form a collective intervention
Muhammad Syafi'I Antonio (MSA-STI)	- Initiation in term of encouraging Muslim to involve in financial sector - Spiritual endorsement initiative can facilitate this process.
Adiwarman Karim (AK-STI)	- Teknosa and Ridho gusti experience suggest that initiative to initiate was due to dissapointment to the inavailability of the solution to the access of financing for the poor - Stimulative initiative was conducted within the arena unserved, hoping that another emergence are taking place
Irfan S. Beik (ISB-STI)	- He argued that the seed was not on the need brought about by Islamic economic articulation - It was on the icreasing awareness on integrating Islam in everydayness - Hence, the form of integration often depict various initiatives that sense the importance of Islamic symbol - Hence, initiative was recorded on those that related to presenting Islamic symbol
Ruri Prasetya (RP-STI)	- Activism of Islamic economic project and Islamic finance institutionalisation lies upon initiative driven by individual and collective group - In similar manner, its organisation involved with initiation - Initiative was taken to all level, including to the scope of tis work
Ventje Raharjo (VR-STI)	- Exploration from the contract basis expecting to create brand image that set the difference - Again, it should departed from fundamental conventional practices. - In addition, if it is presumed that it is sourced from *shari'ah* economic building, this stimulative initiation should be exercised by government, on top of activism
Ascarya (ASC-STI)	- Independent work in pushing for institutionalisation of Islamic values within financial area - Recorded in multiple forms, from cooperative to the establishment of first Islamic bank, even under no regulation, incentive, or endorsement - In particular, initiation was important to overcome the challenge of classification, for instance: on the dichotomy of commercial and social
Dian Masyita (DM-STI)	- Unortodox initiative driven by those who understand the market - In that, a market friendly intiative is expected losen from religious doctrine and barrier - It is rather a suggestion within the flexibility of the economic, fit in between collective proposal with market driven one
Tendy Ahmad (TA-STI)	- Manouvere within available space and even beyond the standard has to be resorted in order to ensure that empowerment is facilitated - To go out of the box beyond tied situation, in pursuing for independent and empowering
Aslichan Noor (AN-STI)	- Retaining self-empowering character, yet, looking into possible stimulative form through partnership - This is to integrate with the existing mechanism in order to infuse with growth
Achmad Iqbal (AI-STI)	- Refer to an articulation of Islamic economic activism to overcome the boundary - Multiple attempt to stimulate an emergence of a product - Expecting to multiply presence, hence, further substantiation
Rifki Ismal (RI-STI)	- Regulatory treatment was on offering treatment of infant industry

	- In that, it allows for facilitation of its upsizing to the extent that it reach competitive stage - This is given through exemption, incentive, and tailored regulation - BI adopted this treatment and provide with more active involvement
Muhammad Touriq (MT-STI)	- Incentive driven stimulation should be provided to move the market - Hybrid form of development stimulate the presence further
Farouq Al-Awyni (FA-STI)	- Considered the emergence of IMFI as breakthrough to initate a form of society driven alternative - In the expectation that snowball effect take place
Yunahar Ilyas (YI-STI)	- In order to accelerate and over come the pressure from conventional standard, the activists have to continuously stimulate initiative - Other institutional push-up to facilitate authentic pursuance
Agus Sediarto (AS-STI)	- Remained to adhere to centre initiative as the key to creaete presence - Responsive initiative rather stimulative initiative
Setiawan Budi Utomo (SBU-STI)	- Disorganised activism extended to any arena that can be explored - With the purpose of stimulating toward formalisation, for instance in the form of Act and Regulation

2.5.5. Explorative (EXPLO)

Name	Highlight
Karnaen Perwataatmadja (KP-EXPLO)	- Action on the basis of momentum and environmental shift, such as Economic crisis - This is due to the appropriatenss of sharing articulation during this time - On the ground of expanding institutional shape
Didin Hafidhudin (DH-EXPLO)	- Implementation without knowledge - From cooperative as substance oriented to a pragmatic form within Institution of banking
Mustafa Edwin Nasution (MEN-EXPLO)	- Activism mentality developed through his university year - Islamically-induced modern renewal on exploring new expression of Islam, and in his year, this articulation in economics attract interests - Explorative act is sourced far deeper in the everydayness of Muslim
Ramzi Zuhdi (RZ-EXPLO)	- Responding to the needs of financing in the periphery - A community-based institution-acting-as-intermediary is explored to meet this function - Through inducing Islamic values and less-complication - The form of which is flexible and experiencing numerous failure - Within a space that is more accommodative and less regulated
Mulya Siregar (MS-EXPLO)	- Exploration initiated in the personal level with postulating a conception of potential Islamic economic framework and interplay - Further exploration is exercised within the boundary of its jurisdiction as a central banker - Hence, it is on promoting stimulative act and bringing a regulatory act that accommodate potential accommodation of Islamic norms
Dawam Raharjo (DR-EXPLO)	- Within sharing norms suggested under the condition that *riba* is not permitted, a search for acceptable practices was there - Exploring the opportunity to actualise this condition
Irfan S. Beik (ISB-EXPLO)	- Actualisation through trial act in the call for increasing awareness on differing articulation that Islam bring to the economy Activism pushing for a potential authentic form of Islam
Aslichan Noor (AN-EXPLO)	- Exploring potential space through which Islamic articulation on economy can be beneficial - When dealing with central government, it was in term of policy - While dealing with regional government, implementation of modified institution on the basis of local custom and needs can be accommodated - The case of BMTs Nagari, specific for west sumatera agricultural condition
Ruri Prasetya (RP-EXPLO)	- Exploration on what authentic Islamic economic is performing lead to preference and his involvement in Islamic micro finance - Nevertheless, this exploration is bounded by the requirement for capital

	- Yet, he saw exploration of fiqhi is important, rather than its outreach
Anwar Abbas (AA-EXPLO)	- Due to confusion on economy that do not reflect on Idlsmiv bslurd, exploration is conducted on the ground of Islamic reflection in economy - In particular, it is on the aim of correcting the imbalance and misconduct - A combination of knowledge on *shari'ah* and science drive exploration on Islamic finance, one of it through BMT - From one exploration
Ventje Raharjo (VR-EXPLO)	- Exploration to uniqueness can be explored as long as the fundamental of finance in conventional sense is set and, hence, not negotiatble - The exploration initiated from there on the area that conventional sense is not strong at - One of the area is on the product on the basis of *shari'ah* , which the conventional is not set based on that - In general, the uniqueness is built upon what the conventional is not performing
Ascarya (ASC-EXPLO)	- Exploration is undertaken in multiple instances, from heavily structured to less structured form of institution - In particular, within the area that structure, and hegemony were not heavily involving (relevant for the case of BMT) - The latter exploration even worked together with the mainstream, looking into how Islamic principles are applied to expand the status quo
Adiwarman Karim (AK-EXPLO)	- Exploration under the umbrella of redeeming the negative consequence of fictitious economic activities, such as potential economic bubble - An avenue was opening through the presence of Islamic banking, in his early time - The later exploration was on the product in meeting with the banking needs of the society
Dian Masyita (DM-EXPLO)	- The deficiency in preservation of social interest lead to the recall of old Islamic institution, *waqf* - Within adaptation to the scheme, cash *waqf* mechanism is pursued and extended - Systematically developed with the founding of National *waqf* board
Tendy Ahmad (TA-EXPLO)	- A continuous Search for a freer and more flexible form of financing - Any form of exploration in order to meet the objective of empowerment and strengthen the institution - One of which through establishing trust fund to perform social goeals and a lender for last resort for such institution
Achmad Iqbal (AI-EXPLO)	- While Islamic economic activism come with aspiration, not all of its substantiation an be accommodated - Reconnoitre across multiple possibility and platform track this case
Rifki Ismal (RI-EXPLO)	- Exploration is to the area that in line with the evolution of modern financial system - This is so that it is not against the government course of development - This is linear to activism embracing top down development - Exploration is conducted within its area of the role
Yunahar Ilyas (YI-EXPLO)	- Exploration within expansion of *fiqh* muamalah - This brings about the Islamic process of derivation of product into a modern challenge - When *fatwa* regulated economic and financial transaction in similar manner that regulatory framework has
Setiawan Budi Utomo (SBU-EXPLO)	- Preferences were expressed upon micro-institution of BMT - This was due to its community basis, reflecting more on real economy

***2.5.6. Higher Education* (HE)**

Name	Highlight
AM Saefudin (AMS-HE)	- Exploration within university - Disssemination of concept in he university - Sharing with banks and CB on IB - From one university to another university

	- Individual exploration and experimentation
Halide (HA-HE)	- Growing exposure in higher education institution - Rather related to planning and maginal development - Hence, it is expected that convergence is voluntary in this case
Didin Hafidhudin (DH-HE)	- Students of *Shari'ah* economic had different paradigm - Not only a result oriented and profit-oriented guy - Including other importance Issues
Mustafa Edwin Nasution (MEN-HE)	- Endeavour to lead an economy based on just has been there in academic - *Shari'h* economy concept development is part of this endevour - Articulation of understanding
Charmeida (CHA-HE)	- In complementing the push within the supplyside, demand is driven, especially within higher education - Higher education conversion can offer multiplier effect
Nadratuzzaman Hosen (NH-HE)	- Growing exposure in higher education institution - Rather related to planning and maginal development - Hence, it is expected that convergence is voluntary in this case
Adiwarman Karim (AK-HE)	- The entrance to share Islamic economic aspiration and conception was through higher education involvement with the discourse - Even though it began with disrecognation in the supply side, the boost was through demand push on the increasing interest of Islamic economic
Dhumairi (HMD-HE)	- Within local context, the coalition between those that understand *shari'ah* in pesantren and those in the university - exchange process of knowedge - Collective work to address the issue - Conjoining professionalism and knowledge of *shari'ah* - Creating a suited and easy to implement professionalism in the society - In other places, the university students were not moved to learn *shari'ah*
Irfan S. Beik (ISB-HE)	- It is initiated in the university level - Influencing political consstellation - Continue to grow in te university - Movement is larger and sourced from the people
Rully Prasetya (RP-HE)	- Even though it was not from the formal education on university, the study circle within the higher education place help in disseminating information and creating activists - Activists engage with students and converted them, hence, there is a regeneration process - Nevertheless, a process of self exploration involved
Dian Masyita (DM-HE)	- Have Been involved in Shariah economic student circle - That student group was later forming national forum for socialization o shariah economic simultaneously
Farouq Al-Awyni (FA-HE)	- Action related to greater socialization - This is the key to institutionalisation
Ahmad Fauzie Nur (AFN-HE)	- Emphasise its universality and benefit orientation - The duty of roles was partially related to communicating the cause
Anwar Abbas (AA-HE)	- Not only within higher education, socialisation was performed to middle school student - This hopefully assist in converging them into supporting institution of Islamic finance and its activism, through as simple as, having preference to involve in one
Suminto (SU-HE)	- Recognising that education of the crowd are important in converging Muslim and crowd to interact, to involve and to support institutional presence - Framed within its premier values such as fairness and justice - Related to fiqh oriented

2.5.7. Muamalah Oriented (Muam)

Name	Highlight
Dawam Raharjo (DR-Muam)	- First stage of institutionalization was legalization from institution of *ulama*

	- This institution has the authority to categorise one action as halal/allowed or not - This brought forward as an approach – halalising as muamalah approach - Later this approach was exerted with supervisory control In order to ensure its halalness
Charmeida (CHA-Muam)	- Realising that Muamalah orientation should be turned into reality, here comes *ijtihad* of inventing one - What coloured such attempt was adoption of systemization and hypotheticaltesting even to the area of *morality*
Nadratuzzaman Hosen (NH-Muam)	- An accentuation of Islamic values and norms in muamalah sense - For this matter, Muamalah in term of collective action - Source of ruling is quran and hadith, yet operationalised by fatwa
Adiwarman Karim (AK-Muam)	- Muamalah included knowing what to appeal and under what condition - There were those appealed by values, by brand, and the benefit/manfaah - Muamalah accommodate this form
Dhumairi (HMD-Muam)	- It is within the unifying understanding of Islam as aqidah, shariah, muamalah - the second of muamalah deal with maaliyah. - Reacting on first, trade, second, sharing revenue, while third one is offering services
Muhammat Touriq (MT-Muam)	- Approach able to stretch into contemporary issues, even to the area of capital market - The key principle was on ensuring that the practices did comply with fiqh - Expression of underdevelopment of this was presence - Majorly focused on product of finance, re-enacting the principle and fundamental in exchange within fiqhi understanding - This is where real orientation jumble, and hence, t was more applicative in nature
Rifki Ismal (RI-Muam)	- The implementation of Islamic principle in finance is following a muamalah procedure - This is not something new as *muamalah* , he claimed, has been influencing the constitution and the interplay within Islamic circle
Ahmad Fauzi Nur (AFN-Muam)	- Internalisation or institutionalisation of *muamalah* principle that everything else is permissible unless otherwise stated - Differentiating from *ibadah* which always require reference for its application - Improvement was seek from this, using creativity under the watch of *Shari'ah Supervisory Board*
Ruri Prasetya (RP-Muam)	- Muamalah in this context focus on the transaction itself - As long as it does not contain ribawi, speculative, and zalim - Hence, it is a muamalah of financial transaction
Ascarya	- The rise of Islamic finance gave an indication that people are expecting muamalah implementation in finance - The emergence of non-mainstream IFI is a sign of how such aspiration was fought for as experiment, even with mismanagement
Anwar Abbas	- It start and remained on the principle that everything else is permissible unless otherwise stated - Freedom that do not harm others
Yunahar Ilyas	- Utilising *muamalah* approach to correct institution of banking - Indeed, muamalah orientation is an attempt to adjust institution to serve the goal of Islamic economic - This approach is universal to any religion

2.5.8. Fiqhi-Approach (Fiqh)

Name	Highlight
Karnaen Perwataatmadja (KP-Fiqh)	- *Fiqh* renewal - Mark up recognised as non *riba* - Predetermined requirement over the mark up

	- The entire saving lending is not secured
Ma'aruf Amin (MA-Fiqh)	- System with no clash between practice and concept - chapter within *fiqh* muamalah - Developing *fiqh* understading from the pesantren
Ramzi Zuhdi (RZ-Fiqh)	- The cause of Islamic financial activism was due to the prohibition of current interest taking practices - This God order has undermined the presence of banking practising - Yet, this was on regulator interest to have monetary control
Charmeida (CHA-Fiqh)	- In expanding the articulation, *muamalah* orientation should be adopted - In particular, in the area of creative ijtihad, this should be embraced
Adiwarman Karim (AK-Fiqh)	- Principle of not forfeiting it fully when we could not perform the good deed in 100% - Pushed a bit to acquire market acceptance
Muhammad Syafi'I Antonio (MSA-Fiqh)	- Passion of which related to development *Sshari'ah* - *Fiqh muamalah* still underdevelop
Dhumairi (HMD-Fiqh)	- Salafi based fiqh - *Shari'ah* product of the pesantren
Rully Prasetya (RP-Fiqh)	- *Fiqhi* on the economy related to a differing process of fiqh oriented, whereby it was on the basis of its permissibility - *In that*, fiqhi approach on finance become universal as long as the rule is met
Achmad Iqbal (AI-Fiqh)	- MUI as preservattor of *fiqh* - Fatwa has its own strength - Implementative with Islamic characteristic
Rifki Ismal (RI-Fiqh)	- Our source of classical *fiqh* emphasised more on *Shari'ah* aspect - DSn function as the one that contextualizing *fiqh* - Innovation is driven by innovation of fiqh, which require reform
Yunahar Ilyas (YI-Fiqh)	- *Fiqh Muamalah* is not applicative in general - Fatwa is one that make this *fiqh* applicative - *Fiqh* determine the mechanism

2.5.9. Fatwa-Based (FAT)

Name	Highlight
Mustofa Edwin NAsution (MEN-FAT)	- The concentration on banking in the society due to *fatwa* issued focusing on banking transaction - On the other hand, Islamic model of economics were left unexplored - Should look into how economic behavior, consumption and so on from Islamic perspective - The distinction of Islamic one is that it fit into the interpretation of Al-Qur'an injunction - Adjusted on it applicability - Fatwa as backbone in conjunction with ssveral adjustment
Ma'aruf Amin (MA-FAT)	- Fatwa as the base of *Shari'ah* economic operation - National Ulama council as part of MUI deal with this - Regulation is on the hand of financial service regulator - regulator is overseeing the operation for any deviance - MUI guiding the aspect of this through fatwa - Fatwa inaccuracy was possible if one, it is inappropriately imposed - Second is industry divergence, yet, this less likely as it was supervised by two institutions - Third, the misperception of people on *Shari'ah*
Adiwarman Karim (AK-FAT)	- The basis of fatwa is that if we could not perform the good dead in 100%, we should not forfeited completely - Hence, *fatwa* is not there to change completely - It is rather there to reduce the impact of that *riba*, from 100% of haram to less than that
Muhammad Touriq (MT-FAT)	- Within the competency hold by *ulama* , fatwa lead the articulaton, implemented as enacted product - *Fatwa* targeted within the area that can serve the operation of the market

	- The position of *fatwa* is similar of that regulation in finance - Hence, *fatwa* based acted like regulatory driven development
Dian Masyita (DM-FAT)	- *Fatwa* issued as a unifying position to the issue of interest - In this regard, the main one was the issueance of fatwa classifying interest practices as unlawful - This hopefully activated Muslim majority stand and converged capital into *shari'ah* financial institution
Achmad Iqbal (AI-FAT)	- Standardised fatwa is needed in the world - Indonesia is rather like this due to the presence of national level institution - Heterogeneity is one that is accomodated
Yunahar Ilyas (YI-FAT)	- Shariah Islam as platform of operation - Fiqh is not applicative - Fatwa is the interpretation of fiqh - This become the landmark of operation and presence - Congruency with fatwa is needed - Applied fatwaa is the needs

2.5.10. Institutional-Orientation (IST)

Name	Highlight
Karnaen Perwataatmadja (KP-IST)	- Activism within institution - Key was on pushing for amendement in constitution - Propagating reasonable profit within cost efficiency
INadratuzzaman Hosen (NH-IST)	- Islamic economic move was movin toward institutional one - In a sense that it has moved its articulation from a grande economic system approach to element within the economy
Nurmahmudi Ismail (NI-IST)	- Formal institutionalization is the area of politic - In that, adoption of Islamic values and norms were indeed a state issue
Ramzi Zuhdi (RZ-IST)	- The product of the filtered articulation is within institutional arena - Institutional form determined the permissibility of such practices - Shaping through regulatory arena, from legislation to policy practices
Charmeida (CHA-INST)	- The importance of institutionalizing the basic principle in supporting operation - A reflection on the practice lead to thinking that adoption of non-Islamic institution was taken as an Islami cone
Muhammad Touriq (MT-INST)	- Institutional approach was adopted due to contemporary trend on this matter - That the area for activism centred around institutional formation and ajustment
Setiawan Budi Utomo (SBU-INST)	- From collecting and moving capital to institutionalization of *shari'ah* - Institutionalization as a form of recognition
Dhumairi	- Syafiiyah allow implementation at institutional level - This raises the issue of mahzab relative - Does this due to domination
Sigit Purnomo (SP-IST)	- Translating kaffah into institution so that kaffah has presence - Mainly on institution of finance within micro level - Its organization presence come with trial and error
Dian Masyita (DM-INST)	- An institutionalization can provide certainty into production and productivity
Irfan S. Beik (ISB-IST)	- *Shari'ah* economic is by definition is within institutional basis - Division within three secotrs, real, finance, and tertiary - Issue of proportional
Ahmad FAuzie Nur (AFN-IST)	- Initiated within informal lectur series, moving into formal Islamic economic lecture series - From informal practices to formal practices

***2.5.11. Independent-Orientation* (INDE)**

Name	Highlight
Jimly Ash-Shidique (JAS-INDE)	- Doing business is faard - economic movement with entrepreneur driving is a must - the purpose is reducing reliance to others
Halide (JA-INDE)	- Anti-thesis to foreign influence - On the ida of creating existence independent from the foreign articulation - Driving solutive interpretation for the triumph of the application
Didin Hafidhudin (DH-INDE)	- Questioning underdevelopment - Questioning why *Shari'ah* economic can not provide solution? - Questioning why we (ummah/member of the movement) must ascribed to capitalistic economic?
Ramzi Zuhdi (RZ-INDE)	- The main condition for the implementation of reflection of idealism, such as profit sharing, is on avoiding mimicking - This is due to differing nature of this reflection when other mechanism with other purpose was delivered - For instance, the disclosure on the margin required is disclosed upfront on the total expected payback is echo to interest practices - Sharing on the basis of performance should be chased
Adiwarman Karim (AK-INDE)	- Not all BMTs were under FSA, only "KJKS" - Reason is due to its being capped in one city - Diversification is one key business success - One license all over Indonesia - Another thing is the conviction that it is self-regulated for BMT
Irfan S Beik (ISB-INDE)	- Partly aiming at revitalizing Islamic teaching - Constructing Islamic teaching in economy that were not relying on foreigners
Dhumairi (HMD-INDE)	- Chanelling is the reality of BMT presence today - On top of that, even BMT deposit their fund in the bank - This create dependency to the system by formal rule
Sigit Purnomo (SP-INDE)	- Refer to unguided trial and error form articulation - While that is the case, intellectual influence was also presence - With this characteristic, leading the accentuation with institutional product was expected
Ascarya (ASC-INDE)	- What make people to some extent expect for independency was that dependency is destructing - What happen when there is crisis? - How about diversification?
Tendy Ahmad (TA-INDE)	- An autonomy initiative can only be accommodated within micro-sector - It is based on a trust that the individuals and micro-level are capable of handling pressure
Setiawan Budi Utomo (SBU-INDE)	- The uniqueness liess on its autonomy of articulation, even with the increasing engagement of state institution along with civil institution - Nevertheless, the movement is not subdue of state or other institution - This remains intact in any of the intiatives

***2.5.12. Profit-Loss Sharing Enactment* (PROENC)**

Name	Highlight
A.M. Saefudin (AMS-PRO**ENC**)	- Promotion of sharing of entitlement of the adverse condition (implied) - mechanism created by introducing a scheme that allow, for instance, individual account holder to be a partial investor - Recording loss - Market grows - MUI-driven concept
Jimly Ash-Shidique (JA-PRO**ENC**)	- Sharing economy where benefit is spread - Islam as solution of modern problem - Profit-loss as characteristic – should not go into one packet

	- Attached to entrepreneurship – develop creativity – institutional work on the motive of sharing economy
K. H. Ma'aruf Amin (MA-PRO**ENC**)	- accommodated in the banking law - *Sharing* is part of *Shari'ah* - People initiative
Dhumairi (HMD-PRO**ENC**)	- Only three items allowed for this - Earning from trade, sharing revenue, or selling services - Forbidden from cultivating Money - Consequently, the new conception on the obligation of returning principal – yet, not on the share of profit
Rahmatina Kasri (RK-PRO**ENC**)	- No return without risk in Islam - Sharing concept - Turning point
Rully Preasetya (RP-PRO**ENC**)	- Shari'ah implementation in finance through profit-loss sharing - This system drives the operation of BMT - Yet, due to further difficulty, many BMTs collapsing
Tendy Ahmad (TA-PRO**ENC**)	- Preference on the application of profit-loss sharing mechanism to realist just - Hence, related to just financing where risks should be shared, not imposed - Avoiding rentenier
Anwar Abbas (AA-PRO**ENC**)	- It was a norm that was seen as primacy of Islamic economic inserted in banking modification - He discovered as a consequence of translated values within a bank within which accommodate the purpose of Shari'ah - Even, within a framework of a bank, it is possible
Yunahar Ilyas (YI-PRO**ENC**)	- Sharing spirit as norms opposing capitalistic economy - Islamic economic is on the basis of sharing spirit - Articulation – profit or shared among financing for businesses - The current condition has not reached there – *mudharabah* > *murabahah* - yet *mudharabah* has great risks - Expecting sharing as an advanced mechanism

***2.5.13. Channelling* (CHA)**

Name	Highlight
A.M. Saefudin (AMS-CHA)	- Chanelling in his term refer to coordinated and cooperated Islamic financial institution - This means that each form of institution, from big to small assist each other in ensuring for full disbursement - For example, institution of Islamic banking help providing capital and technical support for micro-institution
Halide (HA-CHA)	- Representing collective basis of the articulation - Channeling from the activism to the institutional product (Crowdsourcing) - Partnership established between activism and formed institutions and its roles
Aslichan Noor (AN-CHA)	- The expectation for *shari'ah* financial institution to perform channeling was limited by capacity of the main actor, which is Bank Muamalat - The needs are massive (from small businesses) yet the distribution was limited - - From working group into institution, channeling in micro level was established through an incubation centre – Non-government one – acting as fund provider - Related to empowering and initiative
Muhammad Touriq (MT-CHA)	- Channeling was only possible when each institution perform its role - In this regard, Islamic capital market can provide a function that channel its excess of capital to other IFI institution
Irfan Syauqi Beik (ISB-CHA)	- As it is sourced from a movement, share resources were part of the practise

	- Aspired activism to push the institution to share resournces, in this regard, linking those overcapitalised with undercapitalised yet ahad greated needs to distribute financing
Ruri Prasetya (RP-CHA)	- It was as basic as establishing a mechanism to channel capital from those having access to those in need of fund - On this basis, the fluidity on the transfer of fund should be allowed - This idea moved activists to create conditions - Related to the nature of BMT that often enjoin an association
Dian MAsyita (DM-CHA)	- Islamic economic activism converged enthusiasts to assist through their organisations to secure funding from Islamic financial institution - Favoritism is expected within this situation
Ventje Raharjo (VR-CHA)	- Withing Islamic economic activism, the increase of social welfare is the key and finance perform this function of channeling - This channelling precondition of finance for greater good is even promoted by religious values
Tendy Ahmad (TA-CHA)	- The based assumption was that chanelling would strengthen the presence of IFI - Chanelling was the method to ensure that the initiative and institution with independent orientation sustain competition - This idea, however, is hampered by competition without ethics as prove by the bank, winning its all
Farouq Al-Awyni (FA-CHA))	- Refer to grouping strategy of IFI, especially IMFI, where shared resources not only inticated within the member of the movement, but also by the IFIs

***2.5.14. Concept in Search* (ConS)**

Name	Highlight
A.M. Saefudin (AMS-ConS)	- *Muamalah* orientation was indeed an interesting area which cover economic financial activities - There were discourse within *fiqh* as a norm extracted - Nevertheless, the dynamicity of issues have brought challenge on how *concept* could be generated in offering solution such as within banking sector
Dawam Raharjo (DR-ConS)	- Indonesian experience unique on its BMT story within micro-sector as the only experience that is presence - While other have imported concept that were invented by the American - Pursuance of alternative system with sharing principle as background
Halide (Ha-ConS)	- Consequence of dishonouring interest practices - Yet, rooted in Islamic (authentication) pursuance - Civil moved creating project with the involvement of ulama and economy - Imbueed with productive orientation
Nadratuzzaman Hosen (NH-ConS)	- Pursuing a long term solution on the problem in the periphery related to the practise of loan shark - Working toward tailoring the need lies on the problem especially within agriculturlal space - In the development, the concept pursue popular trend
Didih HAfidhudni (DH-ConS)	- Pursuing alternative to unsustainable capitalism - Resulting in the search for alternative financial institution.
Adiwarman Karim (AK-ConS)	- Obsession over exploring possible authentic form for Islamic economic articulation and practices. - The main refence is on its form being different than the existing financial form - With the consequence than emphasise the substance and articulated within real sector orientation
Dian Masyita (DM-ConS)	- This concept in search managed to maintain the identity search process - In particular, awareness was increasing within middle class as its spiritual attachment encourage Muslim to involve in the product of the activism - In that, concept in search attempted to explore areas where it benefit the middle class Muslim

Nurmahmudi Ismail (NI-ConS)	- Search for universal concept - Yet, aligned toward Muslim particular lifestyle – Islam in public sphere - Institution with reflection of Islamic values – facilitating piousness - Formal institution changed when politic involved and collective request was made presence
Achmad Iqbal (AI-ConS)	- Gradual process of discovering by examining and approaching different form of articulation - In that, it has not identified the concept deemed to be authentic
Farouq Al-Awyni (FA-ConS)	- Islamic commercial concept suggest an enterpreneurial activities facilitated where business and its riskiness were accounted - As it lies in the area of commercialisation, it shared interest with the market - Henve, search forconcept conditioned by the pressure of the market
Setiawan Budi Utomo(SBU-ConS)	- Searching process as a consequence of maintaning and turning hopes - Nonetheless, it is a search of concept not necessarily on the aspiration alone but also on the familiarity of the market (market acceptance) - Hence, commercially viable Islamic alternative

***2.5.15. Accomodation* (Accom)**

Name	Highlight
A.M. Saefudin (AMS-Accom)	- Moving in line with the execution n positive realm in the absence of recognition - Accomodating secular rejectionism by adopting *shari'ah* - On the Logic of Finance First, resulted in banking oriented - In return, it is an accommodation of *muamalah* orientation
Nadratuzzaman Hosen (NH-Accom)	- Narrated the story of how the lawfulness of interest practices was disputed - Bringing the needs for mechanism to facilitate transaction - Accommodated through recommendation of Islamic version on financial institution
RAmzi Zuhdi (RZ-Accom)	- Because God forbid, Islamic financial institution should be accomodated - Accommodation of the Islamic financial presence was given by the technocrat through tax exemption and friendly regulation to ensure its ability to compete
Ahmad Fauzi Nur (AFN-Accom)	- Influenced by *rahmatan lil alamin* - Aiming at universality and inclusiveness - Integrating with the mainstream without losing *shari'ah*-ness
Muhammad Touriq (MT-Accom)	- The intention for this accommodation circled around allowing interest of capital - In particular, it was on the ground of turning as safety net tho those avoiding financial institution, such as capital market due to its lawfulness - Diversity and spiritual attitude create lifestyle that need to be accommodated
Ruri Prasetya (RP-Accom)	- The presence of *Shari'ah* financial institution has accommodated the interest and idealism of activists - Its rather simpler matrix and evolving size, appreciated such idealism - Furthermore, accommodation went beyond that as shared ideas were also accommodated
Anwar Abbas (AA-Accom)	- The first accommodation was on the recognition of *shari'ah* into banking act, which later ease the presence of Islamic economic activism - Prior to that, it was not even mentioned, yet, the norm of sharing accommodated to allow a development of Islamic economic institution - In exchange, this accommodation initiates an interst of other stakes, including technocrat
Sigit Purnomo (SP-Accom)	- Due tp systemic influence, a pragmatist approach is taken - In order to get accmodated, accommodating the systemic requirement is accepted - Eventually bring together what is possible to be constructed
Ventje Raharjo (SP-Accom)	- Not only on the aspiration side, but also on the career development as well as talent of individual involved

	- In other words, accommodation should span beyond aspirational but also on the ground of organisation attraction to professional involvement - In particular, opportunity to develop was provided
Agus Sediarto (AS-Accom)	- Commenting on *Shari'ah* scholars being accommodative in product launching - Responsiveness and support were highlighted as emerging characteristic - Going beyond *Shari'ah*, business mind was also involved - In other word, accommodating for the purpose was there

***2.5.16. Opportunistic* (OPPORT)**

Name	Highlight
Ramzi Zuhdi (RZ-OPPORT)	- Plausibility of Islamic proposal in unlocking dominant Muslim potential - Taking a background of the establishment of Islamic banking, the idea aroused at time when Indonesian Muslim population is at 85%, yet, majority of people are not bankable. - It is connected with Bank Indonesia moving toward creating opportunity
Karnaen Perwataadmaja (KP-OPPORT)	- Accesing space available within deregulation - Exploring potential within friendly environemtal setting, such as pushing forward sharing during crisis
Didin Hafidhudin (DH-OPPORT)	- Due to opportunistic behaviour of the market, activism also adopt opportunist behaviour - On the ground of its interest in growth, hence, being capitalistic
M. Syafii Antonio (MSA-OPPORT)	- Boost more middle class - Turning unbankable into bankable - Assisting underprevilleged - Issue of inclusion -spiritual
Nadratuzzaman Hosen (NH-OPPORT)	- An opportunity aroused over unlawful practices in finance that triggered interest on Islamic articulation in economics - As the practices of such was exploitative in the periphery, the discourse open an opportunity to march for solution and alternative arrangement in Islamically aspired manner
Irfan Syauqi Beik (ISB-OPPORT)	- Institutionalisation of values-norms of Islam within economic space through Islamic finance shade an opportunity to bring about an authentic form of Islamic finance in tangible form - Creating a momentum for Islamic economic movement
Ascarya (ASC-OPPORT)	- Unplanned, unstructured, and under-incentive had an opposing positive condition, which are flexibility and independency - In that, opportunity is created within available space
Anwar Abbas (AA-OPPORT)	- Refer to statistic portion of Muslim being majority, this can become the potential market to target - Hence, a demand-driven orientation in place - What attract demand is on the specificity of lifestyle, hence, refer to increasing awareness of this particular lifestyle by Muslim
Dian MAsyita (DM-OPPORT)	- Asserting that cash waqf can serve the opportunity - Borrowing historical institutionalist approach and modify it for the purpose
Tendy Ahmad (TA-OPPORT)	- Exploring unregulated area not covered by the structure or not promoted by the regulation - This was on the part of area with degree of freedom - That is where Islamic microfinance is performing
Achmad Iqbal (AI-OPPORT)	- Malaysia success - Converge understanding - Between economic dev and secularization - Muslim majority gave legitimacy - Underdeveloped infrastructure
Setiawan Budi Utomo (SBU-OPPORT)	- Exploring room within high regulated and watched industry and institutions - Remained relecant for BMT - Related to continuous articulation of aspiration

2.5.17. Shari'ah Implementation (SHARI)

Name	Highlight
Ma'aruf Amin (MA-SHARI))	- Having *maqasid* as the standard of goal, deviation from shari;ah should not happen - Implementation of Shari'ah rulling was part of the mean to preserve shari'ah - In that, norms with disbanment consequence as well as promotion can be translated into practice, such as in economic and finance, as part of implementation of Shari'ah - This can extend to service or pricing
Ramzi Zuhdi (RZ-SHARI)	- The prohibition of *riba* created that avoidance behaviour - Bringing about the implementation of *shari'ah* is one of the causes of promotion of Islamic financial institution - This happened to push other interest due to shared commonality in the result, which is involvement in finance
Mulya Siregar (MS-SHARI)	- Shari'ah was not implemented dude to it remained unexplained (conceptualizing and approaching problem) - Conventional approach of optimization and dynamic one is used - With the motive to obtain acceptance for shari'ah implementation
Antonio (MSA-SHARI)	- Internally, it was one **individual exploration** - Yet, when he reflected on the practices and reality, the implementation of *shariah* bounded by either pressure from target of director and manager, business target derived from institutional profit motive - When it was proposed as preference, there was no punishment or negatve consequence of such
Adiwarman Karim (AK-SHARI)	- Implementation of *Shari'ah* within an Indonesian understanding, especially around the elite power circle, was on the basis of *muamalah* - With this approach, shari'ah implementation has offered a different degree of contribution toward shariah implementation was associated with
Ruri Prasetya (RP-SHARI)	- Intervention to intermediation in Shari'ah way was seeked indeed to open access of those who were not previlleged - Indeed, there was needs in which sycronised Muslim belief with practical options - Prior to this addressed of Islamic economic to the problem of finance, Muslim were stranded with this *ribawi* cycle - Facilitative in nature
Ventje Raharjo (VR-SHARI)	- He highlight the main of existence was due to individual expecting to implement shari'ah in its own life - Related to the purity of shari;ah adopted and how institutional presence response to this
Tendy Ahmad (TA-SHARI)	- Essence of *Shari'ah* economy implemented in the periphery - BMT as an approach in empowering and turning productivity within cooperative institution - It is a different form of shari'ah implementation with the attempt of outrach in practical sense in accordance to problem faced
Anwar Abbas (AA-SHARI)	- When one claimed that it is *Shari'ah* financial institution, implementation of shari'ah was what was promoted - This create expectation that implementation of Shari'ah should be in place
Yunahar Ilyas (YI-SHARI)	- In Islamic jurisprudence, there are two aspects. First is formal legal aspect, which is easier as it is more determining the mechanism…it is set in term of *fiqh.* The more challenging one is the core of Islam itself.*maqasid al-Shari'ah*. There two processes: the first stage is Islamising the formal legal structure, then we go into the substance.
Aslichan Noor (AN-SHARI)	- During the discussion on the establishment of Islamic bank - The idea was on inserting *shari'ah* consideration in institution, spreading values inside

2.5.18. Branding Approach (BRAND)

Name	Highlight
AM SAefudin (AMS-BRAND)	- *Shari'ah* branding has been institutionalised within banking Act - In order to gain acceptance avoiding phobia over Islam
Charmeida (CHA-BRAND)	- Again, the interest of branding was on appealing greater masses - Continuous re-branding in place, when it was about the benefit, exposing about th ebenefit - Branding on the base of the market
Jimly Ash-Shidique (JAS-BRAND)	- Branding as *Shari'ah* yet practiced as shark loan money lender - Branding *Shari'ah* as introductory, redeeming people allergy toward *Shari'ah* - Branding for solidarity rather than maintaining the practices - Controlling awareness to closen the exclusion effect - Narrowing meaning and capacity
Ramzi Zuhdi (RZ-BRAND)	- *Shari'ah* brand as the centre of its focus in order not to remain intact with the Shari'ah requirement - This is a unique factor of appearent and orientation Unique factors: - Anti *riba*, anti expropriation, - Open information and underlying basis - Just basis - This unique factor is bounded as brand
Mustafa Edwin Nasution (MEN-BRAND)	- Little resistance as *Shari'ah* - Easily addressed as a non-shariah law extension - Indifference of condition
Didin Hafidhudin (DH-BRAND)	- Such branding contributes to the narrowing understanding - That Islamic economic is based on legalistic form - We propagate that it is beyond the label as such - If it is exercise accordingly, it will be more competitive
Rahmatina (De-reductionalism) (RK-BRAND)	- Islamic version under ministry of education while *Shari'ah* version under ministry of religious affair - Effect of *Shari'ah* narrow into hukm, hence, Islamic is more appropriate - Going beyond *Shari'ah*
Muhammad Touriq (MT-BRAND)	- *Shari'ah* as only a brand while not applied in practice - Nevertheless, *Shari'ah* label closing that rrefusal and bridging that perception
Irfan Syauqi Beik (ISB-BRAND)	- Related to the story on the introduction of *shari'ah* branding in obtaining acceptance from Suharto - Interchangebly in his view between shariah and Islam in economy
Ruri Prasetya (RP-BRAND)	- Branding help create symbolisation - Symbolisation is used to unite difference and to help in sizing up
Sigit Purnomo (SP-BRAND)	- Reflecting upon the branding that has mild effect - Oly become impactful when it was rather an issue of compliance
Anwar Abbas (AA-BRAND)	- Interchangeable use of *shari'ah* and Islamic one on institution produced - Create confusion but not substance one - In that, *Shari'ah* as branding utilised as a mechanism to acquire acceptance - In particular, this is useful to tap into emotional market
Farouq Al-Awyni (FA-BRAND)	- Branding has to be strengthened in order to adjust to critique - Innovation is one way, yet the importance is the frame

2.5.19. Filtering (FILT)

Name	Highlight
Ma'aruf Amin (MA-FILT)	- Guidance on aspect of filtering through fatwa as permit ; mechanism was shariah compliance - Secondary to fatwa was regulation
Yunahar Ilyas (YI-FILT)	- Again, from fatwa in filtering to regulatory framework - Product level filtering as the key

AM Saefudin (AMS-FILT)	- Development facility with imposed requirement agaist unjust practices - Filtered development - Filtered financing
Charmeida (CHA-FILT)	- Guidance on eliminating *riba* - The task to ensure its substance was not leaded
Muhammad Touriq (MT-FILT)	- clearing ribawi structure - Ensuring the appropriateness with *shari'ah* - forming what practices are permissible
Setiawan Budi Utomo (SBU-FILT)	- Halal concept streamline what is prohibited, than expanding through areas that do not fall into category - Essentially this approach is extended from finance to other industry - Hence, Industrial oriented accentuation
Aslichan Noor (AN-FILT)	- Avoidance due to practices of *riba* while business is supported by capital give arise to the activism with the orientation to filter - Filter in this regard is an orientation where the focus is on how to benefit from the structure for financing so that Muslim are at ease to access them through such bridging mechanism that is acceptable in the view of religion - Including to accommodate the existing *ta'awun* practices within
HM Dhumairi (HMD-FILT)	- Fatwa generated innovation for filtering - Fatwa as the pillar of regulation - Compliance as a middle way to bridge concept and real practices - Dynamic as it is continuously revised
Sigit Purnomo (SP-FILT)	- It is related to an idea on which income can be purified when the awareness is high among Muslim majority middle class - A presence of institution was there to institutionalised this purification, hence, filtering through institution
AScarya (ASC-FILT)	- As financial service is deemed to be unislamic, yet, the function serve the economy, the reclaim of its purpose is served by removing the contaminated practices of *riba* - This is the milder form of addressing the incoherency of financial practices to Islamic values - Nonetheless, it blinded the aspiration, as the change proposed is functional in nature
Rifki Ismal (RI-FILT)	- Upon a consideration on the condition of *shari'ah* imposed to the practice (interaction) in finance, the attempt was to single out this unlawful practice - In that, the method was on filtering this through modification on guiding logic and principles - The main example of this on the requirement of the use of contract in Islamic financial practices
Dian MAsyita (DM-FILT)	- A friction of *rahmatan lil alamin* extended to the adaptation of filtering mechanism - Within the same understanding that Muslim should have access to economy, this was on the ground that Muslim will have awareness on the importance to the involvement in the economy - Hence, filter is for benefit, analogy to wearing *hijab* - Initial understanding: cost is important, economic activities accounting for cost, yet, considering *shari'ah*
Rully Prasetya (RP-FILT)	- The main focus was on removing those unallowed transaction - Influence by *muamalah* orientation related to permissibility of all except that were regarded as intolerable
Irfan Syauqi Beik (ISB-FILT)	- Raising the importance to shape environment in accordance to its nature - As the activities took place in real sectors, adjustment on the nature of this real sectors as focus - Other unrelated ignored and rather emphasise on the importance
Ahmad Fauzi Nur (AFN-FILT)	- Secluding practices that were not allowed within Islamic understanding - Within the implicatio of belief system extending to operation - Start from legitimate sources of Income

Farouq Al-Awyni (FA-FILT)	- As the market practise on the business of finance concern on acquiring capital and making business, the least that can be accepted is through filtering orientation - In that, only regarded what is violating the supposed core principle of Islamic economic

*2.5.20. Ulama Activeness (*UL)

Name	Highlight
Muhammad Touriq	- *Shari'ah* competency within fin institutions were low - Regulator were also sort of expertise with this - National Shari'ah council active role - Yet, finance expertise on market and regulator - Partnership on conjoining finance and *shari;ah*
A M Saefudin (AMS-UL)	- Reformation within institution of ulama - Modernist Muslim intellectual dominated - Spirit of actualization, including in finance - Implementation of idea related transformation - Leading in provision legitimacy
Karnaen Perwataatmadja (KP-UL)	- *Ulama* influence on securing support and influencing - MUI as central institution - Moving toward coalitional basis initiative - Increasing involvement of other *ulama*
Ma'aruf Amin (MA-UL)	- Providing the bases from which *shari;ah* economic operation land on - Mobilizing actors and resources - Part of civil society along with umat, industry, authority
Mustofa Edwin Nasution (MEN-UL)	- Banking-oriented fatwa issued - Particular model of economy was not issued - Migration to greater economic issue is needed
Aslichan Noor (AN-UL)	- In the beginning, it was recognised the role of iulama on the emergence of institution of Islamic economic, especially Bank Muamalat
HM Dhumairi (HMD-UL)	- Ulama in particular with its development of *da'wah* that extend its scope to focus on the conswquence of violating norms of Islam - Hence a dimension of *da'wah* exponent to the development and evolvement of Islamic economic cause - Being honest promoted as one of the suggested values of Islam, including in avoiding such context
Dian Masyita (DM-ISB)	- A patter of *ulama* activeness also being witnessed in other side, especially those that emphasise the spiritualism - It managed to appeal middle class – embracing Islam in different form, especially within its compatibility with capitalism - Association to *Shari'ah* product were there
Irfan Syauqi Beik (ISB-UL)	- The increasing presence of MUI with the rise of elite Muslim - Able to capture the opportunity – within momentum - Supported by those with Islamic background at the parliament – '92
Anwar Abbas (AA-UL)	- *Ulama* has undergone a reformation where its expertise become specific - In that, the specificity of its expertise was challenged, resulting on its expansion to wide-range of areas
Setiawan Budi Utomo (SBU-UL)	- *Ulama has* historical role in the emergence of Islamic finance as there were the agent introducing the concept of bank without interest

2.5.21. Standardisation (STD)

Name	Highlight
Muhammad Touriq (MT-STAND)	- Process was taking place on the product level or frame level where its appropriateness was seen upon existing regulation or structure - For capital market, it was not against hence promoted
Ascarya (ASC-STAND)	- The condition allows the emergence without further transformation, referring to Bank Indonesia Act - Referring to the flexibility to both conventional and *shari'ah* - The goal was on the market share

Rifki Ismal (RI-STAND)	- Reference was made to the foundational Act of the nation, fueled with *shari'ah* values - In that, familiariaty was already presence to Islamic economic presence
Setiawan Budi Utomo (SBU-STAND)	- Standardisation was made possible as common practice professionalism and good governance were incorporated as an Islamic reflection in economy
Ascharya (ASC-STAND)	- Due to the categorisation, the dual-orientation seek for harmony of social and economic activities were not accommodated - This logic of categorisation has stripped down the aspiration, which subsequently is after the fulfilment of the two
Anwar Abbas (AA-STAND)	- Refer to even the compatibility of *shari'ah* to available theory in economy from the west
Farouq Al-Awyni (FA-STAND)	- From learning by doing of experimenting and innovating, practicality effect has pushed for adoption of best practices - The role of regulatory/governing body is important here
Tendy Ahmad (TA-STAND)	- Priority given to the encouraged Islamic contract - On this ground, even the independent orientation agreed to adopted standardisation not only to ensure uniqueness but also on bringing different understanding into one.
Rifki Ismal (RI-STAND)	- Due to assigned role, articulation of the role of regulatory activists aligned with the institution that it belongs - The main extension of regulatory activist is on expanding the regulation and regulationary framework to account for differing practices of Islamic financial institution - The opposite consequence was on standardisation in fitting the practices into the regulatory framework
Ventje Raharjo (VR-STAND)	- Due to active regulatory/ technocrat, the course of development of Islamic financial institution depend upon this - Supportive in the eye of regulator was through regulation and leniency
Agus Sediarto (AS-STANd	- The problem aroused on the internalization of particular common practies, such as professionalism - Due to conflicting purpose on the ground of *shari'ah values* against more business orientation

2.5.22. Enculturation (ENC)

Name	Highlight
AM Saefudin (AMS-ENC)	- Sourced from history of Islam that emerged in Mecca yet developed in Madinah - Recognising the importance of ethicality within Islamic economic articulation - Focusing on promoting participation and lawfulness - Benefited from secular rejectionism stimulating interest - Started with collective work, crowdsourcing, then to awarenss of lawfulness
Karnaen perwataatmadja (KP-ENC)	- Aiming at behavioural transformation in the form of promoting fairness and honesty - Institutional activism is part of the learning process - Such that Islamic ethics is considered as benchmarking - In staging basis with collective process - On the idea of Islamic frame of understanding on economy
Halide (HA-ENC)	- Along with the the interest in translating Islamic values alive - Creating presence beyond discourse - Expecting modest consumption within productive entrepreneurial environment (*Sunnah-based* economy)
Didin Hafidhudin (DH-ENC)	- Long-run goal on behavioural transformation - Conducted in gradual basis through an isomarphism - Institutional presence was part of the etalache for this engagement
Mustafa Edwin Nasution (MEN-ENC)	- Derived from the aim to correct misunderstanding - Approaching *riba* discourse adjusting toward perfection

Charmeida (CHA-ENC)	- The purpose of the activism was on inserting a consciousness of moral honesty within the articulation - Socialisation was to overcome awareness problem in the short run and offering a shadelight on institutional form - Importantly, the long run was on overcoming value-free orientation to reflect Islamic one
Nadratuzzaman Hosen (NH-ENC)	- The main problem of realising Islamic economics was on the differing behavioural norms - Propagation on the of Islamic economic within the activism was within this idea - Paving the way for behavioural transformation
Tendy Ahmad (TA-ENC)	- Spreading the essence of *shari'ah* economy - This can only be done through a presence of its application - This started in the periphery to raise familiarity - Community based approach is promoted - The challenge was on gradually introducing alternative practise accesible

2.6. INTERVENING CONDITIONS

2.6.1. Capacity (CAP)

Name	Highlight
AM Saefudin (AMS-CAP)	- Emergence not only on coming into existance but also in maintaining the presence - On the presence, liberalisation on the process pose competitive pressure, which expect institution to come with competitive quality - Masterless ulama on professionalism, under literacy - When this quality was not there, collective spirit and action was pushefd forward
Halide (HA-CAP)	- Capacity should be developed in response to providing needs on multiple purposes, from consumption to production - Commodity and product oriented production support - On Indonesian first
Mustafa Edwin Nasution (MEN-CAP)	- Indirectly referring to this through unsureness of equality on power and strength - Comparison between those highly trained with particular capacity with currently emerged one - Yet, the reference was on public image on the valuation of capacity
Ramzi Zuhdi (RZ-CAP)	- Main drawback is on human capital that would meet the need of explorative yet skillful
Dawam RAharjo (DR-CAP)	- Capacity problem sourced from management not mastering the principle of Shari'ah bank - While SSB not mastering economic understanding
Charmeida (CHA-CAP)	- Capacity limitation related to resources and capital related - In that, it limits the space that the activism can explore
Adiwarman Karim (AK-CAP)	- Poor corporate governance - lack of expertise - Under Capacity - Number oriented rather than function and contribution basis - Aspiration-led capacity building - Experimentation within regulatory gap - Enthusiast and strong ulama support - Catching up presence of SSB
Irfan S Beik (ISB-CAP)	- Further institutionalization and integration of *Shari'ah* monitoring function - Expectation on quality improve, + expertise add - Focus on capacity matching - Geographical distribution incur challenge on spv

Ahmad FAuzi Nur (AFN-CAP)	- Ability to scale up - Experiencing under capacity - Migration response plan - Governance quality
Ruri Prasetya (RP-CAP)	- Solid practical capacity is missing, hurting the fight for idealism - The problem of framework of thinking, especially on the implementation of *shari'ah,* and institutional presence collapsing teach the lesson on revisiting the framework of thinking - His opinion toward public fund injection on the ground of professionalism would rather have adverse contribution to capacity building - Capacity developed within independency orientation
Sigit Purnomo (SP-CAP)	- Quality human capital is needed beyond supportive regulation - This was on the purpose on institutional sustenance as the norm of sustainability
Ventje Raharjo (VR-CAP)	- Reason of capacity issues remained on governance and human capital - Suitable governance should be looked which ensure its stability at least - Human capital refers to an expectation for people involved to support its presence in term of staying competitive under the condition - The reality of Islamic economic activism with Islamic bank are lack in both governance and human capital - On top of that, the technology difference also contributed to gap in capacity
Ascarya (ASC-CAP)	- Capacity hit by layers of problem from double taxation, legal problem - Banking format limited its realisation in real sector - Yet, its shari'ahness indeed part of this reality oriented - On the other hand, internal capacity to develop institution was poor, resulting in mismanagement - This is resulting in the limitation of its scope to remain within retail sector
Dian Masyita (DM-CAP)	- The rise of opportunist action that were not familiar with base substance - The base line was that spirit was not sufficient, breaking down applicative steps were key to execution - An epitome of planned and staging orientation - The importance of holistic view on this, so that capacity is seen in totality
Tendy Ahmad (TA-CAP)	- The growth on the micro-level was not complement by enabling capacity - One of the issues was on BMT focusing on *tamwil*, which is the commercial side, leaving behind *maal* function - This condition lead to unbalanced functioning, which left behind social-orientation of the activism
Rifki Ismal (RI-CAP)	- Requiring deep and highly technical capacity - Lack of Estimation and modelling - Legitimacy being questioned - Ghirah and capacity
Yunahar Ilyas (YI-CAP)	- Cooperation effect - Lack of standardization - Lack of financial risk understanding - Incorporating assessment and standarisation - Implementing reward and penalty approach
Agus Sediarto (AS-CAP)	- In shaping Islamic financial institution, under capacity to serve the interest of the market and the economy have led to preference given and directed to conventional one - Comparability in the market hit those with weak capacity

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2.6.2. External Awareness (AWAR)

Name	Highlight
AM Saefudin (AMS-AWAR)	- Awareness as one that is accumulated - Institutionalisation as attempt to increase recognition - Initially through consideration of its mechanism of financing (sharing) as norms of institution - Later, it was targeting the institution to be recognised

Jimly Ash-Shidique (AMS-AWAR)	- Even with the presence of Act on recognition of practice and institution of *waqf*, awaresnesss remained low - Related to Muslim involvement and subscription to Islamic teaching
Mustafa Edwin Nasution (MEN-AWAR)	- With the recent development on government involvement, people are gradually aware of this issue - In order to develop *Shari'ah* institutions, people perception have to increase - This is as important as how policy impacting this
Ramzi Zuhdi (RZ-AWAR)	- The main challenge of slow conversion is on poor socialisation - In that, awareness remained problem
Didin Hafidhudin (DH-AWAR)	- People only know about the contracts - The understanding of the rest is limited - This is hinderance, thus, people need to be educated
Mulya Siregar (MS-AWAR)	- As it is a new concept, awareness is key - Hence, only limited people understand
Dawam Raharjo (DR-AWAR)	- Another reflection on awareness as given or improved - Due to consideration of awareness as given, it posed assumption on the basis of the action
Charmeida (CHA-AWAR)	- Stagnancy on elevating to another level due to poor awareness
Yunahar Ilyas	- Indeed, awareness is seen as an essential tool to decrease the inconsistence and divergence - As the substance is not endorsed, the burden is on the people - Hence, part of the goal is to expose those in the institutions with issues such as maqasid
Muhammad Touriq (MT-AWAR)	- On public awareness to not only of Islamic finance but also to finance in general - On the principle of investment and investment within *Shari'ah* consideration - Open opportunity to be more publicly known compared to conventional one
Irfan S. Beik (ISB-AWAR)	- He seen a flock of those who were growing in awareness and getting the essence of the movement - In other word, awareness can be the entrance toward later being active - Or in very passive one is on getting people to do economic in shariah way
Sigit Purnomo (SP-AWAR)	- Key to institutional recognition and development - Bound to awareness as continuous work - Not only that it converts enthusiast, but also closen the gap on differing view between stakes - Higher awareness was observed, gradually developed
Ventje Raharjo (VR-AWAR)	- What is creating difficulty for shari'ah financial institution? Gap in knowledge, to some extent understanding - The question of readiness?
Ascarya (ASC-AWAR)	- Awareness was more toward modern financial institution and in that government was supporting - The question would be on how than you can compete with such situation - This can be seen in education setting
Rifki Ismal (RI-AWAR)	- Highlighting the homework of low awareness of understanding - Yet, did not made enquiry on what is the current awareness
Anwar Abbas (AA-AWAR)	- Awareness on the challenge faced by institution of Islamic finance was not tolerated - In the end, it assumes that everyone are capitalist, hence, the purpose was on exploring benefit obtained through one
Pungky Sumadi (PS-AWAR)	- Awareness has to be grown from education - Marketing promotion would not be effective, instead, it needs education for this in all level
Dian MAsyita (DM-AWAR)	- Logically, taking long borrowing is not benefiting as there is capital there - Low cost with great silaturahim is the approach needed - Hence both sides, financer and agents were in good understanding and responsibility - Such approach with practicality?

Farouq Al-Awyni (FA-AWAR)	- Awareness as given due to Muslim majority - As it was not well demonstrated, should be stimulated for this purpose

2.6.3. Secular Rejectionism (ISPHO)

Name	Highlight
A. M. Saefudin (AMS-ISPHO)	- blurring Islam through *Shari'ah* - negated politically - The problem of Islam abangan - unconducive superstructure? - Nationalistic orientation dev
Karnaen Permatatmadja (KP-ISPHO)	- Resistance to Islamic innovation - Sourced from secular position
Jimmly Ash-Shidique (JAS-ISPHO)	- Extreme act is not possible - Different position of elites - Even within Masyumi - Sound like Secularism
Mustafa Edwin Nasution (MEN-ISPHO)	- Little resistance on branding of slam - Indifference in general - Those resist cconcern on shariah law implementation
Didin Hafidhudin (DH-ISPHO)	- Secular rejectionism surpress any activism with Islamic orientation and label - This condition is diminishing
Nadratuzzaman Hosen (NH-ISPHO) Negative Sentiment	- Another conversion of etalache of current institution was not easily accepted - Complain and protest were filing one, highlighting the displeasement and artificial creation - To some extent, certain exaggeration of the proponents scares people
Rahmatina Kasri (RK-ISPHO)	- Not-Pro-Islam frame between 70s ad 80s - Negatated slogan of Islam - Sociological Approach – Paron Bawon
Sigit Purnomo (SP-ISPHO)	- An unfavouring situation to an Islamically aspired initiative - Dated back to 1960-1970 sourced from political sphere extended to civil one - Created such tension to any Islamic articulation untio early 2000
Ascarya (ASC-ISPHO)	- Shari'ah brand was an inheritance or compromisation over negative labelling of Islam - It was past Islamophobia - Remaining stor?
Anwar Abbas (AA-ISPHO)	- Linked to where it start, shariah as the label rather Islam - It was political condition as such, those with no basis of religion - It is a compromisation
Irfan Syauqi Beik (ISB-ISPHO)	- Refusal on Islamic project in economy as the term Islam was not accommodative to collective bargaining - Reduced form of secular rejectionism was started with the use of *shari'ah*
Dian Masyita (DM-ISPHO)	- In the past, Islam is a scary termwithin the frame of nation state - In the early trial, it was difficult - Change abit latter
Rifki Ismal (RI-ISPHO)	- A prediction to the compatibility of Islam to economic matter - Government was sceptical as it is expected that such initiative has a backlash to government project - Continous attempt to convince its real basis
Yunahar Ilyas (YI-ISPHO)	- Anti-Islam governmet - Shariah branding instead of Islamic - Influenced its orientation on *Shariah*
Farouq Al-Awyni (FA-ISPHO)	- Refer to political sphere that secularly oriented, dejecting the presence of value oriented articulation

***2.6.4. Ignorance of Multiple Motives* (IGMO)**

Name	Highlight
AM Saefudin (AMS-IGMO)	- Splitted between initial proponents and supporters of institutional presence - Initial one was normative oriented, hence came with problem of application - Supporters were not recognising norms its propagated, misread the motives of its frame, pushing its motives
Halide (HA-IGMO)	- Even beyond early Islamic economic activists, interests were also related to state and business interest toward the cause - State was moved on the interest of Suharto on Islamic finance - Business was majorly stated related
Charmeida (CHA-IGMO)	- The effect of ignorance lead to resistance to othering motives, especially in relation to the cause - In the end, homogenization is what it led to - It is facilitated by certification, standardization and so on
Ahmad Fauzi Nur (AFN-IGMO)	- There are multiple motives that can be highlighted - Yet, it can be categorised into two groups, which are shariah oriented and business oriented - One is dealing with the present time while the other were securing the future (opportunity in the future) - Due to Shariah awareness more institutionalised
Nadratuzzaman Hosen (NH-IGMO)	- Other were more on the accentuation of belief and ideas - For instance, one was looking into the issue of provision of capital for farmers - It is partly driving experiment and the strive for new knowledge
Dhumairi (HMD-IGMO)	- Multiple motives managed to remain alive in the periphery - Yet, when it elevated to higher level, clash of interests was inevitable - As it could not be blanded, internal clashed was there - In micro level, the presence of different initiatives represented the heterogeneity in motives
Ruri Prasetya (RP-IGMO)	- The initiator or realy generation had that spirit on the implementation of Shari'ah - The latter generation were there out of the profit or what it offers - This is the reason where the ummah development happened to be oppositely to this kind of development - Shariah generate ummah orientation? - Becoming more and more profit purpose
Dian Masyita (DM-IGMO)	- The richness on Islamic economic was in its heterogeneity in accentuation - One could relate on this to voluntary action stimulation through as a motive of innovation - The law of attraction was there in this regard, which ever motives can go further
Ventje Raharjo (VR-IGMO)	- The missing building block constituted by multiple motives create that confusion on what it is supposed to be
Tendy Satrio (TA-IGMO)	- It is even becoming more common that it is welcoming more of those with profit motives, especially the micro institution - Does that mean that it is just going that far already (commercial)? - As a consequence, values developed were not the same as required
Anwar Abbas (AA-IGMO)	- It is sourced for multiplestakes that have interest in finance and economy - Albeit moved by similar instances, articulation take different forms, and comingle with different motives - Recorded from heterogeneity of purposes
Pungky Sumadi (PS-IGMO)	- One vision in developing shariah economi, yet there are multiple missions - While what remain is what can be seen and recognised, which is banking - This is again linked to expertise owned. There is a certain degree of unclear expertise required - This again linked to attempt to acquire one brand – linked to incetives? Goals?
Suminto (SU-IGMO)	- Those that start from down under had particular mission related to grond setting

	- When values brought were different from vision set up and operator vision, that will create conflict - Between independecy fight to project of individuals

***2.6.5. BI Effect* (BI)**

Name	Highlight
Rahmatina Kasri (RK-BI)	- Responsive-basis - Coordinating Act - Capturing trend - Balancing momentum and necessity
Jimly Ash-Shidique (JAS-BI)	- Sharing Economy, Sharing benefit - Collective Motive - Equitable Distribution - Spread *manfaah* - Conventional is pressuring people - Collateral
Ramzi Zuhdi (RZ-BI)	- Accomodation for agreed terms through regulation and recognition of element of practices within banking Act in the beginning - Even considered to be the only institution promoting the institutional emergence - This is out of its jurisdiction as regulator, while closely working together with other institution, such as MUI
Mulya Siregar (MS-BI)	- Moved by the understanding of the needs of financial system architecture - We brought concept and invited others - Yet, it was regarded to BI centric - Even, once we proposed blue print for the banking development - Again, it was not openly welcomed as to BI centric
Nadratuzzaman Hosen (NH-BI)	- Relaxation required to broaden - Redefinition of prudence over which risk and procedure of mitigation is created
Adiwarman Karim (AK-BI)	- IDB - Islamic banking in Indonesia - Opportunity
Irfan S Beik (ISB-BI)	- Prof. A.M Saefudin and Halide - 1st IE Conference - Active engagement - Informal spread
Ascarya (ASC-BI)	- BI move could be identified further upon the issuance of BI Act year ’99 - This act delegate supervisory control to BI, capturing the formal involvement of the institution
Rahmatina Kasri (RK-BI)	- Responsive-basis - Coordinating Act - Capturing trend - Balancing momentum and necessity
Ahmad FAuzie Nur (AFN-BI)	- Increasing involvement and engagement of BI - The only central bank proactively socialising
Rifki Ismal	- Important driver of *Shari’ah* economic institutional development - While the other state-based institutions were not that committed
Dian Masyita (DM-BI)	- As it was predominantly self-learnt, interest of other stakes generated collective interest - Including BI shaped Shari’ah economy learning process through access they have - Internationally connected

***2.6.7. Confusion* (CONF)**

Name	Highlight
AM Saefudin (AMS-CONF)	- Rush of money did not happen - Conventional FIs remained unshaken - Does this mean that fatwa is not legitimizing strengthening position?

Mustafa Edwin Nasution (MEN-CONF)	- *Shari'ah* name create confusion - Association with *hudud* and other limiting ruling - While the benefit delivered is rather on the spirit of Islam - The issue of contextualisation
Nadratuzzaman Hosen (NH-CONF)	- For this case, it was linked with the delusional bias as a result of blind support - He asserted that it was due to people confusion in itself on understanding the core of the problem - He emphasised the problem as to the source of riba whtihn financial practices
Muhammad Touriq (MT-CONF)	- Even when there is a call for spiritual-based product in finance, an alignment was not recorded - This is due to pragmatism of the market, even driving Muslim to adopt cost-benefit analysis
Ahmad Fauzie Nur (AFN-CONF)	- Muslim perceived effect and growing becoming institutionalised - Positive tone on the recognition to future endevour
Ruri Prasetya (RP-CONF)	- Even if the Muslim should be well informed on unlawfulness of particular market practices, the expectation for abiding to this was not in presence - Argued to be the case of non-conversion of Muslim once the *fatwa* on the *haramness* of interest was released
Dian Masyita (DM-CONF)	- Muslim majority argument stand as the main underlying reason behind the needs and essence of Islamic economic, finance, and banking
Ventje Raharjo (VR-CONF)	- Institutionalisation of Islamic finance entering vicious cycle - While this took place, not knowing the root made it difficult to extract solution - This is due to the blurriness of *shari'ah* economic
Anwar Abbas (AA-CONF)	- Muslim majority argument is on the basis of promoting Islamic economic(financial) institution - Confused on the applied system that do not reflect Islamic values - This left domination by certain groups, which is the majority in this case
Ascarya (ASC-CONF)	- Confusion in this sense is on understanding what the government want - On the other side, government could not grab what the grass root expect - AS consequence, the policy not able to target what it wanted - This is also contributed by incongruity of unresponsiveness of Muslim-supposed attraction to this emotional market, suggesting a disharmony
Tendy Ahmad (TA-CONF)	- While promoting a sharing platform, fixed term financing was still identified - This does not help in bringing understanding together
Achmad Iqbal (AI-CONF)	- Heterogeneity of Muslim elements in Indonesia - Confusion on what model to adhered - This means that there is no single model. Another meaning of which each element is came with its own solution
Pungky Sumadi (PS-CONF)	- Sourced from conflicting reality observed - This was on the abnormal practces of *shari'ah* bank that create expropriation

2.6.8. Resistance (RES)

Name	Highlight
Rahmatina Kasri (RK-RES)	- Resistance in Politic - From loyalist to rational - Ideological Continuation or opportunity - Government looked into the benefits offered - Bargaining is inevitable
M. Touriq (MT-RES)	- Market player see this as opportunity - beneficial rather than threat - Rationale driven player
A M Saefudin (AMS-RES)	- Resistance from Muslim economist - Questioning Islamic economics - Ethics in Islam related to economy

	- State apparatus did not welcome the idea - MUI driving this
Mustafa Edwin Nasution (MEN-RES)	- Little Resistance with the branding - Indifference – ignorance? - Resistance due to misunderstanding
Charmeida (CHA-RES)	- Resistance due to differing interpretation on articulation of Islam in finance - Informing and converging such that following the reform
Dhumairi (HMD-RES)	- Resisted due to its frictional purpose - Shari'ah economy should not in accordance to global concept - Syafiiyah dominancy – implemented within institution
Irfan Syauqi Beik (ISB-RES)	- Little Resistance with the branding - Indifference – ignorance? - Resistance due to misunderstanding
Rifki Ismal (RI-RES)	- There is no social resistance on the development of *shari'ah* economy
Achmad Iqbal (AI-RES)	- Inclusice – effective - Resistance rather than against - Heterogeneity require an element to unite
Tendy Ahmad (TA-RES)	- Along with the mission and the purpose that Islamic microfinance initiative, its presence was seen as hindering commercial-oriented institution - The engagement of commercial with the area that BMT served spread its orientation toward BMT - In addition, a trust problem aroused
Pungky Sumadi (PS-RES)	- Resistance in two levels where one related to resistance to adopt foreign conception while others related to resistance to be led by other civil members - Expectation for the leadership to the state

2.6.9. Infrastructure (INFRA)

Name	Highlight
AM Saefudin (AMS-INFRA)	- In his opinion, one of the most important form of infrastructure is the legal infrastructure - Such infrastructure refers to permissibility of differing practices within this - It is in the form of Act as part of recognition
Charmeida (CHA-INFRA)	- In ensuring emerging and developmet of institution, the supply side of the institution should be ensured - This could be taken place when regulator moving in - In other word, regulatory infrastructure should be ensured in pushing the coverage and size
Muhammad Touriq (MT-INFRA)	- Generally, well established infrastructure within financial sectors, area where Islamic economic is isntitutionalised - In building such infrastructure, capital is required to deal with establishment who s close to its efficient state - The relation of such with capital rientation
Rahmatina Kasri (RK-INFRA)	- Guarantee infrastructure - Realised benefits - Disincentive for high profit industry
Irfan S. Beik (ISB-INFRA)	- The importance of infrastructure - Solutive and workable infrastructure - Gradual Change - Radical Change and failure
Dian Masyita (DM-INFRA)	- Poor legal infrastructure that can resist and sustenance of the practices between institution and client benefactor
Rifki Ismal (RI-INFRA)	- Refer to legal framework that did not fulfill the requirement - As legality is important in finance, the articulation of Islamic finance find at odd
Anwar Abbas (AA-INFRA)	- Frame produced, especially within institution of bank, was hurdled by its own frame, resulting in burdening the operation in competitive and aspirational sense

Ventje Raharjo (VR-INFRA)	- In order to remained competitive, infrastructure is supposed to be at par to conventional finance and banking
Agus Sediarto (AS-INFRA)	- Infrastructure available facilitated predominantly on product issuance

***2.6.10. Scale Barrier* (SCA)**

Name	Highlight
Ahmad Fauzie Nur (AFN-SCA)	- Ability to scale up - Experiencing under capacity - Migration response plan - Governance quality
Mustafa Edwin Nasution (MES-SCA)	- Quantity-oriented capacity matched - Due to coverage - Quality should also be addressed - Standardised professional evaluation - Leveling up planning
Adiwarman Karim (AK-SCA)	- Poor corporate governance - lack of expertise - Under Capacity - Number oriented rather than function and contribution basis - Aspiration-led capacity building - Experimentation within regulatory gap - Enthusiast and strong ulama support - Catching up presence of SSB
Muhammad Touriq (MT-SCA)	- Quantity-oriented capacity matched - Due to coverage - Quality should also be addressed - Standardised professional evaluation - Leveling up planning
Irfan S Beik (ISB-SCA)	- Further institutionalization and integration of *Shari'ah* monitoring function - Expectation on quality improve, + expertise add - Focus on capacity matching - Geographical distribution incur challenge on spv
Ascarya (ASC-SCA)	- Orientation on banking inevitably reduced, sliced, and pressurised portion of micro sector - While micro sector was the coverage of rural-oriented institution of finance, the orientation on size naturally shrinked the micro one - Yet, even the largest one would not have that size advantage due to its mediocre form - In the end, open market condition interaction between larger scale and capitalised organisation, such as banks, toward smaller one such as rural institution
Anwar Abbas (AA-SCA)	- Size advantage should benefit form sizeable Muslim market - In the end, with this logic, size should come natural within this
Rifki Ismal (RI-SCA)	- Requiring deep and highly technical capacity - Lack of Estimation and modelling - Legitimacy being questioned - Ghirah and capacity - At the same time, low liquidity has pushed the reach of the aspiration
Yunahar Ilyas (YI-SCA)	- Cooperation effect - Lack of standardization - Lack of financial risk understanding - Incorporating assessment and standarisation - Implementing reward and penalty approach
Ruri Prasetya (RP-SCA)	- Problem of idealism that were far from practices is the source of experimentation - Yet, it was not supported by capacity as such - Enhanced from internal one, knowledge is okay yet the most important one is problem-solution linked

	- What we are lacking is solid problem identification
Pungky Sumadi (PS-SCA)	- Size is important in order to facilitate big and mega project - In order to be considered impactful, a sizeable Islamic financial institution is in need to capitalise big and long-term project
Agus Sediarto (AS-SCA)	- Mediocre scale of the biggest shariah financial institution - Scale was seen as a negotiated presence and

***2.6.11. Knowledge Gap* (GAP)**

Name	Highlight
Adiwarman Karim (AK-GAP)	- The needs of Islamic finance is a quality *Shari'ah* scholar - Highly qualified *Shari'ah* scholar of Islamic finance master both *Shari'ah* as well as finance
Mustafa Edwin Nasution	- SSB was expected to perform particular function - Yet, in practices they were not performing - It often found that they don't understand what they were supposed to do, hence it is sub-optimal - Automatically expanding
Achmad Iqbal (AI-GAP)	- Due to bridge of knowledge, confusion was aroused - Unclear of which approach of Islamic economy
Dian Masyita (DM-GAP)	- She referred to a condition of *scholar* missing the understanding on economy amd marketing - The needs was for those with economy and finance understanding - Hybrid individual
Rifki Ismal (RI-GAP)	- Limited understanding and capacity to perform the task of norm entrepreneur - The readiness for development is the main hinderance
Rahmatina KAsri (RK-GAP)	- Majority understanding on *fiqh* - What missing was on the ground that comprehending economy with *shari'ah* - In Indonesia, combined knowledge understanding is missing
Tendy Ahmad (TA-GAP)	- The condition that it was an alien concept, hurdle activists in delivering outcome - This was added by the use of unfamiliar terms
Dawam Raharjo (DR-GAP)	- SSB not mastering economic understanding - Management not mastering the principle of shari'ah banking

***2.6.12. Imposed Effect – Dillema* (SIE)**

Name	Highlight
Ma'aruf Amin (MA-SIE)	- No other way except involving in banking sector - The problem of interest taking and the importance of conventional scheme for financing - Addresing dilemma of those facing with interest
Muhammad Syafi'i Antonio (MSA-SIE)	- Momentum has benefited the movement in expanding this - Yet, bargaining is in place on rather expanding within the momentum or complying to the quality
Nadratuzzaman Hosen (NH-SIE)	- How rule of the game governs behavior of institution - Reality in Indonesia was the opposite
Anwar Abbas (AA-SIE)	- Refer to dilemma of actors moving into the project, limited by norms of its institution - Actors bounded by its structure, not allowed to favor, especially for regulatory institutions - Again, institution bounded by its mandate
Dawam Raharjo (DR-SIE)	- Another reference to bounded consequence to the framework of regulation based on institution - The main frame was not against or violating such regulation - Additional adoption to logic of transparency was expected as part of its imposition
Mustafa Edwin Nasution (MEN-SIE)	- Dillema due to institutional frame - The purpose of financing is aiming for profit

	- This becomes the criteria of success of which - On this matter, institution of *Shari'ah* bank is not fulling the expectation of IE
Ramzi Zuhdi (RZ-SIE)	- Conventional mindset creates that limitation or imposition to the project of Islamic economic
Muhammad Touriq (MT-SIE)	- In the end, normative measure would be affected by positive imposition of legal structure - Thus, Islamic legal structure with ifatwa containing legal norms, it was indeed depending on the act - Breaktrhough in term of act is important
Ascarya (RI-SIE)	- There is this identity confusion, in between commercial and shariah - Even with the term finance, create that kind of limitation - How can you be so high of expectation of mudhoraboh with this condition? - Furthermore, the emerging regulatory categorisation by FSA would strip down the dual-socio-economic orientation of Islamic financial institution - In the end, commercial-oriented imposition become the standard procedure – directed to corporatism - Structure imposed on the size-coverage and limitation to perform
Sigit Purnomo (SP-SIE)	- Imposing norms was added to micro-sectors where it should work in offering sustenance - Hence, it moved toward /focused on this issue
Irfan Syauqi Beik (ISB-SIE)	- Since Islamic economic was formed within deductive process, it was inevitably prone to regulative-based economy - Especially when it was on the perspective of institution as what has been conducted, regulative orientation is natural - In maximising monetum, a losen regulation is needed
Rifki Ismal (RI-SIE)	- A proposal for plan development lead to imposition of the proposed dimension of development to focus on Islamic banking and modern financial deepening
Farouq Al-Awyni (FA-SIE)	- In the early emergence, regulating/imposing policy has been in place even for social life - In that, prevention from performing of ritual was seen as the background context of this emergence
Ahmad Fauzie Nur (AFN-SIE)	- Growing Muslim effect - From informal to formal - BI accommodated - The increasing collective awareness effect - Positive influence to *shari'ah* economic development
Anwar Abbas (AA-SIE)	- An understanding that market is driven by a perfect market is flawed - Nonetheless, everyone assume that it is the situation - Such assymetery has put Islamic financial institution in weakening position
A M Saefudin (AMS-SIE)	- Muslim majority control should be formalised - Universal manfaah - Stay private - comingling controllers, mixed purpose
Dhumairi (HMD-SIE)	- Muslim initiation - Diversified members in development
Agus Sediarto (AS-SIE)	- Imposition to the standard of professionalism - This was seen as the key toward maintaining performance - Hence, an influencial imposition to what economy and business are indeed important
Suminto (SU-SIE)	- Preferential imposition over what is relevant and important - In that, preference extended to individual upon what is objectively assessed choice in finance, eg. Focus on liquidity on institution

2.7. CONTEXTUAL FACTORS

2.7.1. Competitive Pressure (COMPET)

Name	Highlight
AM Saefudin (AMS-COMPET)	- Post production is liberalized and involved in free market - Expected cooperation, realiy is within free competition - Survival rule – no cap of sizes
Karnaen Perwataatmadja (KP-COMPET)	- Reasonable profit - Lower conventional bank rate of return - Competitiveness in on disclosure and reasonable margin - Discount offered is one option
Mustafa Edwin Nasution (MEN-COMPET)	- When a competitive power is not there, *Shari'ah* was often defeated for non *shari'ah* purpose - This is how determining competitive force is
Didin Hafidhudin (DH-COMPET)	- Competitive pricing - Not more expensive than what conventional offered
Adiwarman Karim (AK-COMPET) (2nd Gen)	- Expected to be better, cheaper, and less hurdles - The concept should be good, and everyone should support - Imperfection at the beginning, overtime perfecting - Even in BMT, it is only the best of the best
Dhumairi (HMD-COMPET)	- The danger of competition without control - Refering to condition where BMT could not survived (linked to its independent nature)
Muhammad Touriq (MT-COMPET)	- Less advanced system and IT infrastructure save cost - Struggling to compete - Incentive is not applied hence unfair competition as well
Irfan Syauqi Beik (ISB-COMPET)	- Expectation on healty climate for competition - Creating competitiveness is part of responding to demand – quality and services
Ahmad Fauzi Nur (AFN-COMPET)	- When a competitive power is not there, *Shari'ah* was often defeated for non *shari'ah* purpose
Rully Prasetya (RP-COMPET)	- Being more competitive when the economy is declining - Awareness of which build is on its pricing uncompetitiveness - For this reason, expectation is put for them to be consistent, regarding the prices – negative side of pragmatism
Ventje Raharjo (VR-COMPET)	- The boundary was not presence; hence, it was one against all - Those settled businesses against an emerging one were against each other, without government without government interventing - In the end, competition on pricing, services, and product - What required is good governance for *shari'ah* bank and shariah financial institution - Segregated by size
Ascarya (ASC-COMPET)	- The presence of BMT was important in safeguarding the motives of Islamic economic cause - This was due *shari'ah* bank taking a form corporation would ended up being conglomeration - BMT were pushed to compete – in facing this need to corporatively compete - Should acknowledge its boundary - Nevertheless, competition should be embraced to determine one survival
Achmad Iqbal (AI-COMPET)	- Competitiveness set by its peripheral basis and hetogenous orientation with regional distribution - Is the core of competitiveness, but not recognised as one
Anwar Abbas (AA-COMPET)	- Price competitiveness become an important element of Islamic financial presence - In finance, competitiveness developed out of consideration that its role as an intermediary, which depend on standard set by capital provider - Due to its lack of competitiveness, often, this initiative struggle to move the market

Yunahar Ilyas (YI-COMPET)	- Just achieved first, then it should be competitiveness - This is related to offering affordability and access to finance
Suminto (SU-COMPET)	- Implied that competition was inevitable - It is difficult considering its size, hence, creating unfavoring condition - Area of competition: cash machine and network distribution, frontliner appearance, - The current *shari'ah* financial institution could not compensate talent to the level that conventional have - Similar to that, efficiency was problematic for institution at such size

2.7.2. Imposed Effect (IMPO)

Name	Highlight
Mustafa Edwin Nasution (MEN-IMPO)	- Dillema due to institutional frame - The purpose of financing is aiming for profit - This becomes the criteria of success of which - On this matter, institution of *Shari'ah* bank is not fulling the expectation of IE
Ma'aruf Amin (MA-IMPO)	- No other way than involving in banking sector for entrepreneur and economic actors - Gap between belief and practices- what happen the reality dragged others - Pursuance for contruct of appropriate solution with no clash
Ramzi Zuhdi (RZ-IMPO)	- The accommodation of norms was within the rule of the game of the existing structure - It falls into the category of intermediary; hence, it is imposed by rules and regulatory of the intermediary - For instance, institution of Islamic bank operated under regulatory frame of intermediary with modification that ensure avoidance of *riba*
Dawam Raharjo (DR-IMPO)	- Pushing social (society-oriented motives into) the realisation in obtaining the mean - Micro related - Yet, the structure on the macro related presurrise for a benefit oriented
Muhammad Syafii Antonio (MSA-IMPO)	- Momentum has benefited the movement in expanding this - Yet, bargaining is in place on rather expanding within the momentum or complying to the quality
Nadratuzzaman Hosen (NH-IMPO)	- Questined initiated from its enquiry toward (institution-based) rule of the game can govern behavior of economic actor - Viewed on Indonesia is that it is the opposite function to the governance
Muhammad Touriq (MT-IMPO)	- Even under different stage of maturation, and capacity, the activism and its institutional articulation faced Competition - Islamic economic articulation even not receiving pre-supposed Muslim support or favouritism - In the end, logic of finance influence this
Irfan Syauqi Beik (ISB-IMPO)	- The increasing size of the activism has led to a rise of momentum of further institutionalisation - Nevertheless, it faced hurdles in term of pressure of the logic to institutionalisaiton, resulting in compromise
Ahmad Fauzi Nur (AFN-IMPO)	- Considering that Muslim effect was presence and signifncat - In Indonesian context, market share should represent this majority of Muslim
Sigit Purnomo (SP-IMPO)	- As it is entered real form, converging to conventional standard is becoming inevitable - In addition to adoption, competition is also presence - In that greater convergence is inevitable
AScarya (ASC-IMPO	- There is this identity confusion, in between commercial and shariah - Even with the term finance, create that kind of limitation - How can you be so high of expectation of mudhoraboh with this condition?
Anwar Abbas (AA-IMPO)	- Majority in number, yet, minority in the possession of capital - Rooted from incompatible understanding of Islam

	- Embracing interpretation where Muslim were encouraged to be wealthy and hardworkers - When economy was settled, religion become easy
Agus Sediarto (AS-IMPO)	- A faith put on majority of Muslim - This should have effect to Islamic finance by definition, at least, to the consideration to some extent, in leaning with the cause
Suminto (SU-IMPO)	- Creating a preferential effect, yet, within a condition of constraint - For sustenance of IFIs, liquidity become important
Farouq Al-Awyni (FA-IMPO)	- Pressured was experienced within organization where he belong, where he struggled even to perform ritual of Muslim - Culturally, the imposed effect have been released out of social life - Even, this was recorded from the time of Suharto, albeit its control in politic
Pungky Sumadi (PS-IMPO)	- Those with Islamic appearance have no guarantee on the outcome - Rigidity of the translated fiqh ruling produced outcome that is dzalim - Leave aside competitiveness, it reduced attractiveness of Islam

2.7.3. Opportunity (OPPO)

Name	Highlight
Mustafa Edwin Nasution (MEN-OPPO)	- There is a future of IF - Market to explore - Experimentationn
Ramzi Zuhdi (RZ-OPPO)	- Improving monetary function of central bank - IFI has the prospect for furthering financial deepening
Karnaen Perwataadmaja (KP-OPPO)	- Deregulation of Act - Public Fund - Delegimisation of mainstream due to crisis
Mulya Siregar (MS-OPPO)	- Better than Political Islam - Bringing maslahah - Beyond haram halal - Bringing substance and opportunity
Adiwarman Karim (AK- OPPO)	- Universal opportunity - Issue of access – opportunity for everyone - System of which accommodating any expectation - Can become threat in the future for the finance industry - Join the movement
M. Syafii Antonio (MSA- OPPO)	- Boost more middle class - Turning unbankable into bankable - Assisting underprevilleged - Issue of inclusion -spiritual
Muhammad Touriq (MT-OPPO)	- Changing mindset - Converting those to join the market - Product and service should be provided - Attracting and mobilizing investment - *Shari'ah* as a lifestyle - Demography Bonus - Capital Market for financial inclusion - Resource Distribution
Irfan Syauqi Beik (ISB-OPPO)	- Captive market related to imposed effect - Huge size in term of acconts 18 million in banking, 22 million in BMT and Insurance
Ahmad Fauzie Nur (AFN-OPPO)	- unbankable population - Low penetration of shariah bank - Market potential is huge - Huge Muslim population - Civil Organisation Network - Window within banking
Rully PRasetya (RP-OPPO)	- Broader access to finance - A space available within unregulated arena

Ascarya (ASC-OPPO)	- A rise of free rider rather than opening space orientation. - This is due to big market size potential - There was those that joined for extracting the benefit, which is the net profit - Personal observation that the number was limited
Dian Masyita (DM-OPPO)	- Matching opportunity for grater access with the cost of providing this - At the same time, conventional financial institution were bounded by bankable requirement - The issue of access with cost of provision for targeting underprevilleged - Often contributed to the definition of *shari'ah* economy
Achmad Iqbal (AI-OPPO)	- Malaysia success - Converge understanding - Between economic dev and secularization - Muslim majority gave legitimacy - Underdeveloped infrastructure
Rifki Ismal (RI-OPPO)	- Muslim majority create no challenge - Undercapacity exist - Complementing function rather than substituting
Yunahar Ilyas (YI-OPPO)	- Capital provision - Vertical mobilization possible - Opportunity for success
Setiawan Budi Utomo (SBU-OPPO)	- Changing attitude from the political power not rejecting Islamic articulation during Suharto - Even more prevailed after democratisation

2.7.4. Passive Government (PAG)

Name	Highlight
AM Saefudin (AMS – PAG)	- Lack of control of government – stagnancy of this nucleus plasm – Uneven unfair game of competition - Cooperation require government facilitating – check and balance – change in regulatory approach - Corporation bargaining power - Liberalism should be adjusted for distribution
Didin Hafidhudin (DH-PAG)	- Government commitment is little - One of the unfulfilled expectations is on moving fund to IFIs - This is considered as unresponsive
Maaruf Amin (MA-PAG)	- Government involved when they are invited - Expectation is on more active government like what Malaysia did. - KNKS gave hope? - Next might be mega *Shari'ah* bank
Ramzi Zuhdi (RZ-PAG)	- Government passiveness related to avoidance to potential Islamisation project that this Islamic economic activism is proposing - Even, the recognition within regulation is taking place in gradual manner - Hence, it is not a shaping orientation but rather a gradual accommodation over agreed terms
Muhammad Syafii Antonio (MSA-PAG)	- Support was in presence, yet, it is not well orchastred - The triump of which it has been working on is on the affect policy - Nevertheless, (it has not been favorited) like fund channeling, instruction
NAdratuzzaman Hosen (NH-PAG)	- Indonesia did not have the luxury like what Malaysia did, supported by government - It is left looking for its own place and happened to have intersection with central bank - In this regard, interchanging motives
Dhumairi (HMD-PAG)	- Weak government role – cooperative charter was not protected - Legitimacy of the business is not important - Predicted consideration versus real consideration
Muhammad Touriq (MT-PAG)	- Regarding the condition to reach economic of scale in development, the current vertical and horizontal competition would stop from doing so - In that, government alignment was expected, e.g. through fund placement or preference to issuance of product such as *sukuk*

Ahmad FAuzie Nur (AFN-PAG)	- Indicate a non-responsive and non allign central government - Nevertheless, its presence is wanted as its policy can trigger growth
Ruri Prasetya (Dissapointment) (RP-PAG)	- Independent work was conducted in dealing with government passibeness - The other side were so embedded with government
Ascarya (ASC-PAG)	- A situation leading to the needs of government attention as its evolving size turned the pressure to the government - It was not necessarily mean a government lead, yet, it is a government accommodating the development through space or resources allocation or favoring regulation - The current trend move toward government lead
Rifki Ismal (RI-PAG)	- The emergence and development stressed by lower classes and pushed by lower classes - Upperclasses and elites do not have uniform voice - Government position was rather idle - As long as it not in friction to government agenda
Ventje Raharjo (VR-PAG)	- Government was not positioning itself in levelling the playing field - Uneven playing field due to capacity difference is supposed to be the focus of the government - In reality, the government kept distance to avoid Islamisation
Tendy Ahmad (TA-PAG)	- Government was not seen to be pro-active in driving for Islamic finance institutionalisation, even to its hybrid form
Achmad Iqbal (AI-PAG)	- Among all the articulative actions, there is no slight indication how government was proactive - Related to misconnection to center economic development agenda
Yunahar Ilyas (YI-PAG)	- due to different capacity – small will be weaker than the bigger - Guarantee mechanism is needed
Setiawan Budi Utomo (SBU-PAG)	- Government and regime position stick within recognition - The trend moving yet the government passive as it is

2.7.5. Environmental Change (ENVC)

Name	Highlight
Jimly Ash-Shidique (JAS-ENVC)	- Driving social enterprising (social oriented model and institution) require reform. - Importantly, its legal reform. - Equity system should be adjusted.
Mustafa Edwin Nasution (MEN-ENVC)	- Shari'ah as branding due to unfavourable environment. - Applicating different term to shadow meaning/neutralize meaning is often found. - Appropriateness to the situation rather than to the meaning - General understanding were still echo this.
Ma'aruf Amin (MA-ENVC)	- The environmental change that wave modernisation process forced traditional to transform themselves. - This includes religious institutions and community.
Irfan S. Beik (ISB_ENVC)	- Supporting factors were through regulation and education. - Education as expanding factor while regulation as reference.
Nurmahmudi Ismail (NI-ENVC)	- Appreciation was directed to AM SAefudin and Amin Aziz. - Capitalisation on academic, international momentum, and social condition that were unjust. - Hence, transformation was internationaly related.
Ascarya (ASC-ENVC)	- The crisis opened public eyes toward Shariah financial concept. - It is belief that they had resistence toward crisis – survive. - Since then there has been further adjustment to the environment, especially regulation – Only fcilitative.
Dian Masyita (DM-ENVC)	- Expectation of further environmental change . - Especially that environment is in relation to favouritism. - In other word the political economy of support.
Achmad Iqbal (AI-ENVC)	- Recorded from the crisis to legislation and regulatory amendment.

	- In that manner, agenda and accommodation of Islamic economic activism can be in placed.
Anwar Abbas (AA-ENVC)	- The situational change was taken place globally when a race for development was pursued by countries - Essentialising Islam in within this changing condition to modern one - Utilising teaching of Islam to the pursuance of modernity
Suminto (SU-ENVC)	- Recent development has suggsested that the government has increasing interest toward Islamic economic and finance movement - All riddling condition are removed easily due to the macro power in our hand - Expectation is gradual move toward Malaysian style

2.7.6. Conventional Presence (CONV)

Name	Highlight
AM Saefudin (AMS-CONV)	- Internalised understanding on substantiation of value system of Islam is minimum - With the set up of finance first while expecting finance as political economy, the presence of conventional economy standard inevitably trimmed down IFI
Karnaen Perwataatmadja (KP-CONV)	- Form of logic formed is simplified(reductionist) mindset - Pressure for emphasise on profiting logic - Hence, conventional referencing is dominating - Placing the activism with imbued value as marginalist
Jimly Ash-Shidique (JAS-CONV)	- Conventional presence was not only on its extended real form - Conventional presence has been embedded within the knowledge we obtained from the west - This echoes the understanding of cultural capital
Didin Hafidhudin (DH-CONV)	- People and environment paradigm of thinking based on conventional orientation - Due to human capital for conventional
Nadratuzzaman Hosen (NH-CONV) INI	- Chance for transformation was little as that was how the practiced work - This was due to even member of activism following the same understanding, standardized - In non-recognition, educating become challenge
Ruri Prasetya (RP-CONV)	- A presence of conventional standard set the attempt to form institution of Islamic economic only through the modification of this conventional standard - Thus, a strategy was on reforming.
Ascarya (ASC-CONV)	- Conventional orientation and logic halted the real-orientation of *shari'ah* related financial practices because of the nature of financial services as intermediaries, hence, prevented from involvement in direct transaction – disallowing murabaha practices - Such dichotomy hinder innovation related to this
Dian Masyita (DM-CONV)	- Current environment run by conventional mindset and setting - Even with institutional presence, in that, a presence should be set upon institution
Rifki Ismal (RI-CONV)	- Even with the introduction of *shari'ah* mindset, an involvement of agents of conventional industry shape and pressurise Islamic financial articulation to the level of permissible contract. - This stringent requirement to serve conventional function within its logic capped the space for development.
Tendy Ahmad (TA-CONV)	- In addition to competition that IF institution experience, the conventional presence started to introduce and share its operating and business logic, which influence IFI
Anwar Abbas (AA-CONV) INI	- In the end, it follows the law of the market, where it depand on the law of supply and demand. - Yet, this market was not sterile from improper behaviour. - In other words, it was not run on Islamic consideration.

Yunahar Ilyas (YI-CONV) INI	- In the end, banking secor is still dominating and it's a symbol - *Shar'ah* banking presence was there more of symbolic
Agus Sediarto (AS-CONV)	- Should not take away the orientation of the besuinss side of it - It was due to its logic was on conventional economic basis

2.7.8. Status Quo (STQ)

Name	Highlight
Jimly Ash-Shidique (JAS-STQ)	- Even the member of status quo did not engage with Islamic economic activism, the presence of its standard contextualise articulation of Islamic economic and finance - Especially, within the arena of marginalism
Ramzi Zuhdi (RZ-STQ)	- The responsive nature of the status quo, in this regard conventional financial institution to extend its arm by investing in Islamic banks, was presence in ensuring that, if a conversion is taking place, status quo is not losing its position - Hence, it is not from the side of the government, which have moral liability, but rather from the private sector
Ahmad Fauzi Nur (AFN-STQ)	- Status Quo response by exploring the opportunity by borrowing the articulation - In that, it aims at market deepening - Bringing competitiveness into the table
Ruri Prasetya (RP-STQ)	- While emerged from experiment, the positive trend toward institutionalisaiton has invited status quo to tap in the institutionalisation - Again, existence was a competitive realm which can only be experienced by limited forms
Ascarya (ASC-STQ)	- The euphoria on the exploration of Islamic financial institution and its organisation, especially bank, has attracted the status quo to involve and to invest - It was solely on the investment purpose - In that, opportunistic behaviour was located within the emerging form of status-quo activism
Achmad Iqbal (AI-STQ)	- Any initiative has always been responded and explored by opportunistic act to gain from such emergence - Avoiding for a steady emergence
Anwar Abbas (AA-STQ)	- Conventional actors and institution gradually converged and applied its method on Islamic financial institution - An opportunity aroused to an exploration to area where economic articulation is comingled with religious injuction - This can lead to both ends, either economic principle entrenched further, dominant one. - The status quo expands its crawl, utilising this institutionalisation agenda as a new arena, converting this into the status quo
Yunahar Ilyas (YI-STQ)	- Status quo determine logic of practices adopted - Islamic finance institution is conditionally benchmarking to this logic
Ventje Raharjo (VR-STQ)	- Status quo remains responsive on the ground of its potential to deliver rate of return in sustainable sense - This means that sustainability offered by Islamic financial institution is attracting the status quo to respond toward pre-supposed demand - Again, this religiously tailored form of conducting finance is regarded as the need of the society, hence, it is sustaining
Agus Sediarto (AS-STQ)	- Status quo is considered to have the mandate for financial provision - Activism should not go against status quo but rather express within the plan and construct that status quo set

2.7.9. Supervised Structure (SupS)

Name	Highlight
Karnaen Perwataatmadja (KP-SPS)	- Economy which is not only real basis, but also supported by institution of *hisbah* overseen watched market behavior , including scale

Dawam Raharjo (DR-SPS)	- When intiatiative was proposed within institution of finance, it is already bounded to supervisory regime which oversaw the operation - Socially-bound proposal would not be facilitated - Hence, supervisory as hinderance
Muhammad Touriq (MT-SPS)	- Indifference from capital market that there is dichomoty and only a single market - Regulation as guidance beyond recognition (for criteria and *akad* - Regulatory innovation as part of *shari'ah* presence
Ventje Raharjo (VR-SPS)	- Supportive through leniency in regulation - Due to consideration as the need - Nevertheless, this was not accommodative as such given its imposing function to the activism
Ascarya (ASC-SPS)	- The consequence of regulatory presence and coverage to institutional presence - Multiple bound on ownership, geography, create misunderstanding
Rifki Ismal (RI-SPS)	- Supervisory approach follows a standard of financial supervisory, which logic is on the basis of conventional mindset - This infuse the value development of Islamically-aspired Islamic financial institution, leave the space for development to a minimum level
Anwar Abbas (AA-SPS)	- Under banking Act, Islamic financial system has to refer to fatwa of National shariah board - For regulatory (of banking), central Bank is in presence to regulate, from the product offered to congruency of fatwa - Later transferred to FSA
Yunahar Ilyas (YI-SPS)	- Even in the innovation within *fiqhi* space, supervision of the structure is extended to ensure that it Is financially viable within sound and resilience - With his involvement in producing a ruling for a permissible product, a recommendation was not sufficient as it has to passed through regulatory scrutiny
Agus Sediarto (AS-SPS)	- The operationalisation of Islamic financial institution (he referred to mainstream one) was set by a supervised structure, stimulating its growth within national economic developmental direction - He expressed this in term of mandate, performing particular role based on the direction given, such as meeting portion of government financing scheme that require shari'ah scheme

***2.7.10. Planned Islamic Economic* (PIE)**

Name	Highlight
Mulya Siregar (MS-PIE)	- Islamic economic articulation should be framed within the economic development agenda and plan. - Hence, Islamic finance institutionalisation is sub-due from a planned economic approach. - Expected to create a structure form of Islamic economic, a systemic manner.
Dawam Raharjo (DR-PIE)	- Albeit the structure hinders social (society) oriented proposal, structure and institution still have the capacity toe deliver the purpose - Islamic economic hence a plan economic seeking for development with the elimination of riba and integration of *zakah* - The presence of izakah is important to stimulate volunteerism
Irfan S Beik (ISB-PIE)	- Suggesting a planned form of Islamic economic development where government and its regulatory relationship observe and utilise the driver and momentum of Islamic economic activism in Indonesia - The purpose was on accelerating Islamic economic and finance institutionalisation, and further, entrenchment of values-norms of Islam into the market
Dian Masyita (DM-PIE)	- Benefiting from conventional story as a structure experience - It allows not to fail - Hence, it aims at integrating with the present direction of economic development

	- Recalling the importance of socio-economic consideration, including religious one.
Ascarya (ASC-PIE)	- The activism is used to unstructured development - Once it became sizeable, it becomes problematic to be structured and following a plan - Example of this was the case of coverage and capital requirement of financial institution within organised financial intermediaries' arrangement - Eventually, activists and its representable institutions opted out to join a planned course of development
Ventje Raharjo (VR-PIE)	- One of the objections to the current activism was on Islamic economic project being unstructured - If Islamic bank is the pillar, it has to be strong enough to attract new capital - This imagined structure help in suggesting an orientation of a planned Islamic economic - Especially with the heavy reference to the importance of government
Rifki Ismal (RI-PIE)	- When BI stepped in and followed by state institution, the activism embarked into journey of downward stimulation from center to the this marginal initiative - The introduction of blueprint for Islamic banking and, consequently, on the direction of Islamic economy, marked the beginning of state institutional imposition to the plan articulation on Islamic economic
Anwar Abbas (AA-PIE)	- Countering a dominant and planned economic frame is only possible through systemic identification - While it has the potential, it fails due to inavailability of acumen reflectiong Indonesia case, left alone Islamic articulation
Yunahar Ilyas (YI-PIE)	- As the presence of conventional status quo is so determining, Islamic economic articulation should be structured to anticipate various pressure from the structure - This is to ensure that the initiative can ensure and maintained its value substantiation
Agus Sediarto (AS-PIE)	- Planned Islamic economy as part of structure of economy - Hence, Islamic financial institution as articulation of Islamic economy is a subsystem to such
Pungky Sumadi (PS-PIE)	- A possible articulation taking into consideration that it is only recognised when it is identifiable and structured in systemic manner - Preparation of masterplan is for this purpose

2.7.11. Underprevilleged/Previlleged (UND)

Name	Highlight
Ramzi Zuhdi (RZ-UND)	- By deductive reasoning, *shari'ah* economy deal wit empowerment and supporting poor
Charmeida (CHA-UND)	- The economy only favours the previlleged, left underprevilleged behind - There is a need to redeem such a consequence with the institutionalisation of *sharing* to open the opportunity - Islamic banking, Islamic microfinance, and even *sukuk are intended to* facilitate underprevilleged, hence, it is pressured to be pro poor
Muhammad Syafii Antonio (MSA-UND)	- The situation of which related to the non-conglomerate Muslim that were weak and have less bargaining position - Hence, the target of Islamic economic (finance) movement is on helping the less fortunate, the bottom of the pyramid
Dhumairi (HMD-UND)	- Indeed, BMT is for the poor, not the rich
Aslichan Noor (AN-UND)	- Not only that BMT is for empowering falily - BMT also target underprevilleged
Sigit Purnomo (SP-UND)	- It is within the identity that Muslim, regardless status and position, inspired by the will to help the poor

	- *Zakah* arituclation teach this
Achmad Iqbal (AI-UND)	- Even with only one *Shari'ah* bank emerged in the beginning of '90s, the achievement made was already substantial - Why? Because with the flexibility that micro institutions hade, they can rather focus on empowering those and nurturing lower classes - With the number and spread of BMTs, it opens up the access to *Shari'ah* finance
Rifki Ismal (RI-UND)	- Targetting and empowering the poor is what the focus is - This is the message delivered by the action performed - The mode is through putting on real sector basis - The logic is more transaction involving more people,
Farouq Al-Awyni (FA-UND)	- Perception on the number of unbankable as a representation of underprevilleged - Micro-institution as the attempt to reach there
Ventje Raharjo (VR-UND)	- *Shari'ah* banking institution holding previlleged was not necessarily true
Agus Sediarto (VR-UND)	- Previlleged in this regard means the condition leading to alignment - In other word, Muslim majority lead to government alignment
Pungky Sumadi (PS-UND)	- Questioning on Muslim majority effect to fund placement or direct support through involvement - In the end it was not on dogmatic but rather on benefit offered
Charmeida (CHA-UND)	- Part of the motives on drawing for solution, was providing institution with ability to alleviate poverty

***2.7.12. Rationale* (RAT)**

Name	Highlight
A M Saefudin (AMS-RAT)	- The law of judgement on the growth on the basis of extortion - Attained on the focus of cost orientation and efficiency
Karnaen Perwataatmadja (KP-RAT)	- Guided by simplified understanding with profitability logic - Introducing other approaches have to lie within this standard
Mulya Siregar (MS-RAT)	- Increasing awareness and understanding did not necessarily develop that *Shari*'ah mindset – people were looking into benefits – one of which is return - *Fatwa* effect of rush and transfer is not there – materialistic people - As expected, marginalist approach has to be adopted
Didin Hafidhudin (DH-RAT)	- Conventional educated and influenced human capital - The paradigm of thinking on being rationale
RAmzi Zuhdi (RZ-RAT)	- Rationale orientation is located even within the activism, whereby an orientation was toward creating what is possible - Hence, beside business orientation, a growing tendency to adopt what already worked is identified - Explore within rationally assessing the opportunity
Charmeida (CHA-RAT)	- While consolidation wanted to be realised, alignment toward the cause was gradually satisfied - In that, rationalising *aqidah* book the contribution of ther sectors.
Muhammad Touriq (MT-RAT)	- Business orientation - Considering this as opportunity - Resistance was not seen - Benefit-oriented rationale - Secular understanding on this
Adiwarman Karim (AK-RAT)	- Financial consideration were not predominantly on its Islamicity - Accesability, network, product variation, pricing - Predicted consideration versus real consideration
Dhumairi (HMD-RAT)	- Changing the rationale by option available - Approaching the society by offering solution - Hence, identifying problem and offering solution all together
Nadratuzzaman Hosen (NH-RAT)	- The pocess and the operation were indeed affected by dual rationality sit in and exercised by tge agent

	- Many times it becomes ambiguous, when conventional lifestyle is deterred by other purposes - At the same time, we witnessed Islamic tradition being popularized
Ventje Raharjo (VR-RAT)	- It should be clear on the basis as commercial institution - Incentive were integrated of the system - The intention was to attract capital/fund placement in return of gained - The intention was to compete in the market
Rifki Ismal (RI-RAT)	- The background of which involved demand a rationale orientation - This is due to reference and relating Islamic financial initiative to conventional finance and, hence, conventional mind on conducting economy - With modificiation on what values to hod to
Dian Masyita (DM-RAT)	- The suggested strategy to increase its attractiveness through benefit provided suggest that it is facing a rationale individual
Anwar Abbas (AA-RAT)	- The co-existence of dual orientation, where one is shaped by rationale economic man orientation while other is guided by Islamic ideology hamper initiative of a man - This led to a distortion in term of social capital needed, which is the preference of Muslim toward Islamic financial articulation
Agus Sediarto (AS-RAT)	- Indeed, *shari'ah* economic contain a friction that remained within the economy - Shari'ah was not on the basis that everyone could be trusted
Pungky Sumadi (PS-RAT)	- The basic remained logical - Logical reasoning led stakeholders understanding, not a domgmatic one - An extending understanding of religion
Farouq Al-Awyni (FA-RAT)	- This was due to the recognition that market players were approaching in pure financial consideration - The intention was to benefit from this institution for obtaining financing
Rully Prasetya (RP-RAT)	- This was the flavor of the latter period - It is belief that when profit is the orientation, ummah purpose is at stake - This can be implemented only with the shariah approach, creating that distance - Than the latter becoming the focus

2.7.13. Capital First (CAPF)

Name	Highlight
AM Saefudin (AMS-CAPF)	- Capital is needed to run and develop Islamic economics - Hence, the idea is acquiring capital needed - There is no other thinking other than capital first
Karnaen Perwataatmadja (KP-CAPF)	- The murabahah syndromse source from capital first orientation where mudharabah can not fulfil - Resulting in tolerance
Didin Hafidhudin (DH-CAPF)	- Banking and Insurance in the beginning - With this, we had capital to develop (Shari'ah) economy
Aslichan Noor (AN-CAPF)	- Any businesses can be approached using capital - Financial institutions is at ease to give hand to those with capital - Hence, *Shari'ah* finance aim to secure capital to help those who were not accommodated by conventional
Ruri Prasetya (RP-CAPF)	- A mode to meet financial need - Used ranged from fulfilling personal need to supporting business to grow - Focus on facilitating the growth
Rifki Ismal (RI-CAPF)	- Due to capital first logic, murabaha was accepted greatly as it is simpler, retail-oriented, and less risky
Rahmatina KAsri (RK-CAPF)	- Capital was not only on the resources utilised for this - Refering to human capital as the key
Farouq Al-Awyni (FA-CAPF)	- One of the reasons for the expectation for government alignment toward Islmaic financial institution is on the fund they can contribute to improve capitalisation

Agus Sediarto (AS-CAPF)	- A business model that lies on capital as the primacy - This was even more accentuated within the institution of *shari'ah* bank, expeted to be less in micro level, yet, remained the dominant
Suminto (SU-CAPF)	- Capital first not necessarily related to possession of capital as the main, yet, due to constraining condition that is in need of capital for sustenance - The issue of this was often represented as the issue of liquidity, the right balance of flow between input and output - Again, this also determine attractiveness
Adiwarman Karim (AK-CUPF)	- Against the capital first orientation as it rather emphasised the importance of human capital as the core
Ascarya (ASC-CUPF)	- An imposed orientation to focus on financial indicator of capital-payback first was presence and stripping down the non-dichotomous orientation of BMT, bringing together social and commercial
Anwar Abbas (AA-CUPF)	- Ultimately, sharing purpose was designed to meet capital need - Hene, it is bounded by the unequal power between those with capital and those who don't - Shari'ah system propose a differing relationship, which is not necessarily serve the interest of capital owner
Dian Masyita (DM-CUPF)	- Accentuation of Islamic economic to finance inevitably related to scope, yet, the most important one in relation to resources for funding the project - This moved was indeed a bold move - What is created *shari'ah* bank as cash-co for the project
Tendy Ahmad (TA-CUPF)	- In order to survive pressure for competition, institutional presence should there to accumulate huge capital - This would offer strength and flexibility even to activism

2.8. OTHERING MOTIVE AND ORIENTATION

2.8.1. Revitalisation Purpose (RevPur)

Name	Highlight
Karnaen Perwataatmadja (KP-RevPur)	- Due to minimum differentiation and rigid turnover of IFI, as well as unsustainable practices - Inferiority was reorded, but importantly unpurfied - Revitalisation on the basis of bringing back to basic (authentic) - Trade focus without directly encountering hegemony
Jimly Ash-Shidique (JAS-RevPur)	- Revitalising by reviving past Islamic practices - Suggesting a degree of romantisation of Islam - Referring to the era of the prophet as well as the ottoman, with the presence of *waqf*
Mulya Siregar (MS-RevPur)	- *Waqf* serves the purpose of providing social goods - With the financing scheme, cash *waqf* can offer alternative function that is lacking in the economy
Dawam RAharjo (DR - RevPur)	- Systemic understanding on Islamic economic is required in order to provide order and direction toward what is considered revitalisation - The progress is only made through circumvention of riba without reaching other form of essentialisation - The degree of partiality should be pushed further
Adiwarman Karim (AK – RevPur)	- On the idea of revitalising to realise the true potential of Islamic economic activism - Refer to the heterogeneity and multiple realisation that spread rather than centralised - Should continue this multiple articulation narrative
Nurmahmudi Ismail (NI – RevPur)	- Revitalisation in the case of embracing modernity with Islamic endorsed influence - This has promoted increasing participator and pro-active engagement, yet, with the modernity - Islamic articulation continuously revitalised its aims within the pressure of western-based modernity

Ventje Raharjo (VR-RevPur)	- Finance was going toward financialisation - Islamic finance aid in rescuing from financialisation trend - In that, it hopes to revitalise economic activities
Rifki Ismal (RI-RevPur)	- Refer to revitailisation of Islamic civilisation, where Islam as value system play important roles in making difference - Islamic finance should continue to take part in forming civilisation
Farouq Al-Awyni (FA-RevPur)	- Influenced by the romantisation to the greatness of Past Islam - Revitailisation work toward realising the glory day of Islam through Islamically-induced institution
Setiawan Budi Utomo (SBU-RevPur)	- In the spectrum of supporting the trend of Islamisation, which can produce revitalisation of society - Influenced by global trend of Islamci economic activism

2.8.2. Islamic Capital Market and Waqf Development (ICMWAQ)

Name	Highlight
Ma'aruf Amin (MA-ICMWAQ)	- In the expectation that the trend will move from Islamic banking dominated to Islamic capital market expansion - Islamic capital market has the potential to offer a wider benefit within a just frame
Jimly Ash-Shidique (JAS-ICMWAQ)	- Has been seen as more impactful than traditional Islamic finance institution - The main highlight was that it source of funding is without a personal interest pushing for incentives - Remaining at enabling productive activities - Hence, it is seen as a more promising mode to deliver vision and (missions) - The issue is on bringing Waqf alive
Nadratuzzaman Hosen (NH-ICMWAQ)	- With disattachment of waqf fund from originator, it gives more room to do many things - He asserted fund channeling to IMF as one of its goal, facing shark loan lenders - Yet, with challenge on how to govern and maintaining the fund
Muhammat Touriq (MT-ICMWAQ)	- Islamic capital market has no *shari'ah* issues - It has the potential to spread the opportunity and benefit given its equity basis
Dian Masyita (DM-WAQF)	- Involvement in waqf greater voluntarily - Inspired by fund management on the purpose of social work, drawing a benefit for society purpose - Work by assumption that the rich donate to help social cause through waqf - Again, it is within the idea of cash waqf - Academically speaking, it is the system dynamic approach - Later involve with National Waqf Fund (BWI) – another government institution to mobilise the fund
Tendy Ahmad (TA-WAQF)	- In improving productivity, *waqf* is driven as it turn and manage productive asset - This is in line with empowerment and *rahmatan lil alami purpose*

2.8.3. Islamic Micro-and-Social Finance Development (MicSoc)

Name	Highlight
Halide (HA-MicSoc)	- Substance can only be delivered by such institution - Either through social financing or Islamic micro financing that the initial agenda on just, collective, and beneficience can be delivered
Ma'aruf Amin (MA-MicSoc)	- Boomed on Micro institutions - BMTs and other cooperatives expand out of watch - MUI is seeking for necessary regulation for anticipation
Didin HAfidhudin (DH-MicSoc)	- Islamic philantrophy can extend its piety for austerity to finance community project - Indeed, commercially-oriented financing can not facilitate social purpose

Aslichan (AN-MicDev)	- It was unknown before as the context is not there - Now it is booming
Achmad Iqbal (AI-MicDev)	- Initiated by micro development - Even happened before when BRI was established - Later favoured by experiment of BMT
Muhammad Syafi'I Antoni (MSA-MicDev)	- The main mission of Islamic economic activism finance is on upgrooming micro institution to facilitate middle class social elevation and increasing participation to the unbankable
Nadratuzzaman Hosen (NH-MicDev)	- Indeed, enabling social fund power is through micro serctor - It is done through creating new economic power/model
Dhumairi (HMD-MicSoc)	- The momentum has shifted allowing Islamic micro-finance to grow size - In that, it can further extend its mission with stroinger capital and institutional presence
Charmeida (CHA-MicDev)	- In rescuing the interest of the poor, Islamic microfinance was the only mode that allow the underprevilleged to access
Tendy Ahmad (TA-MicDev)	- On the ground of the intention to aid those indebted, the approach was on providing facility to elevate those indebted as well providing such condition to last - In that, micro-oriented institution such as BMT was an important elemnt
Rahmatina Kasri (MicSoc)	- *Zakah* intensification has the potential to redeem the consequence of neo-liberal market - That refer to re-distribution to balance the inequality
Ruri Prasetya (RP-MicSoc)	- The target were the Small enterpresises - The most approaching one is micro-based institution developing a miro approach
Ascarya (ASC-MicSoc)	- Even before the bank took off, micro institution on sharia basis has been there - With limited option in more popular grown, micro basis institution offer something as there is no regulation and so on - At the same time, it can promote more non-dichotomous function - Micro institution can deliver the function better than the rest, hence corporative thought might no give solution

2.8.4. Assigned (ASSIGN)

Name	Highlight
Karnaen Permataatmadja (KP-ASSIGN)	- Has taken assignment to facilitate and to boost the growth of Islamic banks, as the central banker - Even extended to non-banking one as an attempt to expand Islamic economics
Mulya Siregar (MS-ASSIGN)	- Albeit engagement was spiritual endorsed, direct involvement was part of the assignment given to represent the Central Bank and to conduct activities under the jurisdiction of regulatory institution
Ramzi Zuhdi (RZ-ASSIGN)	- As part of his role within the central bank, it is assigned to play part in controlling monetary system - Increasing financial deepening resulted in a more efficient monetary policy - The rise of Islamic bank offers an opportunity for this financial deepening on the basis of local custom - In other word, a proposal was within the arena that regulatory institution is involving
Rifki Ismal (RI-ASSIGN)	- AS part of the assignment within the *shari'ah* banking department on the central bank - It is part of the role of the central bank as regulator of financial intermediaries
Muhammad Touriq (MT-ASSIGN)	- Assigned to develop *shari'ah* capital market regulatory framework - In that, it is in the position of stimulating market activeness in the recently formed Islamic capital market

	- Hence, pushing for capital market-oriented development to succeed Islamic banking development
Pungky Sumadi (PS-ASSIGN)	- Assigned to lead a task force in developing a master plan for *shari'ah* finance development - In that, it plays its role within its beraucratic positiong to ensure that it is representing the nature in order to aid economic development of the country
Suminto (SU-ASSIG)	- Part of the assignment it took as the employee of the bank - Operationalisation was part of the assigned task set up by the job as the CEO of the bank

APPENDIX III: AXIAL CODING EMERGED

Axial Coding is considered as the secondary phase of GT analysis whereby axial codes are drawn and identified as a higher-level coding, connecting and explaining particular condition and events (Strauss and Corbin, 1990). This higher-level coding both embodies the connection between similar open codes and the separation between differing open codes as described by their properties and dimensions. Thus, this coding represents a higher-level abstraction of several open codes with connected properties and dimensions that tie together cracked data into a higher-level understanding and meaning. In so doing, this analysis follows Strauss and Corbin (1990) paradigmatic model as a mode for stitching relationships between open coding in drawing that higher-level abstract and measurable coding. As a result, Strauss and Corbin's paradigm model will appear both in this chapter and next chapter as a mode of analysis of the relationship between data. For this chapter, it will focus on exhibiting the axial codes and their process of formation while the subsequent chapter of selective coding will bring together each and every process that end up with the discover of the main category.

Even though axial coding represents higher level abstraction drawn from similar and sensible open coding, this analysis is still considered early and incomplete, hence, a story could not be drawn without relating the result in this chapter with the result of selective coding in the next chapter. As such, this section should be viewed as a preparatory process of GT analysis for the later chapter. Moreover, as this chapter is built upon further analysis of the open codes, repetitive information may appear in this stage. However, such repetition has been kept to a minimum level.

Four of the open codes from the previous process qualified to develop and to stand as independent axial codes. Hence, such codes are not included in axial coding analysis of this chapter but rather integrated into the complete analysis in the next chapter. In this chapter, each axial codes will be grouped with their open codes and further described how such attachment is made and set within the paradigm model of Strauss and Corbin (1990).

3.1. Ulama Epitome

Axial Code	**Open Code**
Ulama Epitome	Tawhidian-Value
	Collectivism-Value
	Existential-Value
	Holistic-Value
	Authentic-Value
	Transformational Value
	Riba-Circumvention-Norm
	Islamic Historicity Capital

	Indonesia Islam Historicity Capital

Ulama epitome is a code emerged representing the essence of *ulama* involvement within Islamic economic project, containing values, norms, and relevant cultural capital. This framework of essence propagated by *ulama* represent *ulama* root of involvement, leading its action and shaping its institutional orientation. These properties and dimensions formed higher-level abstraction coded as "*ulama* epitome"

As an epitome that reflect a role of *ulama* in Indonesia Islamic economic experience, it held into six important values that were considered as the core of Islamic economic articulation, which are Tawhidian, collectivism, existential, holistic, authenticity, and transformational. The centre of this value is on Tawhid, a recognition on Oneness of God and its belief system, translated as an existential of Islam in economy. Tawhidian consequence contain a degree of approaching Islam as a Whole, which came with collective orientation, transformational focus and authentic actualization. In extracting this value, *riba*-circumvention is set as norm along with accumulated historicity of Islam and Indonesia that acted as cultural capital, guiding *ulama* articulation and institutionalization endeavor.

The values, norms, and cultural capital forming the epitome should be viewed in its collectiveness as well as in dynamic sense. One particular condition that set break to the articulation of this would relate into the positional power of the *ulama*. With the emergence of institution of Islamic finance, *ulama* transformed and held incorporated roles within institutional presence. This generated dual roles that *ulama* played, both as cultural inheritance to the belief system of Islam and actor within social structure. When this took place, Islamic historicity capital was emphasized more in negotiating the presence of values of Islam in economy. The main value operationalized then moved from Tawhidian into existential one, moderating transformational and authentic spirit of *ulama* in activism and reducing holistic orientation to the bound of structural framework.

3.2. Intellectual Motives

Axial Code	**Open Code**
Intellectual Epitome	Development-Value
	Existential Value
	Riba-circumvention Norm
	Lawfulness Norm
	Indonesian Historicity Capital
	Global Islamic Economic Capital

Intellectual epitome is a code emerged representing the substance of intellectual engagement within Islamic economic project, presenting values, norms, and relevant cultural capital that defined intellectual fractioned. This defining characteristic of intellectual activism in Indonesia Islamic economic project provide intellectual with *reason d etre* to its Islamic economic institutionalisation, transforming their imagination into realised act. These properties and dimensions formed higher-level abstraction coded as "*Intellectual* epitome"

This embodiment capture values and norms of importance of Islam aimed to be actualized and presence in factual form of Islamic economic. Within the institutionalization of Islamic values and norms in finance, intellectual of Islamic economic is moved by the expectation to create Islamic reflection in economy in the presence form. This form of presence function as developmental center of Islamic economic presence that contributed to economic development in general. This is exercised through the implementation of *riba*-circumvention norms and lawfulness norms within institution of finance, blending together the cultural capital of Indonesian historicity capital and global Islamic economic capital. This epitome guide action of intellectual in translating Islamic values and norms into realisation in finance.

It should be noted that this epitome was an accentuation of intellectual, whose involvement in pushing institutional emergence to materialize until early time of post-institutional emergence. In that, their values and norms preposition reflect early generation up to the second generation of Islamic economic activism.

3.3. Institutional Activist Epitome

Axial Code	**Open Code**
Institutional Activist Epitome	Existential-Value
	Collectivism-Value
	Holistic-Value
	Empowerment-Value
	Independency-Norm
	Rahmatan Lil Alamin -Value
	Riba-Circumvention Norm

Institutional activists epitome identified paradigm approach of this emerging role and characteristic of their engagement in light of institutionalization of Islamic values and norms in finance. This set of cultural embodiment that was Islamically influence pinpoint their motivation, course of action and outcome preferences. These properties and dimensions formed higher-level abstraction coded as "Institutional activist epitome"

Institutional activist of Indonesia Islamic economic experience subscribed to existential understanding of Islam, whereby institutional presence of Islam in finance was viewed as existentialist reflection of Islam itself. While existence orientation motivate activists, activists engagement was inspired by collectivism spirit in embracing Islam to its Whole through independency and empowerment characteristic. While this value defined its activism spirit, institutional activist also recognise norm of *riba* circumvention as a enforcing condition toward their activism. Another characteristic of institutional activists was also on its non-reliance with related cultural capital that intellectual, *ulama* and technocrat ascribing to, leaving their triumph for institutionalization depicting a character of liberal-form of *rahmatan lil alamin* in coming into existence.

Indeed, the emphasise of activist's value orientation and norms preference varied in relation to their scope of interest. Micro-level oriented institutional activists were identified as the main bearer of this institutional activists embodiment, relating their action upon all these values and norms preposition defining their role. As activists resorted their interests into a higher level of institutional presence, their consideration to what epitome an institutional activist were limited to less value orientation. When activists had increasing interest toward messo-level institution, for instance, their actions were directed by collectivism values. This suggested that *messo*-orientation on institutional activism was inspired by articulation of collectivism value as a collective action that brings *ummah* together establishing Islamic institutional presence.

3.4. Technocrat Epitome

Axial Code	**Open Code**
Technocrat Epitome	Assigned
	Just-Value
	Transformational Value
	Riba-circumvention-Norm

Technocrat epitome is a code emerge embodying technocrat value preposition, norms proposed and cultural capital accessed, leading them to engaged with Islamic economic activism. In that, it is mostly evidence that it was a reflection on the value of just and transformational orientation that connected and moved technocrat in joining the board of Islamic economic pursuance. *Riba* circumvention norm was seen as an enforcing norm that attempt to translated values into institutionalized reflection. These properties and dimensions formed higher-level abstraction coded as "Technocrat epitome"

This epitome exhibit technocrat substantiation of Islamic values and norms of Islam that targeted to be institutionalized in institution of Islamic finance. The realisation of justice was of the interest

of economic policy in macro level and its importance was expressed in great sense in Islam. The actual form of Islamic delianation in finance was expected to demonstrate this value. The presence of *riba*-circumvention was a meant to realise this just value in real form, Furthermore, technocrat is also led by a transformational orientation over which targeting to bring historicity of Islam as cultural capital to another level. In that, a dimension of just realisation also imbued with transformational character in realisation.

3.5. Converged Professional and Bureaucrat Epitome

Axial Code	**Open Code**
Epitome of Converged Professional and Bureaucrat	Assigned
	Islam Historicity Capital
	Indonesia-Islam Historicity Capital
	Government Activism as a Norm
	Competitive Norm

Converged professionals and bureaucrat epitome is a code emerged describing professional and beraucrat point of view in involvement with Islamic economic project. In the absence of value preposition that could related this rule with the system of belief of Islam, such role is influenced by combination of Islamic and Indonesia historicity with preference to government leadership and competitive norms. This created an epitome of role with no basis to the presupposed values of Islam.

Such embodiment within this epitome was not suprising as this role was created in response to institutional appearance of Islamic financial institution. In most cases, the occupants of these roles were assigned to perform these roles and, hence, their contribution were in the favor of the function defined by spefic roles they were playing. Within those interviewed, there were two background from which this converged role came from, private sector and public sector. Converged professionals were led by competitive norms as the main reference to their engagement. Similarly, converged bureaucrats' involvement guided by the norms suggesting government leadership in shaping and nurturing institutional development of Islamic finance. Albeit difference in norms ascribed, each role bounded by the scope of its role and often recognised norms of other roles applied within the structure. Its consideration to the historicity of Islam and Indonesia also contributed into directing their actions in Indonesia Islamic economic activism.

3.6. Space Availability

Axial Code	**Open Code**
Space Availability	Opportunity Creation
	Environmental Change
	Passive Government

	Structural Imposition-Supervised

‘Space Availability’ is an axial code that emerged from a grouping of ‘Opportunity’, ‘Environmental Change’, ‘Passive Government’ and ‘Structural Imposition-Supervised’. The merge of these four open codes under ‘Space’Availability’ code was due to the nature of an emergence from an idea or concept into a practical realisation and existence that would need a particular space for coming into existance.

The issue of space is an important element for Islamic economic activism to actualise their purpose and such an issue connect to the extent to which activism can extend their project beyond cultural realm. The substantiation to availability of space was provided by the discourse on the opportunity that Islamic economic proponents were pushing. From broader access to finance (RP-OPPO, DM-OPPO) to closing the gap between development and Islam (AI-OPPO) to universalizing the *manfaah* of Islam (AK-OPPO) to community to having an alternative form of financing (ISB-OPPO), emerging roles viewed these as the potential opportunity that such conception offered. This *maslahah* orientation of Islam was accepted as an opportunity for cultural element to work in parallel with the public and state apparatus, unlike political Islam (MS-OPPO). The wave of deregulation in the face of institutional emergence (KP-OPPO) sparked the possibility for this emergence. Indeed, such presence open the opportunity to conversion of individual into the cause post-emergence (MT-OPPO) and to contribute through complementary function (RI-OPPO).

When common interests were in presence between emerging roles and incorporated roles in between the first and second generation on the opportunity that Islamic economic institution in finance could provide, this was not necessarily sufficient to create space as such space was also determined by government, especially in the first generation era. It was expressed through disappointment to government inactivity to the cause (DH-PAG), viewed as minimum and responsiveness in nature (MA-PAG). This government non-allignment continued to the next generation (MSA-PAG), unlike the luxury that other country cases on institutional emergence of Islamic economic (NH; YI-PAG). Albeit its non-activism and non-allignment to the cause, institutional emergence was made possible through to series of change to environmental setting, favoring Islamically-induced agenda in economy (MEN-EC), accommodating and recognising its norms within legal structure (JAS-EC), and enabling activism to benefit from global Islamic economic cultural capital (NI-EC). When this environmental change open space for the cause, independent action was recorded in pushing agenda (RP; YI-PAG) within the space that were beyond reach of the government at the pre-emergence (HMD; YI-PAG).

As it moved the second generation, the passivism attitude was gradually transformed into a more contributive one, despite its irresponsiveness and non-alignment. The recognition to the institution of Islamic finance institution was improved overtime, affecting to the space available for institutional presence (ASC; RI-PAG). Nevertheless, this trend has not reached the level where government alignment to the cause was in presence (MT-PAG), albeit such expectation to resort institutional potential under the economic of scale threat and competitive pressure. Instead, its development was experiencing structural conditioning in the form of supervisory imposition. Institutional presence of Islamic finance was bounded by regulatory measure (ASC-Sus), within the form its taken, for instance, Islamic banking under banking Act and regulatory measure (AA-SuS). As consequence, institution of Islamic finance bounded by set-up based on structure of institution to geographical location (ASC-Sus) and regulatory treatment, such as non-dichotomous recognition (MT-Sus). The leniency of supervisory framework toward institutional development shaped the extent to which institution developed (VR-SuS), hence, regulatory innovation was an important key to institution evolvement (MT-SuS).

Space was an important element toward which pursuance of value orientation IF institution could be taking place and the trend was moving toward an open yet contested space, connecting the space with the dominant setting set.

3.7. Dominant Logic - Mainstream

Axial Code	**Open Code**
Space Availability	Competitive Pressure
	Capital First
	Rationale
	Conventional Presence

'Dominant Logic-Mainstream' emerged from connecting open codes that together formulate this axial code, which are 'Competitive Pressure', 'Capital First', 'Rationale' and 'Conventional Presence' These open codes are considered to have certain degree of connection due to correspondence properties and dimensions. Such coding express a situation that relate to a presence of leading mindset, governing norms, principal institutions, and a popular perception that later becoming a convention of the economic practices, especially within the circle of Islamic economic activism.

The most dominant logic influencing Indonesia Islamic economic experience was capital first logic. This logic was relevant from the first generation of Islamic economic activist depicting the reasoning of Islamic economic institutionalisation in the area of finance. Capital availability offer flexibility in pursuing motivation (TA-CUPF), hence, Islamic financial institutionalisation was part

of the attempt to collect resources to support cause (DM-CAPF). At the same time, capital possession allow for established institution to perform its task as intermediary (AN-CAPF;DM-CAPF) and to survive institutionally (TA-CUPF). Such logic was also considered an important element by converged professional and beraucrat rolem as this norm was in line with dominant logic and practices (FA-CAPF). The business model of financial institution also relies on capital, hence, pressure for this orientation was indeed natural (ASC-CAPF). In order to sustain within constraint, capital first also defined attractiveness as well as mode for long term sustenance (SU-CAPF).

As institution started to emerge, another layer of dominating logic was identified within competitive pressure atmosphere. Since the fall of Suharto, each institutional presence had to defend its presence against other institutional presence without government protection (VR-COMP). In ensuring its continuous presence, Islamic financial institution have to be superior in term profitability, efficiency, services, product quality, governance, even into a larger size (KP-COM; RP-COM; AK-COM; ISB-COM). Due to this pressure, *shari'ah* finance institutional presence is at disadvantaged as such quality was not presence (AI-COM) because of, among others, not being able to attract talent (SU-COM). Instead, its main characteristic of peripheral basis and regional presence was not viewed as one contributing in meeting competitiveness demand (AI-COM). In regard to this condition, both emerging and incorporated roles of Islamic finance expected that such pressure should be placed at fairer condition as its emergence form was in imperfect condition (AK-COM) and toleration should be enacted to allow for improvement in competitiveness (AI-COM). Boundary should be set to allow for preservation of the vision of IE without threatening survival (ASC-COM; AFN-COMP) in order for Islamic financial presence to insittutionalise Islamic values and norms.

Beyond competitive pressure, dominant logic was already dictating people orientation within the basis of conventional paradigm (DH-COVP). It provided little opportunity for transformational logic as this orientation is secured within educational platform (NH-COVP). Furthermore, the economy depends upon the law of the market on demand and supply, with poor recognition of ethics, leave aside expectation on the integration of Islamic consideration (AA-COVP). When banking sector dominate the economy, it is considered as the symbol of the domination of conventional frame as well as its logic (YI-COVP). In conjunction with this conventional domination, the interest of market players with pure financial consideration aiming at benefiting from institution place hurdles upon could not be avoided by the presence (FA-RAT). Incentive-based approach was adopted to attract interest, beyond competition itself (VR-RAT). For this matter, *shari;ah* economy already contained a degree of modern economy by default (AS-RAT)

with logical basic and incentive mechanism at the heart. The difference would be on its additional consideration to the religion under such pressure (PS-RAT).

In sum, the presence of dominant logic set environmental setting of the activism and its emergence attempt which could not be avoided and influential in shaping its form into the common structure.

3.8. Perceptive Influence

Axial Code	Open Code
Perceptive Influence	Secular Rejectionism
	Resistance
	Confusion

The open codes that formed perceptive influence together are 'Islamophobia', 'Resistance', and 'Confusion'. The grouping of these three open codes into axial code is to help explain perception that driving their activism that remained unrevealed.

'Islamophobia' is a condition that predominantly referred by early generation from *ulama* and intellectual background causing adaptation of blurred labelisation of Islamic initiative in economy (AMS-ISPH) as a result of negatively perceived Islamic initiative (YI-ISPH, JAS-ISPH). Such situation impacted Islamic economic initiative in its early emergence to the extent that it adopted blurred labelisation under the term of *shari'ah* in responding to unconducive superstructure (AMS-ISPH). This adjustment was made as an early compromisation measure without losing its initial spirit (AA-ISPH, JAS-ISPH) and inherited by the latter generation as depiction of Islamic economic cause (ASC-ISPH). Beside perception of anti-Islam in public sphere, form of resistance was also identified within conflicting purposes (ISB-RES) or its imported frame (HMD-RES), creating another round of negotiation between activists and government, in relation to its ideological continuation (RK-RES). In the subsequent period, resistance was often linked to a split between loyalist to the cause and rationalist, challenging the implementation of the cause in adverse way (MEN-RES).

While both Islamophobia and resistance were related to externally intervening condition, confusion effect, which derived from misreading to the source, essentialisation, coverage, and limitation of Islamic economic activism, added to perceptive influence developed, affecting action/interactional strategy adopted by involving parties. The most common confusion sourced from 'delusion' to the blind support of Muslim to the cause (NH-CONF), has often mislead involving parties in a strategy that rely on fund rush to Islamic institutional presence (AMS-CONF), resulting in confusion in reading the trend as anomaly (PS-CONF). The presence of Muslim-perceived effect was also translated in a positive tone with further institutionalisation would be instantly recognised and

supported (AFN-CONF). In the, institutionalisation attempted enter vicious cycle, where its root was not recognised (VR-CONF). Under such situation, *shari'ah* labelling was seen as one of the contributors to this confusion due to its limiting perception developed (MEN-CONF).

Albeit its shadowing presence in the past, the negativity of this perceptive influence was able to be redeemed overtime, reducing the deterrence effect of such influence that were affecting emergence in the early time.

3.9. Institutional Capital Pressure

Axial Code	**Open Code**
Institutional Capital Pressure	Capacity
	Infrastructure
	Scale Barrier

'Institutional Capital Pressure' was constituted by three open codes that represent different layer of influential and relevant stakeholders for activisms, which are 'Activism Capacity', 'Infrastructure', and 'Scale Barrier'. It consists of both activism enabling capital as well available supply-oriented framework mechanism and limitation, intervening the realisation of Islamic economic epitome as suggested.

The main intervening condition was on lack of activism capacity to generate institution with equitable power and capability to negotiate for its originated values and norms within competitive climate (MEN-CAP). This drawback has adverse effect to idealism with potential threat to institutional presence (SP-CAP), with immediate threat to independency orientation of the activism (RP-CAP). Early period of Islamic economic activism witnessed collective spirit in addressing competitiveness pressure (AMS-CAP). Albeit such collective attempt, necessary possession of know-how was not in place as either actors were lack of either mastering Islamic knowledge or understanding of economy (DR-CAP; SP-CAP)). Such condition was continuously improved in order to nurture institutional development period. Beside the lack of expertise, institutional governance capacity and enabling quality were not at the level that aided to institutional development (SP-CAP). In the end, the focus on distribution has damaged the articulation of the aspiration as the capacity development was unable to catch up with institutional expansion capacity requirement (DM-CAP), with the rise of SSB remained at the highlight of institutional progress (AK-CAP; ISB-CAP). This sparked discourse on the importance of capacity within spirit of activism (DM-CAP).

Indeed, activism capacity attached to limited resources and capital available for such cause (CHA-CAP) along with technical professionalism capacity assisting its legitimacy (RI-CAP). The rule of

the market created disadvantage initiative with poor capital equipped (AS-CAP). In the face of actors within social structure, the capacity was only relevant when it supported institution to scale up and enhanced its internal capacity (AFN-CAP). This size and scale orientation was in meeting with the barrier emerged by limitation in size and scale. When institutional presence of Islamic finance reach sizeable level, it obtained recognition on its potential impact (PS-SCA; ASC-SCA), fulfilment of quality and standard for responding to competitiveness (MT-SCA) for capacity matching (ISB-SCA), to the extent that it facilitated negotiation of values and norms insertion (PS-SCA). Within this barrier, governance and human capital improvement should be directed to stimulate competitiveness (VR-CAP).

Furthermore, poor legal infrastructure has further pressurised and intervened to the sustenance of institution (DM-INFRA). If activism set the demand and even provision of supply, the certainty of activism stimulation lies upon both regulatory and legal works on infrastructure accommodating Islamic economic agenda (CHA-INF). This infrastructure determined whether one practices and framework is permissible (AMS-INF). The absence of such infrastructure span beyond its certainty and legality but also on burden to operational in complying with the form under supposed norms (NH-INF). In Islamic economic experience in finance, legal infrastructure was not favouring application of values and norms within deep causal position (RI-INF).

Albeit the pressure was limiting activism, institutional capital also improved over time, which has helped institutionalisation of authentic value and norms of Islam to be feasible. Hence, such presence of pressure was a reason toward a structural-orientation of Islamic finance stream, which was gradually reduced along with the aged of the activism.

3.10. Financial Structure Imposition

Axial Code	**Open Code**
Financial Structure Imposition	Structure- Imposed Effect
	BI Effect

The open codes constituting ‘Social Structure Imposition’ are ‘Structure-Imposed Effect’ and ‘BI EFFECT’. The constitution of these open codes into this higher level of abstraction were due to the relevancy to Islamic economic activism into the imposition of social structure, resulting challenging or complying attitude. This pressure was observed by inteviewees playing both emerging roles and incorporated roles.

When Islamic economic activism embraced and institutionalised aspiration within financial framework and, in particular, within institution of banking, it developed institutional framework

that bound by the rule and governing norms of financial sector that pose requirement for compliance (MA-SIE; NH-SIE). In stimulating and upbringing Islamic-version of financial institution, activist's action limited by compliance pressure of the established financial governing structure cemented within regulatory framework (MSA-SIE), with further negotiation undertaken for expansion against institutionalised rules and norms as breakthrough to accommodate normative measures within positive frame (MT-SIE). Furthermore, the regulatory framework embedding into emerging institution of Islamic finance imposed a layer of logic that in support to conventional finance operation (DR-SIE). A dilemma to institutional frame aroused resulting to pressure for fulfilling requirement for, e.g., sustenance, liquidity management, and professionalism in operation, that set as logic of institution (SP-SIE; SU-SIE; AS-SIE). Both of these structural effects have intervened the realisation of Islamic economic agenda to the extent that sparking confusion in identity (ASC-SIE).

With the resources and attention allocated to institutionalisation of values and norms of Islam within banking institution, BI positioning started to have effect to Islamic economic institutional emergence, especially within institution of banking (DM-SIE). Technocrat within BI has involved activism from the first generation, influenced by global Islamic economic experience (RZ-SIE; ISB-SIE), yet, rather in responsive basis ensuring coordination to avoid clash between newly emerged institution with social structure. Although there inception was due to invitation by raising *ulama* and intellectual, their intervention to activism could not be undermining in shaping institutional development (MS-SIE). This institution positioned in between conventional presence and newly Islamic economic institution emerged (JAS-SIE), which action was important on contributing to the reception of Islamic norms of sharing, for instance, into institution emerged. Indeed, relaxation of regulatory imposition was crucial in broaden the coverage of Islamic financial institution in financial structure (NH-BI). Hence, BI effect intervene the institutionalisation process through intervention to regulatory framework of social structure.

In sum, financial structure imposition has enabled Islamic economic activism to have institutional form, yet, limiting its expansion toward authentic IF institution.

3.11. Awareness Problem

Axial Code	**Open Code**
Awareness Level	Internal Awareness (Ignorance)
	Internal Awareness (Knowledge Gap)
	External Awareness

There were three codes forming this higher-level abstraction codes, among others 'Internal Awareness-Ignorance', 'Internal Awareness-Knowledge' and 'External Awareness'. The

clustering of these three codes related to what extent Islamic economic institution and practices are known, linking acceptance and support within actors involved, targeted public, and what is considered knowledge gap.

Internal Awareness-ignorance circled around ignorance on the presence of multiple motives across generation, scope of articulation, and frame effect resulting in misreading on the motive of frame adopted (AMS-IGN), state and business involvement (HA-IGN), and aspiration on supporting capital for farmers (NH-IGN). Such ignorance of parties within emerging roles would miss the transformation of orientation from normativeness focus and value implementation of early generation to positive orientation and profit-orientation of the later generation (AMs-IGN; RP-IGN). When it is translated into modern time, the emphasise on missions rather than visions were the act acknowledge as consequence of this trend (PS-IGN). Besides intergenerational pattern that majorly ignored, the ignorance on scope of articulation on institutionalisation of Islamic values and norms within finance often left behind the fact that heterogenous motives were alive in the periphery and only clashed when it elevated to higher dimension (HMD-IGN), with law of attraction leading the way (DM-IGN). In similar way, values proposed were often not linear with visions, triggering conflict in between (SU-IGM). The consequence on the ignorance of activism heterogeneity often lead to homogenisation attempt on the articulation of the motives (CHA-IGN).

Another intervening condition related to awareness problem internally sourced from knowledge gap observed as institution emerged. The transformation of *ulama* role to include one that embed with social structure lead to a role that directly attached with institutional operation. While this was the case, *ulama* was lack of economic understanding to perform such task, either within SSB or within organisation of Islamic finance on its operation (MEN-GAP; DR-GAP). In serving the purpose of the tasks, hybrid mastery combining the knowledge of *shari'ah* and finance was in need (DM-GAP). The current expertise that focus on *fiqhi* issues created confusion on implementation of Islamically-aspired form of finance (AI-GAP; RK-GAP), intervening on the process of institutionalisation in deep causal manner.

While internal awareness shaped orientation of the activism and its institutionalisation, external awareness refer to public recognition of values and norms institutionalised within Islamic finance institution (AMS-EXAW), in particular, within Muslim circle. This form of awareness based upon subscription of Muslim to Islamic teaching (JAS-EXAW), which was viewed as the key to institutional development (MEN-EXAW) as its improvement aided to convergence of enthusiast of Islamic finance (SP-EXAQ). As awareness is improved and Muslim in social sphere getting the essence of Islamic economic cause, the gradual effect was expected to turn passive orientation of

Muslim toward Islamic finance into an active one (ISB-AWAR). In the case of Indonesia Islamic economic experience, unsettled external awareness was regarded as factor contributing to the stagnancy of institutionalisation of Islamic values and norms (CHA-AWAR; VR-AWAR). Hence, internal awareness problem was relevant both emerging roles and incorporated roles while external awareness problem was relevant the most for actors within emerging roles.

3.12. Solutive Experimentation

Axial Code	Open Code
Solutive Experimentation	Solutive
	Independent
	Explorative
	Stimulative
	Concept in Search
	Sharing on profit

The formation of this higher level of abstraction happened through grouping together four open codes, among others 'Solutive', 'Independent', 'Explorative', 'Stimulative', 'Concept in Search' and 'Sharing on Profit'. This axial abstraction is labelled as 'Solutive Experimentation' because the nature of the constituting open codes can be defined as the act of coming up with othering ideas, method, and or activities in order to turn the ideas and concept into practical realty. This is a typical process that an emergence passed through in the coming-into-existence procedure.

This particular act is a strategy relevant to emerging roles with specific attachment to institutional activist as the bearer of institutional reflection of values-norms of Islam. Experimentation performed within institution offer Islamically-altered financing solution not only for excluded Muslim but also economic actors in general, depicting *rahmatan lil alamin* value extension of Islam in the economy. Its purpose was on stimulating independency for Muslim and individuals in economy by creating institutional presence with intermediary function for capital disbursement. In generating institutional presence, these activists benefited from intellectual engagement on Islamic economic discourse in search for form of Islamic articulation in economy. From concept in search, this imagination was elevated further through initiative stimulation generating an early from of existance in the micro-level in the form of BMT. Since then, exploration was continuously pursued in other form of economic institution with greater scale. It was until *ulama* found the importance of deriving solution in *fiqhi* understanding that a messo-level institution in the form of *shari'ah* bank came into existence as *ulama* provided legitimacy in producing institution of Islamic finance.

The rise of *shari'ah* bank not only sustain experimentation by institutional activists but also spread further norms of Islam in finance. Institution emerged as result of this experimentation is expected to promote the value of sharing in each scale of operation, beside explorative characterictive of

Islam as a reflection of collective *ijtihad*. Albeit the importance of this act, it majorly occurred from the first-generation activists to early second generation Islamic economic activists, without experimentation recorded post-institutional emergence of Islamic financial institution in messo-level. Hence, solutive experimentation primary contributed toward realising value-orientation institutionalisation, yet, reduced in attempt as it moved to the third generation.

3.13. Collaborative Act

Axial Code	**Open Code**
Collaborative Activism	Collectivism
	Ulama Activeness
	Explorative
	Regulatory Engagement
	Channeling

'Collectivism', '*Ulama* –Activeness', 'Intellectual Involvement', and Channeling' are open codes that formed axial code of 'Collaborative Activism'. The rationale behind grouping of these four codes are that these explained an approach of Islamic economic activism in realising the concept and ideas into reality, which is by collaborating between different institutions and between elite of the activist and society.

In pushing their agenda forward, activist of Islamic economic manage to form an alliance between different institution. The first of the collaboration was between *Ulama*, intellectual Muslim, and Bank Indonesia. This collaboration has proven to be effective and efficient to facilitate intellectual exploration, to form a cooperation-based coalition leading to resource and expertise sharing, and to initiate activism for turning agreement into action and convention. While that collaboration coloured the first generation of Islamic economic activism, the second generation experienced an integrated development path of activism, where cooperation was not only on individual and organisational basis, but also across institutions. This moves characteristic of collaboration of Islamic economic activism to a much wider collaboration. Until the second generation of Islamic activism, both emerging and incorporating roles were solid in collaboration for accentuation of Islamic economic activism in finance.

The collaboration condition changes swift toward second generation. As it is coloured by changing environmental setting, space negotiation is taken place over a competition of interest. In that, collaboration of cultural actors and opportunity-based social actors did not stay solid as these social actors is inclined toward seeking for collaboration with a more legitimated sources, which is in this case happened to be regulators. Regulator position was growing significant with increasing interest over Islamic economic project and played a more active role, taking a leadership on Islamic

economic activism. Those idealists that disagreed with the approach and this changing leadership happened to articulate their activism in different form, following their motives.

Therefore, collaborative activism was an act that bring together actors from two different streams, acting upon creation of existence. Nevertheless, the latter form of collaborative activism inevitably bounded by dominant logic, leaving the stream action preference toward structurally-fitted IF institution.

3.14. Norm Institutionalisation

Axial Code	**Open Code**
Norm Institutionalisation	Institutionalisation Oriented
	Muamalah Orientation
	Branding Approach

The open codes that together formed axial code of institutionalisation are 'Informally Growing', 'Branding Approach', 'Muamalah Expansion-Orientation', and 'Institutional Orientation'. This code represents an action and approach of activism of Islamic economic that is relevant more to idealist than realist, to ensure that their motives are crystalised within institutional form. This form span over act, legislation, regulatory policy, up until organisational level.

Norms institutionalisation was an experience mostly relevant to second generation of Islamic economic activist, yet, already initiated during the transition from the first generation to the second generation. It was following a trend of Islamic economic realisation that moved toward institutionalisation area (NH-IST) as a result of institutional emergence, which directed the area of activism into institutional one (MT-INST). This trend transformed *shari'ah* economy orientation into a systemic understanding with recognition of the importance of finance along with real sector and tertiary one (ISB-INST). This resulted in the move from informal and trial-based articulation of Islamic economic into formal and secured institutionalisation (AFN-INST; SP-INST) and from peripheral into the centre of the social structure (NI-INST).

Institutionalisation-orientation of Islamic economic activism of the second generation could be translated as systemic attempt to accentuate values of norms within a *muamalah* procedure through collective action (HMD-MUAM). Ideally, it was a generation of a ruling or produced deriving from revealed knowledge and explained and codified by *fatwa* (NH-MUAM). Within *muamalah* branching, the interest was to ensure that freedom of economic actors to develop were not harming other actors as suggested by *shari'ah* (AFN-MUAM). Hence, the context of this extension within the area of finance was to connect finance with the principle and fundamental of *muamalah* that deemed to be in violation to the teaching of Islam, among others on the ban of *ribawi*-related

practices, speculative action, and *dzalim*/harmful activities (RP-MUAM). The development of Islamic finance was facilitated by this emerging approach.

Institutionalisation within *muamalah* consideration have indeed shifted the emphasised of Islamic economic cause from value-orientation and value appeal into branding and benefit of institution formed. In institutionalisation of norms of Islamic economic, branding-approach assisted in bridging perception between the activists and other stakes, avoiding refusal (MT-BRAND). This approach was already observed since the early emergence of Islamic financial institution with the adoption of *shari'ah* as the unifying branding of the institutionalised norms of Islam in economy and finance to gain blessing from Suharto and to redeem allergy to *shari'ah* (AMS-BRAND, JAS-BRAND; MEN-BRAND; ISB-BRAND). The branding approach not only helped in cementing institutionalisation approach but also aid to the creation of symbolisation (RP-BRAND). Nevertheless, the norms institutionalisation that resorted in branding approach has moderated the initial aspiration of Islamic economic cause (SP-BRAND) to a narrower orientation of Islamic economic cause within institutionalisation into legalistic and labelling one (DH-BRAND), leaving the cause for greater benefit yet to be realised. Hence, norm institutionalisation was an act that aimed at securing the presence of values and norms of Islam in economy within formal institution, yet, facing the risks of formal interpretation.

3.15. Solutive Innovation

Axial Code	**Open Code**
Solutive Innovation	Solutive
	Innovative
	Muamalah-Oriented
	Fiqh-Basis
	Profit-Basis

'Solutive Innovation' axial code was formed through three open codes, among others 'Solutive', 'Innovative', 'Muamalah-Oriented', 'Fiqh-Basis', and 'Profit Basis'. This code provides an understanding of approach and action taken by idealist in responding to a challenge imposed in realising the motives and objectives of altruism in transforming the product of Islamic economic activism. 'Innovation' is the next stage of institutionalisation, where process of internalisation continue from within the institution.

Solutive innovation is a strategy relevant to emerging role with each roles played particular function within this strategy. Its based remained on addressing issues aroused upon emergence of institution of Islamic finance. Nevertheless, the scope of its solutive orientation was surrounded within its

institution rather than more normative and general orientation from which experimentation was taking place. This is sourced from dynamic condition instigating Islamic financial institution after its emergence, which required advancing initiative in order to expand (AMS-INNO). The main reference to its innovativeness is to ensure that institutional presence sustain. This span from innovation in enhancing institutional competitiveness in competitive environment (AK), expanding network of collaboration (AN-INNO), even to branding requirement (ISB-INNO) with the intention to ensure sustainability.

Beside institutional activists' innovative spirit, solutive innovation was backed by expanding *muamalah* as the legitimated base of Islamic expansion (YI-SOL). A refined approach on *shari'ah* on modern problem in economy has allowed the base of Islamic expansion to catch up with Islamic financial institution development within positive framework through its fatwa as legal basis (NH-MUAM). Not only that it emphasised on the its applicability but also it ensures minimum clash with establishment as part of the approach (MA-Fiqh). For *ulama*, this form of approach is indeed a win-win solution. Innovation made by *ulama* has opened room for enabling Islamic financial institution to open greater access of Muslim into the system of finance and economy while allowing *ulama* to extend channel for *da'wah*. In driving Islamic financial institution development, *ulama* provided legitimacy to push collective work with institutional activists and technocrat in ensuring that improvement was still in line with *shari'ah*.

Within Islamic finance institutional development, a story of Islamic financial organisations failed and collapsed came as inevitable consequence on its institutional journey, especially in a more independent initiative such as BMT. In such situation, innovation on IF institution was pressurised to echo existing frame, mechanism, and logic considered to postulate a sustainable institution. The influence of legal/regulatory tailored innovation that technocrat promoted ensured that innovation complied with framework available (MT-INNO). This was where innovation was rather focused on transformation from inside the institution rather than outside one. Together with *fatwa* as innovation of the *ulama*, the main emphasise of innovation within IF institution was on product development, leaving the operation in accordance to the framework it bounded.

It should be mentioned that innovation within Islamic finance also generate a negative innovation, where disputed areas where embraced. It was majorly due to the recognition of such practices and mechanism within legal/regulatory framework of finance, promoting alignment with such behaviour. In that, solutive innovation had limited opportunity to push for transformation beyond its institutional limitation. It functioned more as a dialogue and negotiation between emerging roles and incorporated roles.

3.16. Collective Socialisation

Axial Code	Open Code
Collective Socialisation	Real-Proposal
	Higher Education
	Social enculturation

Three open codes forming collective socialisation are ‘Higher Education’ and ‘Real-Proposal’. The grouping of these two codes in higher abstraction represent shared approach between deep causal Islamic activists and actors within incorporated roles.

Even though it was coloured by real-orientation, differences emerged upon for of approaches taken by activitsts. Those with romantisation of the past are convenient with institutional approach in which entrepreneurship and trades are being placed back as the motor of economy, supported by free of *riba* financial scheme. This is expected to create awareness for the importance of real-sector basis in Islamic-based economy. While Islamisation was considered as an approach, the embedded economy proponents suggest a return of finance toward acting as facilitator of production. As the disattacment is considered as suboptimal, it is on the interest of the local to move back to the purpose of production for the society. The responsive basis activists, on the other hand, is proposing a macro-based endorsement with regulatory endorsement, indirect stimulation, and greater connectivity of pro real sector as solution the instability problem

As higher education acted as both space and sources, it has different meaning and position into each generation while having differing consequences to activism as a result of this shifting meaning and position. In general, this code is considered as more important by the earlier generation, especially within the first and the second generation. In the early time, higher education was merely a space for activism and, hence, it has not become a source for its expansion. As such, higher education within the first generation was not to be considered as part of activism expansion centre as it is still not functioning as one of the centre gravity of the activism. As the activism moved to the next stage, higher education has grown from a space to a source of which it plays greater role in expanding the activism’s agenda and generating potential application of Islamic economic. This was significantly identified within the second generation within which it attracts voluntarily involvement of masses and other stakes. This role continues significantly until it entered the third generation where such recognition of higher education as space and source of activism are not dominantly presence, reducing role of higher education as space for socialisation activity.

Albeit its important presence on aiding to institutional emergence of Islamic finance in Indonesia, collective socialisation trend moved toward promoting IF institution that could fit into the structure of conventional finance logic, hence, creating a cosmetic IF institution.

3.17. Realist Innovation

Axial Code	Open Code
Realist Innovation	Real-Oriented
	Standardised
	Innovative
	Reaction
	Fiqh-Basis

'Realist Innovation' axial code was formed through three open codes, among others 'realist', 'standardised', innovative', reaction and 'fiqh-n 'Measurable. This code provides an understanding of approach and action taken by idealist in responding to a challenge imposed in realising the motives and objectives of altruism in transforming the product of Islamic economic activism. 'Innovation' is the next stage of institutionalisation, where process of internalisation continue from within the institution.

Realist innovation here is a strategy adopted by actors within incorporated roles, predominantly technocrat. Their engagement was sourced from a real-based articulation of Islamic economic application in everyday practices. This predication was translated into the expectation that there is a balance between monetary and real sector. The depiction of real-basis demand show that condition of the economy was reflecting an imbalance with a focus toward finance-based economy rather than real-based economy. Islamic economic activism is a responsive attempt to bring the balance back so that there is a parallel monetary and real economy. In attaining this form of realisation, technocrat exercised the balance between standardising element within Islamic financial institution to ensure its sustenance while, at the same time, exorting innovative measure within institutional framework available.

As occupier of particular role within social structure, their action toward Islamic economic cause was on the reactional basis within which measure for legal/regulatory adjustment was conducted upon direction of the activism. Hence, role occupiers would prioritise tasks set within their roles rather than aspiration brought upon by Islamic economic activism. Hence, they position themselves not as institutional *formature*, but rather as one that shaping emerging Islamic financial institution. In so doing, they were not only bounded by positive abiding framework and its logic, such actors also bound by *fiqhi* orientation that act as methodology for values and norms and

institutionalisation. This was an effect of normative measures of *fiqhi* started influencing social structure that sourced from different value system.

While *fiqhi* influence toward interviewees performing their duties established boundaries to intolerable economic action and practices, a preference toward governance practices that reflect good governance and professionalism were demonstrated through its recommendation to the adoption of this best practices (SBU-STAND). The familiarity to such standard (ASC-STAND) has bounded such actors in favouring best practice in finance compared to process of learning by doing (FA-STAND) that better expressed Islamic values and norms in finance. The regulating nature of their approaches in internalising such common practices triggered a conflict of purposes (AS-STAND) deriving from differing purposes between the objective of finance according to the best practices and pre-supposed motives of institutionalisation of values and norms of Islam in finance. Hence, real-oriented innovation facilitated Islamic finance institutionalisation toward 'standardised' form that was structurally fitted, turning IF institution into cosmetic version.

3.18. Compromised Action

Axial Code	**Open Code**
Compromisation	*Shari'ah* Implementation
	Accomodation
	Filtering

A higher-level abstraction that emerged from analysing three open codes of 'Islamisation of Process', 'Accomodation', and 'Filtering' is compromisation. This axial code demonstrate the very last approach and action for negotiation that technocrat and converged professionals and beraucrats resorted to in order to realise the motives that driving this idealist.

Compromisation approach is a pattern of action/interactional strategy that predominantly emerged from the second generation to the third generation. Its characterised by a tendency to the adoption of Islamisation approach on the institution, concerning on its legal/structural form of institution rather than its substance (YI-ISL). The purpose was to position Islamic financial institution as motor for stimulating other *shari'ah*-existential emergence with poor substance (AMS-ISL). Such approach was fitted into deductive reasoning and process of generating product with the intention to bring back the primacy of Islam as suggested in the past (MEN-ISL; RP-ISL) without recognition of the influence of other cultural capital (AI-ISL) including global Islamic economic experience. The latter was important as the trend was indeed linked to trend of Islamisation of knowledge to Islamisation of economy (SP-ISLA; RK-ISLA).

Another characteristic of such compromisation trend of action was on its accommodative orientation where facility provided by *shari'ah* financial institution was on accounting for *shari'ah* norms within financial institution (AMS-ACC); AN-ACCO; MT-ACCO; NH-ACCO; MT-ACCO). Such accommodative nature encountered challenge as its dimension and outreach elevated (RP-ACCO), leaving the solutive undermined by rather responsive nature of expanding Islamic financial institution (SP-ACCO). As it accommodation was affected by responsive nature, roles of *ulama* and institutional activists transformed into an incorporated one bounded by the expectation of social structure (AS-ACCO), which in this case emphasise the pursuance of business orientation.

Compromisation strategy was also pushed further by filtering mechanism adopted within institutional realised which sole purpose was on benefitting from structure for financing to come up with acceptable mechanism that ease Muslim economic activities (ISB-FIL). This institutional approach aims at capitalising momentum of increasing awareness by institutionalising filtering mechanism in the frameworkof finance (SP-FILT), allowing Islamic economic cause to tap into capital necessary for its agenda (AN-FIL). This act was resorted by *ulama* through its *fatwa* as pillar for transforming norms into a concept of compliance (HMD-FIL).

Islamisation pattern with further accommodation of the interest of other stakes and adoption of filtering mechanism managed to promote *shari'ah*-stimulated institution, which presence have attracted multiple stakes in and outside the activism and generated filtered product. Nevertheless, this improving establishment came at costs of the realisation of the causes as the institutional presence was for accommodating the interest of the structure (SP-ACC), reducing the scope of realisation that Islamic economic originally pursued (SUB-FILT). Hence, such acted was pushing Islamic finance institutionalisation toward mainstreaming pattern of cosmetic IF institution.

3.19. Task Performance

Axial Code	**Open Code**
Task Performance	Assigned
	Compliance

'Assignment' and 'Compliance' are the two open codes that together formed a higher-level abstraction called as 'Task Performance'. The code provides a particular approach adhered by stakes playing incorporated roles in order to fulfill the description of their work.

This axial code is most relevant to converged professionals and beraucrat and to some extent technocrat within Islamic economic activism, where their involvement with *Shari'ah* finance institution were due to assignment given to them. These individuals have no particular interest toward aspiration of Islamic economic activism and institutionalization. Their involvement with

the activism was solely due to appointment on the role that friction with the institutionalisation of Islamic economic cause. As task performance, compliance orientation was observed within action/interaction strategy on this role occupiers in accordance to established institutional framework, in the form of legal and regulatory one.

Task performing attitude of incorporated roles contributed toward Islamic finance institutionalization that comply and resemble the structure existed.

3.20. Alternative Institutional Exploration

Axial Code	**Open Code**
Alternative Exploration	Revitalisation Purpose
	Assigned
	Islamic Capital Market and Waqf Orientation
	Islamic Micro and Social Finance Orientation

Alternative exploration is an axial code that were constructed out of a reflection of four lower base coding, which are 'Revitalisation Purpose', 'Assigned', 'Islamic Capital Market and Waqf Orientation', and 'Islamic Micro and Social Finance Orientation. This higher-level coding suggested that a continuous exploration attempt is presence within process of revitalisation institutional form and reflection of Indonesian Islamic finance. This attempt ranged from continuing the current trajectory of development to pursuing an alternative institutional exploration within the attempt to accommodate the realisation justice to the extent that moving away from norm institutionalisation process to work upon authentic reflection with Islamic micro and social finance institutionaliation.

Alternative institutional exploration potrays a micro-struggle of institutional activists of Islamic finance in negotiating institutional expansion and form that better reflect the aspiration of Islamic economic imagination. Within the orientation to revitalise institutional reflection, the increasing engagement of assigned individual lead to further entrenchment of institutional reflection toward financial structure. In moderating the saturation of Islamic finance within conventional financial norms and institution, Islamic economic activists engage in norms institutionalisation in two streams, where one resort its articulation within the evolving condition from current Islamic banking trend, anticipating accentuation within Islamic capital market while the other bring about *waqf* as institutional form with a past Islamic history.

The former is considered to be natural and anticipative as it lies within the same line of banking propagation. On the other hand, the latter exploration is at a more legitimated ground with its root

to the history Islam. Thus, *waqf* articulation located within transformational orientation of modern trend of Islamic financing with the consideration of *Tawhidian* and collectivism values.

The most aggressive alternative institutional exploration lies in attempt to form an institutional orientation that specialises in micro and social purposes imbued with independency characteristic. This is the case of Islamic micro and social finance pursuance, focusing on realisation of just and the attainment of development within *rahmatan lil alamin* that key to Indonesian Islamic economic activism,

The depiction of micro-negotiation suggests that streamlining was also taking place to curb the activisms from continuously negotiating authentic institutional pursuance. Indeed, each institutional exploration managed to obtain space and enthusiasm within the activism. Nevertheless, the challenge that arouse from domination of conventional presence threat the sustenance of cultural inheritance of Islamic economic imagination.

APPENDIX IV: SELECTIVE CODING

4.1. Introduction

Selective coding is the process of stitching the coding together through identification of relationship and a single narrative that help co-integrate both coding together is what is considered a selective coding process (Strauss and Corbin, 1990: 117). Initially, the narrative that best present the main phenomena is written as a summary of the story going on. Within this process, Strauss and Corbin (1990: 117; 1998:119) acknowledge the emergence of numbers of core categories candidate. Yet, the purpose was to stream down into one core category that tell more about what is going on behind topic discussed and the degree of the suitness to connect different categories. There are several core categories identify within this study that compete with each other, among other *Shahih* negotiation, Existential Negotiation, *tajdid* negotiation, and Islamising modernisation. This is drawn from continuous process of analysis, reaching into different end with different kind of forms. It is indeed start with the evolvement of the analytical strategy and process of analysing the data and reaching into different form and point of view, starting from thematic analysis, hybrid one, until ending comfortably with grounded theory approach. It is indeed extracted from numerous efforts of building story line and even using different paradigm model until it reaches a saturated core category.

Adopting Strauss and Corbin (1990:124-125) paradigm model was the most preferred choice for delineating GT analysis as the presence of paradigm model and its focus toward extracting core category helped not only in producing a satisfactory analysis but also a reasonable integrated process of bringing together different issue and establishing a main theme. The result of the derivation of core category was again reviewed through continuous re-visit of the data in order to verify the narrative and established relationship out of open codes and axial codes benchmarked with paradigm model. A confirmatory interview with six other respondents were also conducted to verify with core category and paradigmatic model. Ultimately, this established narrative was fitted into conditional/consequential matrix aiming to place the finding within its context of micro-messo-macro and how that such finding relevant within different nature and context (Corbin and Strauss, 2008:160). The next writing will help in describing the process of how the analysis apply the selective coding and coming up with such result.

4.2. Thematic Narrative

Following Portes model for economic sociology in comprehending Islamic finance institutional emergence, there were two possible streams that lead to institutional formation or

institutionalisation of Islamic economic imagination in Indonesia, where one derived from extraction of values and norms of Islam in economy where other originated from status hierarchies and organisational influence to either institution or roles. The first one consist of epitomes of three actors inheriting cultural system of Islam, which were *ulama* epitome, intellectual epitome, and institutional activists epitome. These three epitomes represented the aspiration of those actors whose roles emerged within Islamic economic activism and Islamic values and norms institutionalisation in finance as the inheritance of cultural element of Islamic economic.

The other stream stand of two epitomes, which are epitome of technocrat and converged professionals and bureaucrats. These were the reflection of orientation of agents of social structures whose involvement with Islamic economic cause and institutional reflection in the area of finance were attached to roles their played. Originated from either convinction or assignment, their engagement represents the extent to which institutionalisation of Islamic values and norms were bounded by the social structure of economy.

As actor's involvements and contributions were varied across time and generations, domination of certain epitomes revealed within each generation. Within deep causal stream of Islamic system of values, intellectual epitome was only located during the first generation, hence, it was majorly reflected within the early institutionalisation of Islamic value and norms as there were active during such time. As intellectual role disappeared, their epitome is slowly diminished and replaced by the successor of activisms that emerged focusing institutionalisation of Islamic values and norms within institution of finance. Hence, a differing orientation of values and norms essentialisation occurred across generation.

The early Islamic economic activism values and norms essentialisation were the intertwine of *ulama* epitome and intellectual epitome where the sets of each value orientation shared common interest on pushing existential reflection of Islam through imposition of *riba* circumvention norm utilising Historicity capital of Islam and Indonesia as the language and framework for its essentialisation. Beside shared values and norms, each actors continued to promote the embodiment of their defining values systems into the product of Islamic economic. *Ulama* pushed for Tawhidian-oriented economic form and practices that formed by collective spirit, holistic orientation toward definition of Islam in authentic while intellectual essentialise the importance of developmental orientation within the presence of Islam in the economy. As it moved to the second generation, institutional activists emerged as inheritance of Islamic economic cause focusing on essentialisation of existence, collectivism and holistic values and implementation of *riba*-circumvention norms within Islamic economic product. An addition to these essential systems of

value was on their emphasise to empowerment and independency orientation to Islamic economic development within the spirit of *rahmatan lil alamin* of its institutional presence.

On the other stream, technocrat was the first social actor to interact with the activism. It moved by the interest of realisation of just and transformational value and accepting *riba*-circumvention norm as the realisation of Islamic reflection in economy. In addition to this aspiration, technocrats were also role occupiers bounded by the structure system of logic. As the activism moved into the second generation and experienced institutional emergence, professionals and bureaucrats started converging and involving with institution of Islamic economic, directly shaping the process. Their engagement as role occupier were not particulary attached to Islamically-aspired values and rather bounded by the norms of the environment, such as competitive norms and government activism norms, and cultural capital of Islam and Indonesia that have been accumulated.

The epitomes that formed two streams represented, on one hand, actors of Islamic economic activism that inspired by value system of Islam while, on the other hand, elites of social structure that fond interest toward Islamic economic cause when it began to institutionalised values and norms of the cause into institutional forms. Albeit values and norms of each actors could be accommodated and achieved in several cases and circumstances, there were cases where one stream abide to the demand of actors from the other stream, resulting in the domination of essentialisation of particular actor's epitome. Such negotiation of value and norms institutionalisation between two streams formed an orientation of activism and its institutional product, which vary across generation. First generation of Islamic economic activists were normative oriented, pursuing greater values reflection. As it moved to the second generation with greater focus on institutionalisation, existential orientation grew important among other values orientation with the intention to transform through institution established. The latter generation were indeed populated by converged activists, professionals, and beraucrats, posing futher imposition of social structure norms, such as competitiveness norm or authority-imposed norms.

One important note to the epitomes of the roles mentioned above was on its transformation. Among all transformation, *ulama* epitome was one that transformed the most, especially when it started to possess role within social structure serving supervisory function within social structure. Its accentuation of transformational orientation has created dual roles of *ulama* within Islamic financial institution, adding a functional role within organisation established.

The articulation of values system of Islamic articulation in economy and finance through institutionalisation process was not only conditionalised by values and norms emphasised but also external pressure as well as space expansion within which the activism live in. For instance, the

first generation of Islamic economic activism had to face a limited space within the political economy as well as dominant mainstream logic. Value and norm-aspired activists accentuate their epitomes through their commitment to exploration, yet, passing through a longer process of negotiation as the space is rather limited with considerably strong presence of mainstream logic. The opportunity to convince other stake lies on the dispute of *Riba* practice that existed and widely promoted in the early year of modern Indonesia. When this practice was considered to be unacceptable and presumably avoided by the Muslim, excluding those with such belief from the economy, inclusivity expectation of modern economic form and practices was also driving other stakes to explore other option beyond the current practices. This was when the aspiration of values-norms oriented Islamic economic activists shared interest with technocrats, triggering a process toward collaboration involving the deep causal oriented activists with other relevant and interested stakes. However, even before the collaboration established, experimentation was an act that commonly exercised to come up with suggested economic institution that reflect Islamic values and norms. Through the process of collaboration, a move toward norms institutionalisation was taken place, marking the beginning of articulation within institutional space.

Nevertheless, such collaboration would not produce real form with considerable presence until the early second-generation period, where the space available open while the mainstream domination weakens during the socio-economic predicament. When this happened, a hybrid institution is formed as a product of norm institutionalisation within conventional frame, which consequently shifted value-orientation and appeal into branding and *manfaah* within institutional formed. In particular, branding approach bring about differences between stakes and single out elements that lead to acceptance within space available while enabling certain degree of institutionalisation of the values and norms. With a shared understanding between value-laden actors and representative of social structure, the scope of innovation lies within an institutional level with particular focus on ensuring institutional sustenance.

There were two conditions related to institutional emergence and development of Islamic finance in Indonesia. First, the preservation of institutional substance was provided by *muamalah* orientation and *fiqhi*-renewal that not only accommodate profit- orientation of institution of Islamic finance but also acted as norm institutionalisation. At the same time, *muamalah*-orientation also allowed innovativeness to be accommodated in enhancing institutional capability to sustain through competitiveness and even to futher branding innovation. Hence, norms institutionalisation was supported by solutive innovation pursued by cultutrally-attached Islamic economic activists. Furthermore, institutionalisation orientation of Islamic economic cause accommodate real-orientation of incorporated actors to extend its institutional product, even though it followed a *fiqhi*

orientation within reactional basis. The main negotiation on this institutionalisation product would be on the extent to which innovation within institution through *muamalah*-expansion can actualised and further institutionalised values and norms of Islam in economy and finance within a standardisation orientation that the social structure rested into emerging institution.

One highlighted environmental setting form during the era of the second generation was on the shift in space. While space was previously controlled by the regime, the second-generation activism have to deal with free competition-based space. In that, it deals with a wider range of challenge beyond negotiation on the institutionalisation of Islamic values and norms between emerging actors and incorporated one. The main one was on limitation on institutional capital, from activism capacity to scale barrier, which hinder deep causal activist in negotiating originated values and norms of Islam institutionalised within competitive environment. In addition to institutional limitation, social structure imposition in the form regulatory framework in the area of finance and poor internal and external awareness to the cause also posed challenge to institutionalisation process that aimed at realising further Islamic value system within a presence institutional form. Under institutional capitalisation problem, dominant logic of 'Capital First', 'Rationale', and 'Conventional Benchmarking' season the negotiation with a standard setting relevant for institutional development. Such situation continued to affect and influence activism orientation even into the later generation, moderating translated values and norms of Islam institutionalised in finance in favouring for acceptance and temporal competitiveness.

The era of the third generation was an era of compromisation of values, norms, and aspiration of value-oriented actors of Islamic economic, especially institutional activists. Institutionalisation of value-system of Islam was mainly performed through legal and structural formation within Islamic branding. Aspired by historicity of Islam, such approach managed to meet with the expectation of social structure as the main orientation remained on business area with considerable mechanism of filtering in compliance with the expectation of social structure of finance, allowing Islamic economic cause to capitalise momentum of increasing structure interest toward institution formed. Although such approach was much celebrated by activists of Islamic finance, actualisation of Islamic values and norms in economy and finance by embracing the interest of the structure have costed activism the realisation of original and deep causal epitomes of Islamic economics propagated since the emergence of Islamic economic cause in Indonesia.

This trend of compromisation could not be separated from internal limitation and external pressure, the challenge for the third generation institutional activists and value-oriented *ulama* to pursue objectives on institutionalisation of Islamic values and norms were increasing. Beside institutional

capital and social structure that constituted the main challenges for value-norms realisation, a growing dominating norm as a result of this trend of institutional development pose a layer of requirement in order for value and norms of Islam can be further institutionalised. Institution of Islamic finance in its visible form was expected to be competitive, to possess capital supremacy, to attract rational interest, and importantly to reflect conventional paradigm, leading to mainstreaming of its institutional form. Furthermore, it was not until the third generation of Islamic economic activism that it realised its institutional frame has limited its space for exploration due to its heavily regulated environmental setting. In that, internalisation of values and norms of Islam confined by both its potential frame and mainstreaming orientation.

When such a pattern was identified and consequently driving the activism away from cementing values and norms of Islam in institutional form, the question aroused surrounding the extent to which such 'distortion' would be tolerated. One cannot ignore the influence of competitive-first behaviour and powerful bargaining position of those within incorporated roles. The benefit offered by institution and practices of Islamically-induced financial institution attracted and converged individual and institutions to aid in developing the institution and practical presence. Indeed, the presence of this etalache enable more stakes to relate to initial altruist imagination it pursued, ensuring regeneration to take place. The absence of this attractiveness would result in possible refusal toward the concept and, ultimately, dying out the values and norms-extracted motives being aroused since the beginning. Therefore, an act relating to decreasing attractiveness within the benefit level would raise a sustainability-existential issue within the sustenance of the idealism. Even, the third-generation mindset was somewhat incorporating incentive-based as indisposable concept. Therefore, such behaviour and norms can not be neglected from the activism and rather considered as a minimum requirement for further innovation, which is being accepted *sustainable and competitive financial institution with Islamic modification, a hybrid IF Institution.*

Undeniably, this minimum requirement-imposed risks as the trend of convergence to conventional paradigm and established structure continue to grow. This can be in the form of further commodification of Islam, implementation of conventional-based product in order to maximise business benefit, and further convergence of mindset to focus more toward individual incentive. Nevertheless, this growing situation was also responded differently by those with more of the deep causal orientation. It is true that compromisation was taking place. Nonetheless, the level and unit of compromisation has not found homogenous point as concerned was expressed and articulated in different form of activism. Such differences in response and expression have lived even from the first generation, yet, the stand-alone presence was more obvious in the later generation.

Having unique altruist motive that they emphasise, such activist's action represents this objective targeted, among others the *waqf* movement, capital market movement, and BMT movement. Within the third generation, the existence of these initiatives represents a 'purification' approach aiming at contesting the trend and re-alligning the activism toward the 'Authentic' mean. In essence, any of these differing activisms indicate a dissatisfaction toward the trend to balance the stream up as well preparing the next stage of institutional and practical articulation. Therefore, it should be viewed as continuous progress of ensuring the sustenance of activism as well as the realisation of the altruist motives of Islamic economic within a spectrum of normative-positive negotiation.

In sum, different actions and strategies exercised thoroughly by inheritance of cultural system of Islam and fractioned member of social structure to create perception and to generate result, either institution-wise or practical wise, can be respected as part of continuous negotiation for transformation that can be accommodated and exercised in relations to motives within the conundrum. Activists that have been involved in practical and real economic action and situation as well as those with rather real-oriented are not opposing a compromisation act, under the condition that it has complied with filtering as well good governance. It is indeed out of the consideration for 'Acceptance' and reaching 'scale'. This is again being related to turning the idea into reality, even within imperfect form. The extreme form of compromisation can be identified within the Islamic banking field, especially along with the institution whose owners were moved by profit-attraction. In this situation, the form of institution and practice can be considered as ***Cosmetic IF institution***. In other condition, activists were able to negotiate and get accommodation over their values and norms within considerable space and mainstream domination, yet, maintained certain attractiveness of such. This is a triumph toward achieving win-win solution of a modern-oriented hybrid economic institution and practices. In the most prevalent situation, activists might be able to insert particular orientation and that orientation aspired others regardless the background and motives through innovative initiative that can be accepted and attractive, this will end up producing ***value-oriented IF Institution***. This was due to the normative nature of such. When acceptance was rather difficult due to requirement such as prudence and compliance, activists resort their objectives in different form, separating from the mainstream approach.

In a free contested environment where no cap was in place, the trend of diverging of activism is expected as pragmatism is surrounding the development and profit motive dictate the expansion, accentuating a form of commodification of Islam. In certain practices that is imposed by external forces, especially institution and institutional forms, ***moderating effect*** can be seen as compliance toward modern standard is set as a requirement. When this happen, activism face a sustenance

threat as incompliance would result in rejection. On the opposite stand, when regulatory body is in line with the altruist motive within given space and weaken mainstream domination, social actors will act accordingly and opening potential for further infiltration of normative values and norms. This would lead to a transformative form of structural-based IE institution.

4.3. Core Category Identification

Following the writing up of a story line narrating the going-on phenomena, the process of discovery the core category began shortly after that within suggested selective coding procedure (Strauss and Corbin, 1990). It is indeed a process as the early narrative aid in identifying core category. Yet, the course of getting into the point where this category was reached and identified consumed the entire second and third year of the study. It was due to again finding the core category that met the requirement of what core category is as suggested by Corbin and Strauss (2008). The most basic criteria is indeed basic that it has to be frequently pop-up and identifiable within the data and sound well and rationale to express and explain what is going on within the data. Nonetheless, it is becoming challenging when there is a certain degree of expectation for an abstraction that meet the quality for constructing both general theory and in-depth and powerful detailing that connect categories to particular relationship. With this requirement, reaching into a satisfaction core category was one puzzling job. It passed through the process of writing various story lines and ending up with different core categories until it arrives at the current core category. Even, it took sometimes before the current core category is convincing enough for the supervisor to agree with this. It was even being validated through process of re-visiting the raw data continuously comparing and contrasting with the data (Strauss and Corbin, 1990; Corbin and Straus, 2008).

This study recognise '***Authentic Negotiation within Institutional Presence****'* as the core category explaining the main social-constructivist GT objective, which is the phenomena that stick within the data. Those inheritance to value system of Islam in economy and elites of social structure are in constant negotiation to determine the extent to which this *shahih* or 'Continous Struggle on Pursuance of Authentic Form of Realisation' is pushing through. Recalling the story line above, Islamic economic activism was started by first generation value-oriented Islamic economic activists that aim at finding solution toward identified problem. Initiated by constant audiency to resolve the problem, these activists resort their aspiration to themselves by coming with a practical solution. Interestingly, the activism was already fragmented since the early time and series of failure attempt to reform the economic life did not turn into success. Nevertheless, the game change when activism start collaborating with other stakes, enlarging the wagon of activists pushing forward Islamic economic agenda. This collaboration was one that filtering many different aspirations and

scrutinizing this into a practical and acceptable form. With political economy shift and change in environmental setting that open up the space and deligitimate mainstream domination, the collaboration managed to institutionalise of the proposed solution and came up with ***Hybrid IF institution***.

What can be learnt from the activism and its resorted institution and practice is that the purpose was actually on generating a recognised and accepted institutional presence within the flavour of value system of Islam. With the establishment of such institution that comingle Islamically-aspired values and norms with positive-oriented values and norms, Indonesia Islamic economic activism not only generated presence but also preserve its values and norms within its establishment. In addition to securement of its value system, institutional presence have acted as *etalache* for activism in spreading its aspiration facilitating convergence into value system of Islam and subsequent articulation of its aspiration with within uniting branding approach. Beyond this, institutional presence of Islam within framework of finance also offered economic benefit that of the interest of social actors converging and tapping into the product of the activism. In particular, this attraction that Islamic financial institution offered invited the interest of regulatory body in finance, which viewed its potential, yet, bounded by the constraint of its role. Such interest has indeed expanded the space, yet, dragging the institutional product into a mainstream reflection.

Indeed, such expanding interests of elites of social structure have helped the activism and its project to expand and develop in size and capitalisation. Nonetheless, this trend came with a challenge. The standardisation pressure and reactional basis was rather moderating further the value-orientation agenda of Islamic economic in Indonesia toward structurally acknowledge financial framework and practices, which already pressurised by expectation to meet mainstream competitiveness orientation, capital primacy, rationale consideration, and conventional benchmarking. When the requirement was increasing, institutional capital was not to the level that can relax space and dominant logic pressures and awareness was considerably poor. At this level, nor institutional activists nor *ulama* could respond with measurable innovation ensuring normative value institutionalisation beyond filtering through shari'ah compliance and established framework. Ultimately, institution produced was mainstream characterised and structurally embedded institution of Islamic finance.

Realising that the trend has forced the product of Islamic economic activism to move mainstream, several initiatives aroused to ensure that the aspiration and imagination were accommodated. This ranges from initiative that attempt to revert back the orientation of the current existing institution that experience a mainstreaming pattern by several different way, among others Islamic capital

market, or pushing other form of institutional innovation and experimentation aim to emphasise the motives within through initiative such as BMT movement and Waqf movement. These initiatives were aiming toward negotiating the extent to which the transformation in reaching 'the ideal' form can be facilitated. Yet, not all of these were considered attractive and benefit oriented. BMT movement was among the initiative that has made presence since the early year of activism and has been independent and autonomous from mainstreaming pattern due to its regional character and micro-focus. It has provided necessary solution to micro-sector and found to be less attractive for incorporated actors, until recently that regulatory institution aimed at integrating institutional presence into supervisory framework. A more integrated initiative was the capital market movement that see and anticipate the future of the society moving toward investment-basis. By it means, it aims to include more people into the economy beyond the rationale driven. Islamic capital market wass seen as another layer of religious compliance-based of financial expansion in Indonesia. In that, it expanded beyond mainstream IE institution to a leading transformative IE institution. The most recent one was revitalisation of waqf movement that work in a way to ensure that altruist motives of deep causal inspired activists can be achieved in realistic way through limiting the profit-orientation attitude of the pragmatist. It is an innovation on its own to produce a competitive institution that are not purely affected by mainstream domination. The struggle of which for this movement was on gaining popularity as it has not been able to locate itself within framework of finance and economy within social structure.

All the mention above were the attempt to sidestream the product and practices of the economy to get closer to normative consideration. In certain condition, this produce hybrid structurally-attached economic, especially in the new category. Even until the current time, these initiatives are still putting the effort to assure that the orientation was not only toward mainstreaming and structurally-tailored result, but also adjusted result.

4.4. Paradigm Model

The paradigm model is part of GT analytical approach that combine together structural view of differing position within the phenomena and the process that taking place within this structure (Corbin and Strauss, 2008). In that, its function is to help setting up connection and relationship between axial codes that constitute and represent core category, and later verifying it (Strauss and Corbin, 1990). This connection and relationship is established by several features, among others causal and intervening conditions, action or interactional strategies and their consequences (Corbin and Strauss, 2008). Such present relationship only valid under condition of context, determining the direction and position of axial category and the overview of the core category. In the context of

the current study, the causal conditions are divided into two streams, where one stream represents the epitome of *ulama*, intellectual, and institutional activist while the other stream depicted the epitome of social elites as representative of structure interacting with the activism.

With these five epitomes exhibiting two streams within Islamic economic cause in Indonesia, the paradigm model is established through relating core categories with intervening conditions, conditions that deter the relationship to differing direction. For this study, the intervening conditions are perceptive influence, institutional capitalisation pressure, structural imposition, and awareness problem. The phenomena emerged is then fitted into the context, which are 'Space Availability' and 'Dominant Logic-Mainstream', where this phenomenon is appearing. Actors inheriting value system of Islam in economy and finance and elites of social structure were then apply various measures of action/interactional strategies to drive the phenomenon to their expectation. The proponent of deep causal essentialisation of values and norms of Islam in the economy has resorted their aspiration to from solutive experimentation, solutive innovation, and compromisation while technocrat and converged professionals' channel their aspiration through realistic innovation and task performance.

The two streams shared common action and strategy through collaborative action, norms institutionalisation, collective socialisation and sidestreaming. Incorporating all these, the phenomena under study produce different consequence, within different causal and interventing condition intensity and different action/interactional strategies applied by each proponent. In other word, the condition leading to the extent to which the current attempt produce a transformation can be divided into three different possibility, which are Value-oriented and Independent based IE institution, Value-oriented structurally-attached IE Institution, and mainstream structurally-attached IE Institution. The result of these opposite forces in the current trend suggest that the transformation span between hybrid and sub-positive economic institution and practices.

Table IVa: Axial Code and Location on Paradigm Model

Axial Codes	**Location on Paradigm Model**
Ulama Epitome	Causal Condition
Intellectual Epitome	
Technocrat Epitome	
Institutional Activist Epitome	
Converged Professional and Beraucrat Epitome	
Space Availability	Contextual Factor
Dominant Logic-Mainstream	
Perceptive Influence	Intervening Condition
Institutional Capital Pressure	

Awareness Problem	
Social Structure Imposition	
Solutive Experimentation	Action/Interractional Strategies of Emerging Roles
Solutive Innovation	
Compromisation	
Alternative Institutional Exploration	
Real-Oriented Innovation	Action/Interactional Strategies of Incorporated Roles
Task Performance	
Collaborative Activism	Shared Action/Interactional Strategies
Norm Institutionalisation	
Collective Socialisation	
Value-Oriented IF Institution	Consequences
Hybrid IF Institution	
Cosmetic IF Institution	

It is timely to mention that the relationship and process above is indeed dynamic: that established relationship change in according to change in the environmental setting and political economy, as experessed here by contextual factors. When the contextual factors change, all other variables, from causal conditions, action/interactional strategies, until the consequences would subsequently change, and it can start from any of the variables. In the end, it will change the relationship structure and the span of negotiation of the consequences and product. Such situation will be detailed further in the next sub-chapter on the position of contextual factors.

4.5. Condition

Conditions refer to perceived understanding of motives and purposes of particular event along with the extent to which another external situation and element affecting this event (Strauss and Corbin, 2015: 158). For the paradigm model adopted, there are two conditions relevant in establishing relationship, which are causal conditions and intervening conditions. Causal condition can be considered as incidents prevailing the motives behind an emergence of phenomena (Strauss and Corbin, 1990). While it describes an intrinsically driven conditions, intervening condition rather describe condition that either accommodate or hinderance any action/interactional strategies to acquire result within a particular context. (Strauss and Corbin, 1990: 103), hence, it describes more of the extrinsic condition within a phenomenon.

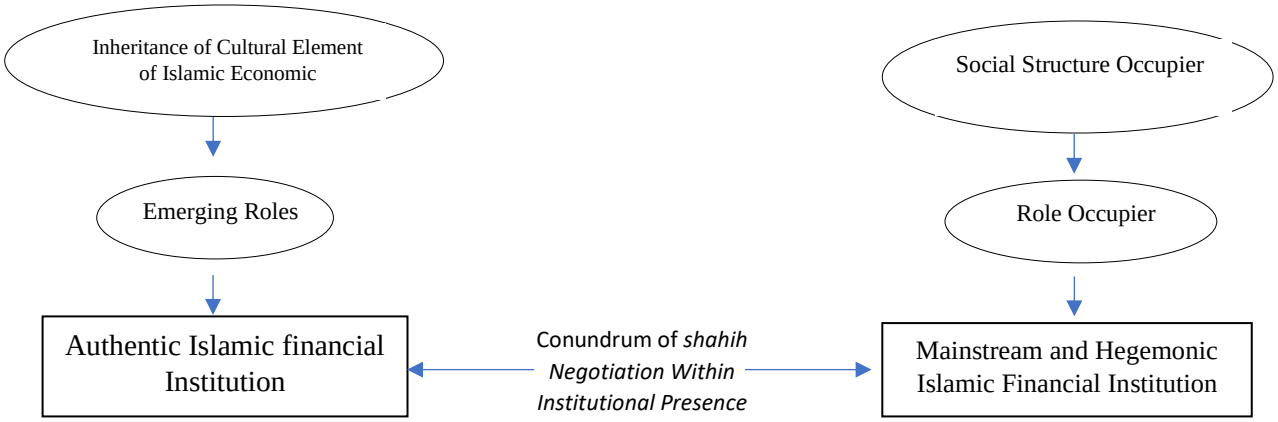
The fact that Islamic economic activism was now being narrowed to an institutional struggle of an Islamic-based economic institution that established on formal basis with certain degree value-orientation pose a challenging negotiation between deep causally related activists and structural occupier. The difference in the orientations trigger a new process of negotiation where each

struggle to come up with product and practices along the spirit of transformation that can be formed in line with the objectives of each. Albeit the difference between the orientation of the two streams, the presence of each complement the actualisation of each structure. In the eyes of elites within social structure, their accommodation to the interest of institutionalisation of values and norms of Islam in economic and finance could potentially tap into value-aware Muslim and encourage their involvement in economic development and project, and this require legitimacy that is Islamically driven through a fiqhi-induced and verified process modification or else it would fail to appeal into Muslim as Islamic economic natural appeal. In this regard, actors of the social structure were considering fiqh-interpretation in the form of *fatwa* by *shari'ah* scholar *to* ensure that legitimacy could be acquired.

On the other hand, *Shari'ah* scholars, intellectual, and institutional activists were aiming to go beyond compliance with the production of altruistly-driven economic institution and practices. They always make reference to the perception of what an Islamic economic in review the current trend and pursuing continuously to obtain this perception. In doing so, the propagator of institutionalization of value system of Islam is aware that that the concept should expand its institutional presence in capitalisation, size, and recognitio, hence, certain degree of toleration is allowed to help converge people into the activism. When popular Islamic economic (financial) institution in the form of a modified bank is established, it was the first structurally-accepted solution for both ends, where the deep causal reflection of Islamic values and norms was accommodated within organization of finance which intermediary function was already recognised. This has helped not only actualized Islamic economic imagination of value-oriented actors but also converged other actors to institution of Islamic finance. Nonetheless, it was soon realised that such institution was moving maintream rather than further internalizing value and norm orientation of Islamic in economy. This was indeed part of struggle from different parties to stretch it to achieve more of a transformative form or remaining within the dominant paradigm and structure.

This *Shahih* Negotiation within institutional presence was not only due to the subsequent action/interactional strategies executed by the activists but also related to intervening condition affecting the process, as mention in the table above. While causal condition was an issue of motives and purpose and the subsequent expectations, intervening condition work in a way that either accommodate or limit action/interactional strategies and their result. (Strauss and Corbin, 2015: 158). In the current study, it affects both cultural inheriter of Islamic economic aspiration and social elites engaged with such activism. For instance, Internal Capacity Limitation imposed a challenge for both actors within emerging roles and in exercising plan or action that can facilitaite in getting the transformation closer to ideal value-orientation reflection.

Figure 8.5: Causal Condition – Conundrum of Shahih Negotiation within Institutional Presence



Even though the effect was more severe for the deep causal promoter as the quality of institution produced would not be able to stand out in difference and compete to be able to grow, both technocrat and converged professionals and beraucrats found this limitation hindering the institution and practices to have competitive advantage, leaving them to join a collaboration and to be driven by alike, such as Shari'ah scholar and Regulator. Yet, the effect is lesser than what the value-oriented activists' bearer. On the other hand, as some of the negotiation is conducted in organisational and institutional level, external force is indeed pressuring both emerging roles and incorporated to be flexible and focus to turn their ideas and proposal compatible to normal standard for obtaining acceptance. This range from conventional practices as well Islamic practices in other countries.

As the external force filter what can be accepted and rejected, and regulatory approach are somewhat imposing prudence requirement for the operation and expansion, actors of the structure was more incline toward standarisation of values and norms, keeping innovation at real-oriented level in order to assure for the acceptance and, hence, sustenance of initiative. While this has been the case, the deep causal propagator of Islamic economic has even broader gap with the external force expectation as their focus were on realising the objectives even though it is unattractive. However, this external force does cap the extent to which the idealist can experiment and innovate. Furthermore, perceptive awareness was somewhat pose a great burden for both culturally attached activists and socially-structured activists. As awareness is rather low toward Islamic economic ideas and practices, this gap impose challenge for activists to be as grounded as possible, utilising terms and approach that people are familiar with. Both end share the same pressure, yet, social elites that adopt a more realistic approach is in upper hand that the idealist.

4.6. Contextual Factor

Strauss and Corbin (2015: 157) mentioned that context can comprise of events, circumstances of situation, meaning of goals. Context give reason to particular behaviour out of the why, when, and how expectation. It is indeed a set of condition that become the underlying reasoning of action and interaction to respond the phenomena of such (Corbin and Strauss, 1990: 101). The phenomena understudy is one that taking place within two contextual factors. These two contextual factors are directly and indirectly affect the codes and their relationship from various sides, hence, it is integrated within the paradigm model. For the current phenomena, the contextual factors have been changing dramatically across time so that the direct consequence of its shift in stitching together and establishing relationship between axial codes can be located.

The two contextual factors pointed out in this study are: Space Availability' and 'Dominant Logic-Mainstream' Influence. Each of it affect differently toward transformation expected. Mainstream domination is seen more to oppose the further institutionalisation of values and norms of Islam in finance of the idealist rather than facilitating it, hence, was with the same line with technocrat or converged beraucrat.

In contrast, space availability would necessary alleviate institutionalisation of value system of Islam to another level as it gives them to opportunity to explore while such a condition not always prefer by the mainstream as their domination might be at threat, unless being anticipated accordingly.

How then the contextual factors affect element and relationship within the paradigm model, including causal conditions? For instance, when the political economy space is available for innovation and change and the power of the mainstream domination, the transformation can be negotiated, and deeper value extraction can be further accommodated. Futhermore, having a conducive space of engagement as well as engaged mainstream with this transformation empower the intervening condition to be in favour of transformative purpose, e.g. supporting in the institutionalisation of change. On the other hand, strong mainstream domination will drag the transformative initiative more toward the mainstream attitude and rationale orientation, especially under the condition where space is not allowing for transformation. This create further gap with bearer of cultural system of Islam in economy who ascribe strongly toward original Islamic institution, leading to another form **'**Experimentation' and 'Innovation'. Another possible form of contextual setting is when the space is available and mainstream domination was looking for option, deep causal orientation of Islamic economy can be pursued in the opportunity available. In similar condition where mainstream domination was in place, yet, space is expanding, the

consequence is shaped by a competitive process on producing transformation. In this setting, innovation within institution appear as a negotiation or accommodation. Therefore, it is clear that context of which phenomena aroused affect all areas from causal conditions, action/interractioal strategies and shape the result by either aiding in the realisation of altruist objectives or realist objectives, shifting the *Shahih* negotiation result in either way. In most cases, activists adjust their act in according to the condition.

4.7. Action/Interractional Strategy

Two streams of motives within Islamic economic activisms split the approaches of activists into two ends, impacted verily by various intervening condition and contextual factors, inevitably lead each with the influenced to come up with result-oriented action/interactional (Strauss and Corbin, 2015). In general, deep causal oriented stream was more active leading institutional emergence and development than actors incorporated to social structure. Yet, actor's action and interactional strategy were also related to trajectory of institutional development along with its contextual factors and intervening condition constituted the challenge of its realisation that vary across time. In the early time of Islamic economic discourse, solutive experimentation was recorded in pushing institutional emergence of Islamic finance in Indonesia. It was an act driven by its independency orientation to search for institutional form deriving from and reflective upon values of Islam within the intention to provide capital, recognising government non-allignment and inexistence form of Islamic economic. It was indeed the seed of institutionalisation of values and norms of Islam in the economy.

While such action remained independent propagation and action of deep causal influenced actors, another form of institutional experimentation was pushed by collaborative action between bearer of values and norms of Islam in economy with technocrat. This action has facilitated the emergence of formal institutionalisation of such values and norms within established structure, which not only formed structurally-recognised institutional presence but also shift solutive experimentation orientation of Islamicaly aspired actors to institutional platform.

This transformation toward norm institutionalisation in the second generation opened a new chapter of action/interactional strategy where it expansion was predominantly resorted within innovative action. These actions were embraced not only by value-institutionalisation oriented actors but also by technocrats and converged professionals and beraucrats. The main attitude remained with deep causal orientation actors leading the innovation through *muamalah* exploration and *fiqhi*- renewal. Nevertheless, reactional orientation of incorporated actors was pursuing innovation within standardisation framework within which institutional development was directed toward meeting

what was considered as best practices within institution. As such negotiation was taking place, Islamic economic activist inheriting cultural system of Islam faced dilemma, between compromising its initial orientation for development, empowerment, holisticity, and independent focus for the sake of institutional sustenance and expansion or else sidestreaming for other form of institutional formation to facilitate the realisation of value-orientation Islamic economic institution. This trend was majorly observed in the latter generation activism with social elites focusing on collective socialisation and task performance as action exercised for institutional formation of Islamic finance in Indonesia.

In responding sidestreaming of Islamic economic expansion, incorporated actors might not always go along with hard stand activism and rather follow and resort to make separation from the differing initiatives. Yet, they might come in agreement with initiative that are in line with othering rational approach that had more prospect to be applied and integrated, such as Islamic capital market. This would mean that a compatible initiative that are not only driven by softer moderate Islamic economic activist but also share resources, concern, and importantly, *manfaah* with popular trend, having a greater possibility of realisation as what they are believing in.

4.8. Consequence

The endeavour of both value-laden activists and social elites through different strategies leading to action and interaction among activists and external forces triggered by motives and affected by different measures within a contextual setting would often lead to different resulting phenomenon. For the current phenomenon understudy, there are three possible outcomes: Value-oriented IF Institution, Hybrid IF Institution, and Cosmetic IF Institution. These three identifiable consequences assist in stitching together the current situation under explore.

These three forms of consequences were spanning in between the mainstream and structurally fitted economic institution and orientation toward Islamically-induced economic institution which presented negotiated outcomes that Islamic economic activists resort to. Indeed, institution with full reflection of values and norms of Islam suggested by each roles was considered as the ideal form of result that the activism can attain. Nonetheless, the constant struggle of this endeavour is partly on the fact that the current practical reference of economic practices subscribes to dominant conventional logic in both higher education to real practices.

The most recognised that this activism can obtain for this Islamic economic project at current is value-laden structurally attached IE institution. This can be attained only when space is available and mainstream domination was losen its grip allowing the realisation of values and norms

reflection of Islam within economic institution as suggested by the cultural inheriter of Islam. At this condition, role occupier within social structure share the same voice due to the initiative being accepted and applied at that particular time and space. For this, separation of approach is getting narrower on the sense that it brought a win-win solution for both motives, one is ideal focus while the other was necessarily on a responsive basis.

On another scale, deep causal influence activists articulation struggle to land in comfortable space of articulation when it failed to produce a differing result that crystallise values and norms that differentiate the purpose of Islamic economic activism with everyday economy. This take place when it was pressurised by competitive and rationale orientation of the economic practices as well as overcoming size barrier. This consequence is prevalent for structurally fitted institutional form that invite greater involvement of assigned actors of the social actors ensuring the provision of the benefit offered. This external distortion aspires social actors to also emphasise on the benefit provided, in comparison to either values promoted or the branding suggested. This can be considered as one of the two commonly outcomes when observing the axial codes within the paradigm model. This condition is then named as mainstream structurally attached Islamic economic institution, institutional form with greater tendency toward conventional paradigm and framework with limited accommodation of Islamic economic activism.

Another form of consequence that second to the 'ideal IE institution' one is a value-oriented structurally attached IE institution. This is the condition resulted from compromisation of both emerging activists and incorporated activists over experiment and innovation proposed. This was actually the first spirit of the establishment of Islamic bank in Indonesia and also what fulfilling initiative of Islamic capital market. Indeed, as the initial position, this where the struggle began and each sides actions and interaction stretch the consequence between reaching each poles. Indeed, elites within social structure was at an upper hand as within the environmental setting set by conventional paradigm, the project attract more stakes to get involve and bring popularity to that. Yet, it was within a consequence that the altruist motive was given up. On the other hand, value-aspired activists were within this belief that the presence of any Islamically-induced economic (financial) institution should come up with expected practices and result, representing the epitome of cultural inheritance of Islamic values and norms.

4.9. *Model Summary*

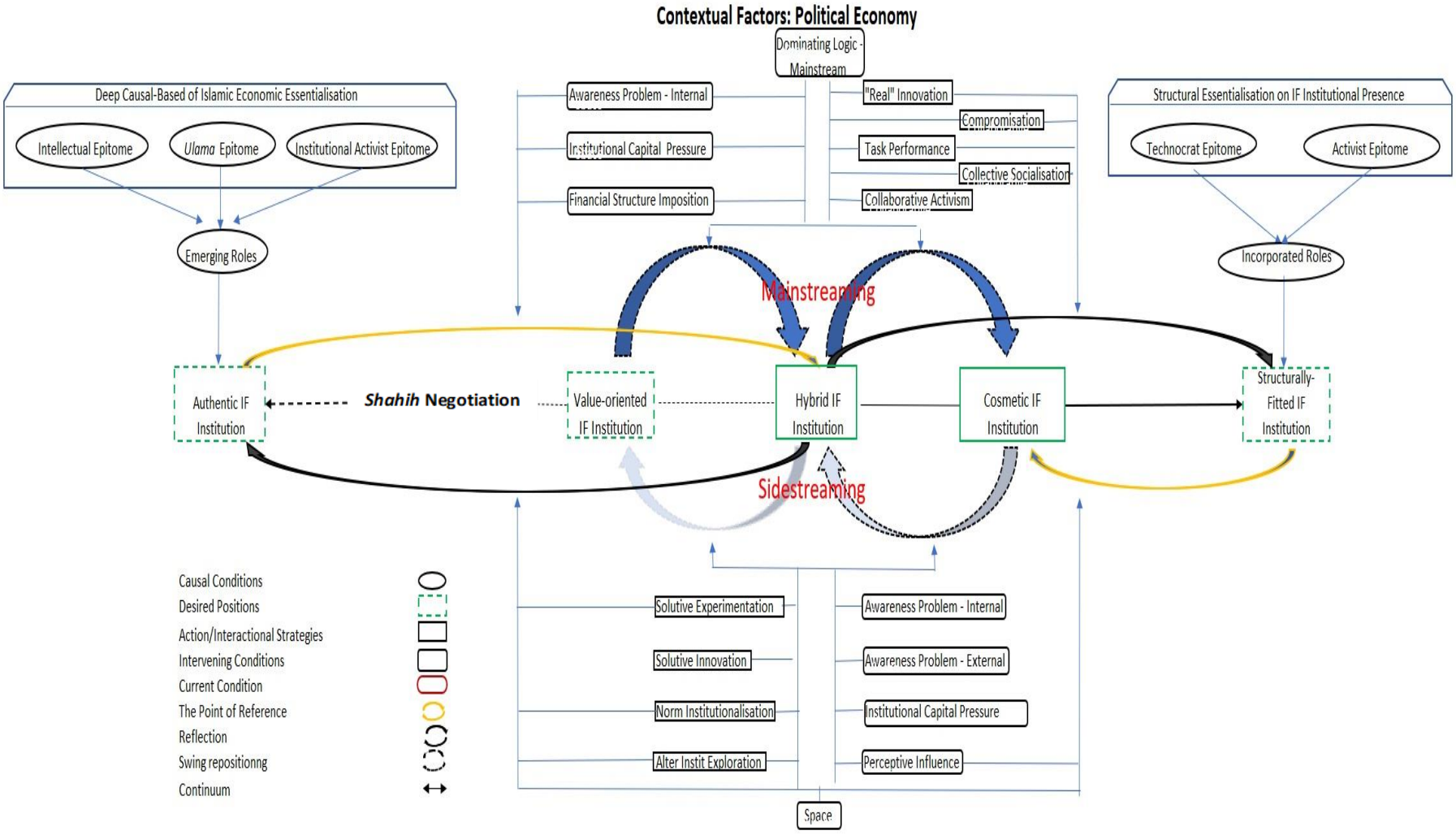
While each element of paradigm model was broken down in brief detail in the previous section, it only describes the model without being able to visualise the integrated relationship between the

coding. This current section aims to display a paradigm model in graphical form to realist the visualisation.

Figure demonstrates how the causal conditions connect promoter of systemic values of Islam and occupier of social structure roles 's opposing epitomes and purposes in a form of continuum of struggle for *Shahih* negotiation or negotiating transformation for altruist purposes. The deep causal-aspired activist was indeed pursuing formation of institution internalizing epitomes of aspiration of their actors. On the other hand, incorporated roles positioned themselves as agent of its formalization, standardization, and innovativeness of Islamic economic activism, directing toward mainstream and structurally-accepted construct. Each of this position is indeed representing an ideal form of outcome targeted within a transformative conundrum that continuously move across time. The point where they meet in practical sense was where the incorporated agents accommodate certain degree of value-reflection of culturally-aspired activists, yet, within applicable level taking into consideration internal capacity and external force and idealist minimal expectation of compliance level to Islamic procedure of deriving product can also be met. The actors of the authentic Islamic value originators responding to this by continuous advocating and innovation up to the extreme of another experimentation, which was also happening, to revert back the position closer to aspired form. What drive idealist to come into agreement with the preliminary transformative position in economy was that a compromise approach shed away difference to come up with consensus with elites of social structure with their recognition as legitimacy provider, representing the core of Islamic economic claim.

As mentioned above that *shahih* negotiation commenced soon after the preliminary position was located. Agents within incorporated structure scuffle in different ways. At the beginning, they held back experimentative act of the promoter of value system of Islam in economy at value oriented yet structurally recognised being, forming an applied based Islamicall-induced institution. Apart from that, these social elites also found hurdle in turning a progress of Islamic economic activism from independent or structurally-attached value-oriented institution to its mainstream form when the trajectory-imposed challenge in realising an applicable and popular economic practices. When an important interest of social elites, mostly in relation to profit-seeking, cannot be obtained through the mean of compromising and collaboration or even through competitive act, standardization approach has become its last resort in ensuring that the adoption of common modern logic practices was pursued. Hence, it was clear that external forces played vital roles in social elites' action. When the idealist was quite welcome toward modern-based innovation, a compromise can be used to serve this purpose given that the activism is quite fragmented.

Figure 9.1: The Paradigm Model of the Political Economy of the Emergence of Islamic Finance in Indonesia

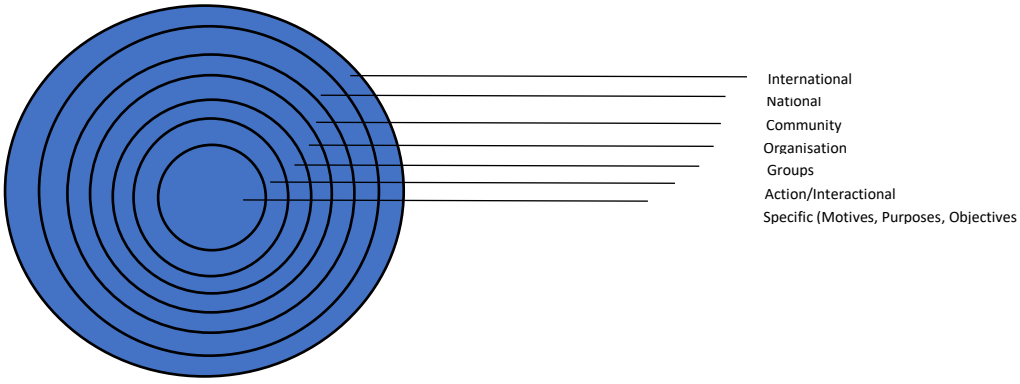


On the other hand, idealist of value-norms of Islam epitome in Islamic economic seek to explore, yet, intervened by internal capacity limitation, external pressure, and perception awareness. Nevertheless, their disappointment with current trend toward mainstreaming has triggered these activists to pursue a value-oriented result of articulation. These activists usually responded by continuously experimenting through other platform, collaborating with those having interest, as well as further institutionalised values and norms of such. Innovation within the current form is considered a minimum approach toward negotiating *Shahih* to a better outcome. This is especially true when space for expansion is available and mainstream domination was lesser in influencing the expansion. Even realist also perform similar innovation, yet, they would follow and adopt to more altruist initiative when they see the opportunity for expanding the practices even more.

Indeed, the realisation of idealist consequence that reflect more of Islamic moral Economy expectation was a difficult project due to both compatibility expectation and moderating effect of regulatory framework. Hence, innovation that oppose normal standard was mostly not recognised and accepted, leaving activists fearing to lose collaborative partners and being push way aside. Therefore, any appearant initiatives that aim to 'revert' back and re-allign activism toward ideal practices always found and face huge wall.

4.10. Conditional/Consequential Matrix

While paradigm model help in visualising relationship between axial coding and fitting these coding into particular explanatory categories to comprehend the process of *Shahih* negotiation, it only express the struggle for *Shahih* in conundrum form without mentioning and demonstrating the dynamism as well as the scale of complexity of this paradigm model. In other words, paradigm model mention none of the setting within which causal conditions, action/interactional strategies and consequences comingle and interrelate among others (Corbin and Strauss, 2008). Strauss and Corbin (2015) suggested an analysis of conditional consequential matrix that acknowledge the specificity of the situation of this negotiation and introduce micro-macro conditional analysis to complement under what standard that this paradigm model is relevant.



Source: Adopted from Strauss and Corbin (2015)

where:

Specific: Deep Causal Influence and Structural Influence
Action/Interractional: Solutive Experimentation, Solutive Innovation, Collaboration, Innovation, Institutionalisation, Compromisation, Application-Based, Benefit-oriented Action, Competition, Popularisation
Group: Early Generation: Intellectual, Ulama, Technocrat; Second Generation: Institutional activist, Converged Professional and Beraucrat, *ulama;* Third generation: Micro-oriented Institutional Activist, Messo-oriented Institutional Activist, Macro-oriented Institutional Activist, Dual Function of *Ulama*, Technocrat, Converged Professional and Beraucrats
Organisation: IIIT, BWI, PBMT, PIN-BUK, MES
Community: Low awareness majority, fragmented minority
National: Government Allignment, Infant industry protection, Islamic friendly Public Sphere
International: IDB, AOOIFI, IFSB, Overseas Higher Education, Neighbouring countries, Far west

The above conditional consequential matrix aided in reflecting how macro and micro situations influence the core phenomenon and its process. This suggests that this study apply a multi-layer analysis, where focus of unit of anaylsis is emphasised. Many of these elements have been discussed above. The purpose of this display is to fit the paradigm model into its unit of analysis for relevancy. The nature of Islamic economic activism started from specific initiatives that turn into action. This action was then facilitated by groups, to push for a higher-level innovation producing organisations and to some extent institutions.

In Indonesian context, the environmental change has changed overtime and experienced different layer of settings. In the beginning, it was hurdling due to very limited space available to migrate. Hence, space availability coding was indeed an explanation of this differing layer structure across time. At the time goes by and Indonesia becoming more open and democratic in space available, it shifts toward competition basis. Hence, competition is driving what is in existance and what is not, while at the same time government role was circumvented. In that, domination of practices rested in the popularity of such. When this situation was observed, it was then easier to locate the conditional issue within the development. International pressure has rather had low and indirect impact toward activism for idealist, yet, had mild degree of importance for realist activist. This is due to the fact that the legitimacy of realist lies upon what is considered best practices and those standard setting and IDB was considered as a agent of provider. In the ational level, this issue is becoming crucial.

As the activism struggle to overcome the domination of mainstream modern positivistic mindset, the absence of government allignment was seen as hinderance as free competition was hurting the realisation of altruist motives. The current trend giving a hope for a mainstreaming altruist-driven Islamic economic, yet, one can only put expectation on that. In the community level, Islamophobia

that was hindering the development was gradually removed by active engaging Muslim community integrating and contributing toward social issue, including economic. Nevertheless, awareness problem within community was one that blocking further expansion. This is worsened by the absence of leader within activism, creating a fragmentation in the community. In organisational level, peripheral organisation of the idealist was more active in pushing forward and placing pressure to the current agenda of development, becoming the ground of which the altruist's dream still lie upon. While such pressure was expected to move organisation-basis of Islamic economic institution, the reality tell otherwise as such institution as the articulation of practices and part of negotiation medium were independent from the community. Hence, it was a drive from motivational activists with particular actions that can change the game here.