



# THE ROLE OF ISLAMIC FINANCE IN PROMOTING THE DEVELOPMENT OF TADIKA AL-FIKH ORCHARD KUALA LUMPUR

Juwita Putri Nabilah<sup>1</sup>, Alfi Amalia<sup>2 3</sup>

<sup>1,2</sup> Universitas Muhammadiyah Sumatera Utara

[juwitaputrinabilah@gmail.com](mailto:juwitaputrinabilah@gmail.com)<sup>1</sup>, [alfiamalia@umsu.ac.id](mailto:alfiamalia@umsu.ac.id)<sup>2</sup>

## Abstract

Islamic finance plays a crucial role in education within the expanding global landscape of Islamic economics. It has been widely observed that Sharia-compliant financial institutions wield significant influence over the educational framework at Tadika AL-Fikh Orchard Kuala Lumpur. This study endeavors to assess the impact of Sharia finance in fostering the advancement of Tadika AL-Fikh Orchard Kuala Lumpur. The objective is to illuminate the pivotal role of Islamic finance in enhancing early childhood education by facilitating the delivery of morally grounded teachings and fostering a holistic comprehension of Islamic financial literacy. Moreover, it aims to provide motivational support and promote an in-depth understanding of Islamic financial principles. The significance of employing Sharia-compliant school finance policies, tailored to collaborative efforts with financial institutions such as BTM, BMT, and both Sharia and conventional banks, is underscored. Additionally, participants are encouraged to contribute their insights and perspectives, initiating steps to provide educational materials and practical exercises aimed at elevating comprehension levels, practical applications, and successful outcomes in Sharia finance.

**Keywords:** Islamic finance, Education. Sharia-based financial institutions, Tadika AL-Fikh Orchard Kuala Lumpur

## INTRODUCTION

Education is a valuable asset, a deeply ingrained characteristic, and it involves imparting something unknown initially. Law No. 20 of 2003 regarding a national education system explains that education is a conscious and planned effort to realize an atmosphere of effective learning and teaching processes. Countries with high levels of financial inclusion tend to be in developed nations because financial inclusion provides opportunities for individuals and businesses to access financial services.

Empirical facts show that developed countries like Japan have high

financial inclusion indices, ranking 5th, while Indonesia, as a developing country, ranks 84th (Cámara & Tuesta, 2017). We must equip learners to explore their potential, especially for young children. Religious education plays a significant role in their growth and development because education is one of the essential needs in preparing for daily activities. Education has a crucial point, why not? On the other hand, improving the welfare of the public and businesspeople is expected to boost the performance of Islamic banking and create a positive image in society. Despite that, Suseno and Fitriyani (Trianto et al., 2021).

Every child is a valuable asset to the world, whether in Indonesia or Malaysia, such as the foundations we visited at Tadika Al-Fikh Orchard in Kuala Lumpur. As researchers, we must consider the development of Islamic economics in the education sector. Why not? Education cannot be separated from economic issues. The contribution of education to the economy and development, both directly and indirectly, must be acknowledged. Therefore, education should not be merely seen as consumption or financing. It is time to view education as an investment that provides long-term contributions.

These developments have influenced the stigma and mindset of various political parties, including the government, planners, international organizations, researchers, and other modern thinkers and practitioners in the development of human resources in the field of education. In developed countries, education is seen not only as a consumer aspect but also as an investment in human capital and as a "primary sector" or one of the primary sectors. For example, because the government is seriously developing this sector, the budgetary commitment to the education sector is not inferior to other sectors, and successful investments in the form of economic interventions in education (budget support) are the economic development of education itself.

This research examines these issues, which become important for the future considering the urgent need because the role of Islamic economics in education encompasses (1) Islamic economics emphasizes justice values as the most important basic values in determining economic policies and behaviors (2) based on ethics as an effort by Muslims to base all aspects of economic life on the Quran and Sunnah.

The process of decision-making plays a crucial role in motivating leadership communication, coordination, and organizational change, where all sectors of education and economic roles must be directed (Satria Lubis et al., 2020).

Economics can be seen as the study of the production and distribution of all scarce resources, whether in the form of tangible goods or intangible services, to meet the needs of every individual and group in society, where all related aspects constitute the field of Islamic economics (Samuelson, 2005).

The contribution of education to economic growth becomes stronger after considering the transaction effects between education and other forms of physical investment (Psacharopoulos, 1984).

## **METHODS**

The discussion on education encompasses Islamic finance, where supportive factors in the development of education include Islamic finance itself. Many sectors contribute to the growth and development of research, one of which is the regulations governing Islamic finance, which have the potential to support its implementation.

The research method employed is quantitative along with interview materials. This method is a technique for describing or portraying a situation of a research object as it is, without intending to draw specific conclusions based on all the collected data.

## **RESULT AND DISCUSSION**

In the realm of education and the economy, a crucial factor is that education serves as a catalyst, enabling the economy to harness it as one of the largest human resources for the nation's future generations. Simultaneously, education has the potential to elevate the quality of every individual in society. Therefore, education must start from an early age, focusing on shaping children's character, faith, morality, and understanding of Islamic jurisprudence to cultivate noble qualities in them.

In this context, Sharia economics must be based on legitimate contracts. Why is this aspect important? Because funds or resources allocated to support the nation's generation must be obtained through lawful means. It requires financial information, business development, and the implementation of zakat within business entities (Makhrus et al., 2022). Sharia economics should play a significant role in the development of education as it serves as a regional function where Sharia economics must be intricately intertwined. There are many aspects that need improvement in both education and the economy; hence, education without financial support cannot progress effectively, and vice versa.

In the economic value of education, contributions to social and economic development can be observed through the enhancement of knowledge, skills, abilities, attitudes, and productivity. For society, education enriches economic, political, and cultural life. Education strengthens the ability to utilize technology for progress in social and economic fields. The costs incurred in education are considered investments over a specific period, expected to yield benefits, both financial and non-financial, for individuals, society, and the economy.

The concept of economics and financing in education, particularly the interconnection of education with the economy at a macro level, holds implications for educational financing policies. Education is viewed as a vital tool for advancing and modernizing a nation, enabling resilience in addressing life's challenges.

Careless management actions in banking led the government to allocate limited funds for education. Additionally, education determines the quality of life and raises a nation's living standards. Improving a nation's standard of living is also a primary goal of economics through the provision of goods and services to achieve life satisfaction. Hence, education and the economy should both serve as strong shields, with education assisting in the development of early childhood education institutions such as Al-Fikh



Orchard Kindergarten in Kuala Lumpur, where economic activities should align with educational pursuits.

### **Islamic economics in the Indonesian education system**

Islamic economics in Indonesia was established in 1991, with Bank Muamalat being the pioneering institution. Over the past two decades, Islamic economics and finance have experienced significant growth globally. Presently, Islamic financial systems operate in over 50 countries, catering to both Muslim-majority and non-Muslim populations. Indonesia, with a majority Muslim population according to data from the Central Statistics Agency (BPS), has significant potential for the development of Islamic economics and finance, contributing to its economy.

The role of economics cannot be separated from the world of education. Equity and equal distribution highlight the importance of educational opportunities and other human resource development forms geographically, socially, and economically. Education plays a crucial role in economic growth, as it forms the basis for achieving desires and needs. Islamic economics in education can be facilitated through funds channeled from zakat, infak, and sedekah for scholarships. Islamic economics aids in enabling early childhood education for children from economically disadvantaged backgrounds, ensuring they receive education. By utilizing charitable donations, Islamic economics supports schooling for economically challenged children, aligning with the principles of thrift and frugality.

### **Islamic Economics in the Malaysian Education System**

Malaysia, according to data from Dinar Standard and Salaam Gateway, ranked as the country with the best Islamic economic system in the world in 2022. The Global Islamic Economy Indicator (GIEI) scored Malaysia at 207.2 points, showcasing its robust Islamic economic system. Malaysia is a preferred destination for higher education among Arab and Asia-Oceania countries. Extensive emphasis on educational sector development has placed Malaysia on par with Singapore in Southeast Asia and on par with the United States, the United Kingdom, and Germany globally. The Malaysian government's commitment to prioritizing education ensures the quality of education remains high. With conducive environments, top-notch facilities, updated curricula, Malaysia's education system is recognized among the best globally.

The Malaysian government allocates nearly 30% of its education budget to education. Financial support includes student loans for higher education, which can be repaid over 5 to 20 years post-graduation. Financial assistance is also extended to students interested in studying abroad. Basic education costs are minimal for families, with nominal fees collected at the start of the academic year. Additional costs, such as Parent-Teacher Association fees, are minimal and standardized across families.

### **Islamic Economics as the Foundation of Education**

Islamic economics upholds high educational standards, aiding in financial management. Mature planning and updated methodologies are essential for the development of Islamic economics education. Training and education are vital for improving individuals' knowledge and skills, aligning them with economic activities. However, societal and cultural challenges



persist in adhering to Islamic banking rules in Indonesia. Lack of understanding and rushed initiatives among Islamic economics practitioners can undermine the concept's integrity.

Strategic efforts are necessary to provide linear support for simple understanding, ensuring direct marketing concepts are well-planned and executed. Islamic economics should develop various educational instruments and materials to optimize its role in education. Collaboration between stakeholders is crucial in fostering the growth of Islamic economics within educational institutions.

### **Advancing Education with Islamic Economics at Al-Fikh Orchard Kindergarten**

Islamic economics and finance play significant roles in national economic recovery efforts. In Kuala Lumpur's Al-Fikh Orchard Kindergarten, Islamic-based education emphasizes Sharia values, fostering children's resilience and cognitive abilities. Children are taught to read, understand the pillars of faith and Islam, and speak English fluently. Education acts as a catalyst for economic growth, as educated individuals contribute to a nation's workforce, enhancing its economic potential. Therefore, parents, educators, and policymakers must collaborate to improve education, thereby boosting the development of Islamic economics.

In conclusion, education is a vital tool for economic advancement. Islamic economics can significantly contribute to education, enhancing its quality and accessibility. Collaboration between various stakeholders is essential in maximizing the potential of Islamic economics in education, ultimately driving socioeconomic progress.

### **Education as a Development of Sharia Economics**

Education, universally, signifies the effort to transform individuals into more intelligent beings, as articulated in the philosophy of education that education is the endeavor to enlighten the nation's life. However, intelligence here should not be interpreted solely as cognitive or intellectual intelligence but as the complete intelligence of human beings, encompassing total human intelligence in accordance with the laws of educational efforts taken from both of these fundamental principles, conceptually and principally, which remain unchanged at any time and place (Basri et al., 2018). According to Hendri Tanjung, various fields of life are influenced by these laws.

Physical capital, labor, and technological advancement are three fundamental factors in national income production. The larger the workforce (which implies a high population growth rate), the greater the national income and economic growth. In developing and underdeveloped countries, the population growth rate is generally higher than in developed countries. Nevertheless, typically, the economic growth rate is higher in developed countries.

The theory of human capital explains the process whereby education positively influences economic growth. This theory dominated the literature on Islamic economic development and education from the post-World War II era until the 1970s. The second educational planning model can be carried out with an economic return approach. In this approach, education can be analogized with the production process.



By calculating the various costs involved in education programs (input-process-product) and then assessing the productivity of graduates, it can be determined whether an education program will only contribute to unemployment or indeed produce human resources that have a genuinely positive economic impact. Chen and Volpe (1998) found that individuals with poor financial literacy tend to have misconceptions about finance and are prone to making mistakes in decision-making. Therefore, financial activities should ideally be conducted in accordance with existing Sharia laws (Asyhad & Handono, 2017).

In this model, education must indeed maintain the relevance and accountability of the programs offered. When graduates cannot function in the job market, usually indicated by their low salaries or inability to find employment, education serves as a pioneer in the establishment of Sharia economics in education. However, education has values that must be accumulated. Therefore, education should be supported by government funds under the auspices of the kingdom. In this regard, Sharia economics must have various means to assist the economy. Education involves several aspects, including recorded financial aid and support for various school funds channeled to specific bodies. Many tasks need to be accomplished in this endeavor.

## **CONCLUSION**

It's evident that each country has its own cultural nuances in the field of education. Here, punctuality is emphasized, and children exhibit a good culture of queuing. In Tadika Al-Fikh Orchard, Malaysia, English is used in every conversation during lessons. Throughout the activities, various learning aspects such as culture, food, language, and child psychology are integrated. This is especially important as Tadika Al-Fikh Orchard in Port Klang caters to children with special needs.

Every child has unique needs, and the educators employ various techniques to ensure they understand the high-level teachings with extra patience. Infrastructure in education is carefully considered, and the needs of the children, including their meals, are well taken care of. They comprehend all the teachings provided by the teachers. Therefore, education should provide high-quality knowledge and preparation. Education is a light for children, and in this regard, it requires significant support from Sharia economics in the educational economy. One aspect of Sharia economics in the world of education is crucial, as funds are essential in building facilities and satisfying the needs of educators and others. In this aspect, the economy plays a pivotal role in development. Therefore, the government and relevant authorities must provide substantial funding to expand education.

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