

Crony Capitalism Practices In Indonesia's Mining Industry: A Critical Study From The Islamic Economic Perspective

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Abstrak

Penelitian ini mengeksplorasi dampak praktik kapitalisme kroni dalam sektor pertambangan Indonesia dari perspektif ekonomi Islam, dengan fokus pada keadilan distribusi kekayaan dan perburuan sumber daya. Penelitian ini menggunakan metode deskriptif kualitatif dengan pendekatan analisis isi, didasarkan pada data sekunder seperti artikel jurnal, laporan perusahaan, dan dokumen kebijakan. Hasil penelitian menunjukkan bahwa hubungan erat antara elit bisnis dan politik menciptakan akses eksklusif terhadap sumber daya negara, menghasilkan ketimpangan ekonomi, kerusakan lingkungan, dan ketidakadilan sosial. Dalam perspektif Islam, sumber daya pertambangan dianggap sebagai “milkiyah ‘ammah” atau kepemilikan publik, yang pengelolaannya harus diarahkan untuk kepentingan bersama. Temuan ini relevan dalam konteks studi keislaman kekinian, menawarkan pendekatan berbasis nilai syariah untuk reformasi kebijakan yang transparansi, distribusi manfaat yang adil, dan perlindungan lingkungan. Studi ini berkontribusi pada pengembangan kerangka kerja ekonomi Islam untuk pengelolaan sumber daya yang lebih adil dan berkelanjutan.

Kata Kunci: keadilan distribusi, kepemilikan publik, lingkungan, reformasi kebijakan, syariah..

Abstract

This study explores the impact of crony capitalism practices in Indonesia’s mining sector from an Islamic economic perspective, focusing on wealth distribution equity and resource exploitation. The research employs a qualitative descriptive method with a content analysis approach, based on secondary data such as journal articles, company reports, and policy documents. The findings reveal that close ties between business and political elites create exclusive access to state resources, resulting in economic inequality, environmental degradation, and social injustice. From an Islamic perspective, mining resources are considered “milkiyah ‘ammah”

or public ownership, which must be managed for the collective benefit. These findings are relevant in the context of contemporary Islamic studies, offering a sharia-based approach to policy reform emphasizing transparency, equitable benefit distribution, and environmental protection. This study contributes to the development of an Islamic economic framework for more equitable and sustainable resource management.

Keywords: equity, public ownership, environment, policy reform, sharia..

INTRODUCTION

The phenomenon of crony capitalism in Indonesia's mining sector raises significant academic questions concerning economic justice and wealth distribution. Crony capitalism refers to a system where close relationships between business actors and political elites create exclusive access to state resources for personal gain, often resulting in economic inequality, social injustice, and environmental degradation (Haber, 2007). In this system, political elites allocate lucrative contracts, licenses, and opportunities to a select group of favored businesses, typically at the expense of the broader public (As'ad, 2023; Winters, 2011). Such political-business relationships often lead to monopolies, inefficient resource allocation, and wealth concentration among a small elite, further exacerbating social disparities.

According to Hughes (1999), crony capitalism functions to perpetuate the benefits of a select group through close ties between businesspeople and officials, at the expense of economic justice and public interest. These practices not only undermine economic opportunities for the majority but also hinder the development of competitive market economies by limiting access to vital resources for the broader public. Crony capitalism is often associated with high levels of corruption, as political elites and business magnates collaborate to maintain their privileged positions, creating a system that serves the interests of a few while harming the many. Winters (2011) further explains that in crony capitalist systems, "governments often side with large politically connected corporations, giving them advantages over more efficient or innovative competitors." This form of governance fosters economic inefficiencies, where resources

are allocated not based on merit or market needs but rather on personal connections and political favoritism.

In Indonesia, the mining sector is highly susceptible to crony capitalism. The country is rich in natural resources, and the mining sector plays a critical role in generating foreign exchange, creating jobs, and attracting foreign investment. However, despite its economic significance, access to Indonesia's mining resources is largely controlled by a few large corporations with strong political connections. These companies, often backed by political elites, secure mining licenses, contracts, and favorable regulations that allow them to exploit resources for personal profit rather than public benefit (Daeng & Suryono, 2016).

The involvement of politicians in major mining companies like Freeport exemplifies how crony capitalism continues to thrive in the post-reform era. These political-business networks have been instrumental in securing lucrative mining deals and ensuring that concessions are granted to politically favored individuals or entities, regardless of their environmental or social impact (KumparanNews.com, 2017). Even after the fall of the New Order regime and subsequent reforms, the decentralization of power in Indonesia has given local governments greater control over mining licenses. Unfortunately, this decentralization has also opened new pathways for cronyism at the local level, with regional elites engaging in rent-seeking behavior to secure mining concessions, often disregarding public interest and environmental considerations (Fajar, 2023).

From an Islamic perspective, crony capitalism is inherently at odds with core principles of economic justice, equity, and social responsibility. In Islam, the management of natural resources, including mining, is viewed as a collective responsibility that should benefit the entire society, not just a privileged few. The Islamic economic system advocates for the equitable utilization of resources to ensure wealth is distributed fairly among all members of society, rejecting monopolies and exploitation by politically connected elites (Chapra, 2000; Kahf, 2004). The concept of *milkiyah 'ammah* (public ownership) in Islam emphasizes that natural resources, such as minerals and fossil fuels, are public assets that must be managed by the state for the welfare of all

(Khairina et al., 2024; Khan, 2008; Kholis et al., 2012; Wahyuni, 2020; Triono, 2011). This system stands in stark contrast to crony capitalism, where wealth is concentrated in the hands of a few who exploit their political connections to maintain control over resources, often at the expense of the broader population.

While many studies have examined the impact of crony capitalism in Indonesia's strategic sectors (Sari, 2016; Snape, 1999), there is a significant gap in research that integrates Islamic economic principles, particularly concerning mining. Scholars such as Winters (2011) and Basri (2019) have documented the persistence of crony capitalism in Indonesia's mining sector, yet these studies have not fully explored how such practices conflict with Islamic teachings on justice, social welfare, and equitable resource distribution. This gap in the literature creates an opportunity to investigate how Islamic economics can provide a normative critique of crony capitalist systems and offer alternative policy solutions aligned with principles of justice, transparency, and social equity.

This study aims to address this gap by investigating the extent to which crony capitalism in Indonesia's mining sector undermines the principles of justice and equity outlined in Islamic economics. The research will explore how these practices conflict with Islamic perspectives on wealth distribution and resource management, particularly in the context of strategic sectors like mining. Through this analysis, the study seeks to provide a deeper understanding of the ethical implications of crony capitalism in Indonesia's mining sector and offer policy recommendations rooted in Islamic economic principles. These recommendations will aim to create a more equitable and sustainable mining industry that prioritizes public welfare, promotes transparent governance, and ensures that the benefits of mining are more evenly distributed across society.

The phenomenon of crony capitalism in Indonesia's mining sector not only raises significant economic concerns but also challenges fundamental ethical principles. By analyzing these practices through the lens of Islamic economics, this study seeks to offer a critical alternative to the current system, emphasizing the importance of justice, transparency, and public welfare in natural resource management. This research aims to contribute to the broader academic discourse on economic justice in Indonesia and

provide a framework for policy reform aligned with Islamic values, ensuring that the benefits of Indonesia's abundant natural resources are shared equitably among all members of society.

This study employs a descriptive qualitative approach to investigate the phenomenon of crony capitalism and its impact on society and the environment. By focusing on Islamic economic principles, the study offers a normative framework for critically assessing mining practices.

Data is sourced from secondary materials, including journal articles, government reports, and relevant literature on crony capitalism and Islamic economics. Content analysis is used to examine legal documents and corporate reports, identifying evidence of crony practices. Case studies and literature reviews bridge the gap between observed practices and the principles of justice and equitable resource distribution in Islamic economics.

Through this integrative approach, the research seeks to highlight the discrepancies between policies and practices and propose reforms aligned with social justice and transparency.

RESULTS AND DISCUSSION

The Influence of Crony Capitalism in Indonesia's Mining Sector

Crony capitalism in Indonesia's mining sector plays a crucial role in shaping economic inequality and environmental sustainability. The close intertwining of business and political interests has led to an economic system that disproportionately benefits a select few while marginalizing local communities. These practices exacerbate social and economic disparities and hinder sustainable development within the sector.

The dynamics of crony capitalism in Indonesia's mining sector are characterized by close ties between business elites and political figures, which facilitate preferential allocation of mining licenses, land access, and other resources. These political-business alliances distort wealth distribution and economic opportunities, concentrating benefits within a small group of politically connected individuals or companies. Mining licenses, vital to the sector, are often granted to businesses with political connections, ensuring

their access to some of the nation's most valuable natural resources (As'ad, 2023; Winters, 2011).

A critical turning point in the development of crony capitalism in Indonesia's mining industry was the decentralization process initiated during the post-Reformasi period. Intended to decentralize power and give regional governments more autonomy, decentralization paradoxically facilitated the growth of rent-seeking behaviors and corruption (Hazmi, 2023). Local elites, often with political connections, have exploited this newfound authority to secure mining concessions, sometimes bypassing legal procedures and disregarding the rights of communities (As'ad, 2023).

The sharp increase in the number of mining permits issued between 2001 and 2010—from 750 to over 10,000—provides a vivid example of this phenomenon. Many of these permits were granted during or after election periods, indicating that the allocation of mining rights was influenced by political considerations rather than merit or public interest (JATAM et al., 2019). This surge in mining permits exposes systemic misuse, where political and business elites are the primary beneficiaries, while the general public, particularly local communities, often bear the environmental and social costs of mining operations (Sutrisno et al., 2022).

Case Studies: Freeport and PT Newmont

The cases of Freeport and PT Newmont, two of Indonesia's largest mining companies, provide clear examples of how crony capitalism has shaped the industry. Freeport Indonesia, for instance, has operated in Papua for decades, extracting vast quantities of copper and gold. Despite generating enormous wealth, the local communities have seen little benefit from these operations. Most profits are concentrated in the hands of Freeport's shareholders and Indonesia's political elites. Freeport's political connections, particularly with powerful Indonesian figures, have enabled the company to secure lucrative contracts, including tax breaks and exemptions from environmental regulations, further entrenching its dominance in the mining sector (Daeng & Suryono, 2016).

Similarly, PT Newmont's involvement in the mining sector has been linked to political favoritism (Batubara, 2011). Operating in Sumbawa, Indonesia, the company

benefited from favorable contracts granted by the government, often without adequate oversight or community consultation. These practices reflect broader trends in resource allocation within Indonesia's mining industry, where political ties, rather than community needs or environmental considerations, determine the flow of resources.

The persistent political-business connections in these cases highlight the extent to which crony capitalism influences the mining sector, reinforcing a system where economic benefits are disproportionately allocated to those with political power, while the broader population bears the social and environmental costs.

Environmental and Social Implications

The unchecked power of mining corporations under crony capitalism has led to significant environmental and social consequences. In the case of Freeport's operations in Papua, the environmental impact has been severe. The company has been accused of dumping toxic waste into nearby rivers, polluting water sources, and damaging local ecosystems (Kapan, 2018; Wakerkwa, 2015). The environmental degradation caused by these practices not only affects the surrounding environment but also endangers the health and livelihoods of local communities who rely on these natural resources for survival.

Beyond environmental harm, the social impact of crony capitalism is equally troubling. Mining operations, particularly in remote areas such as Papua, have often triggered prolonged conflicts that remain unresolved to this day (Safitri, 2016). These communities frequently receive inadequate compensation, minimal development, and limited access to basic services such as healthcare, education, and infrastructure (Ramadhani, 2023).

Additionally, the concentration of wealth in the hands of a few political and business elites has led to growing social inequality. The economic benefits generated by the mining sector do not reach the broader population, creating a system where the rich grow richer while the poor remain trapped in poverty. This inequality has fueled social unrest in mining regions, where communities feel their land and resources are being exploited without fair compensation or adequate benefits.

The social and environmental consequences of crony capitalism in Indonesia's mining sector underscore the urgent need for reform. Without addressing systemic issues of corruption, unequal resource distribution, and environmental degradation, Indonesia will continue to face challenges in achieving sustainable development and social justice.

The Need for Reform: A Call for Transparency and Accountability

The persistence of crony capitalism in Indonesia's mining sector demands significant reforms, particularly in terms of transparency, accountability, and equitable resource distribution. Policy reforms should focus on ensuring that mining licenses are granted based on merit rather than political favoritism. This requires establishing transparent licensing processes that involve local communities and other stakeholders in decision-making.

Moreover, stronger enforcement of environmental regulations is essential to ensure that mining companies operate in ways that minimize environmental damage and protect local communities. Indonesia's existing regulatory framework must be strengthened, and penalties for non-compliance must be severe enough to deter companies from engaging in exploitative practices. The government must also work to curb the influence of political elites over the mining sector, ensuring that resource allocation is based on public interest rather than personal or political gain.

The need for reform is clear. Crony capitalism in the mining sector not only undermines Indonesia's economic potential but also perpetuates inequality and environmental destruction. Without meaningful changes to the system, Indonesia's mining sector will continue to be a source of social and environmental conflict rather than a driver of sustainable economic growth and development.

Social and Ecological Impact of Crony Capitalism

Indonesia's mining sector, heavily influenced by crony capitalism, has far-reaching social and ecological consequences. These impacts are particularly evident in resource-rich regions, where large-scale mining operations often disregard environmental sustainability and social justice. Systemic collusion between business elites and politicians

exacerbates these issues, enabling exploitative practices to persist while leaving local communities and ecosystems vulnerable.

Environmental Degradation

Environmental destruction is one of the most visible consequences of crony capitalism in Indonesia's mining sector. Mining operations often lead to deforestation, soil erosion, water pollution, and biodiversity loss, all of which severely impact local ecosystems (Sutrisno, 2014; Sumarjono, 2022) and the communities that depend on them. These effects are often worsened by a lack of strict environmental oversight, as politically connected companies exploit regulatory loopholes to prioritize profits over ecological sustainability.

For instance, nickel mining in North Maluku has caused widespread water scarcity and pollution. Local rivers, once vital for drinking water and agriculture, are now contaminated with mining waste, rendering them unsafe for human use and damaging aquatic ecosystems. Similarly, coal mining in East Kalimantan has resulted in severe land degradation and deforestation, stripping the region of biodiversity and leaving vast areas unsuitable for agriculture or habitation. These activities not only harm the environment but also disrupt the livelihoods of communities reliant on these resources (Sangaji et al., 2024).

The operations of Freeport in Papua further illustrate the environmental consequences of mining. Over decades of activity, the company has been accused of dumping millions of tons of mining waste into local rivers, causing significant ecological damage (Wakerkwa, 2015). Despite these allegations, Freeport has continued its operations unimpeded, protected by political connections and economic influence. The long-term environmental effects of such practices, including water contamination and the destruction of critical habitats, underscore the urgent need for stronger regulatory frameworks and enforcement mechanisms.

Social Inequalities

The social impacts of crony capitalism in Indonesia's mining sector are equally severe, perpetuating inequality and marginalizing local communities. While the sector generates significant revenue, these economic benefits are rarely distributed equitably.

Instead, wealth is concentrated among a handful of elite individuals and companies with political connections, leaving local populations to bear the social and environmental costs.

One of the starkest examples of this disparity is the displacement of indigenous communities in mining regions. In Papua, for instance, communities living near Freeport's mining sites face forced relocations, the loss of traditional livelihoods, and limited access to basic services like education and healthcare. Despite the immense wealth generated by mining in the region, many of these communities remain impoverished, reaping little to no benefits from the industry that has transformed their land (Ramadhani, 2023).

Social inequality is further exacerbated by the phenomenon of "corruption," where profits from coal mining are used to finance political campaigns and maintain the power of established elites (JATAM et al., 2019). This practice not only entrenches corruption but also diverts resources away from local development initiatives, leaving communities without adequate infrastructure or social support. In regions like South Kalimantan, the negative health impacts of mining, including respiratory illnesses caused by coal dust, disproportionately affect vulnerable populations, particularly women and children. These communities often lack the resources to advocate for their rights or seek compensation, further entrenching their marginalization (As'ad, 2023).

Additionally, the influx of migrant workers into mining areas often creates tensions with local populations. These tensions stem from competition for jobs and resources, as well as perceptions that local communities are excluded from the economic benefits of mining. This dynamic has led to social unrest in several mining regions, highlighting the broader social consequences of unequal wealth distribution and exploitative practices (Lampe, 2021).

The Role of Legislation

Legislation plays a critical role in shaping the social and environmental impacts of mining. However, in the context of Indonesia's mining sector, laws and regulations often fail to protect the interests of local communities and the environment, largely due to the influence of crony capitalism. Politically connected companies have historically

leveraged their influence to shape legislation in their favor, creating a regulatory environment that prioritizes corporate profits over public welfare.

The Omnibus Law on Job Creation, passed in 2020, is a prime example of how legislation can exacerbate existing inequalities (Sari, 2022). Although the law was marketed as a tool to attract foreign investment and streamline regulations, critics argue that it significantly weakens environmental protections and labor rights. For instance, the law reduces requirements for environmental impact assessments and limits public participation in licensing processes, making it easier for politically connected companies to obtain mining permits without accountability.

In addition to weakening environmental protections, the Omnibus Law has been criticized for its potential to undermine regional governance. By centralizing decision-making authority in Jakarta, the law diminishes the role of local governments in managing mining resources, effectively sidelining communities most affected by mining activities. This centralization of power further entrenches the influence of national political elites, who are often more concerned with preserving their economic and political interests than addressing the needs of local populations.

While some legislation, such as the 2020 Mining Law, includes provisions aimed at promoting sustainable mining practices and equitable resource distribution, enforcement remains a significant challenge. The lack of adequate monitoring and oversight mechanisms allows companies to flout regulations with impunity, particularly if they have political backing. These regulatory gaps highlight the need for stronger legal frameworks that not only set clear standards for environmental and social responsibility but also ensure their effective implementation.

Addressing the Impacts

Mitigating the social and ecological impacts of mining requires addressing the systemic issues that enable exploitative practices. Strengthening environmental regulations and enforcement mechanisms is a crucial first step (World Bank, 2018). This includes imposing stricter penalties for non-compliance and incentivizing companies to adopt sustainable practices. Additionally, legislation must be reformed to prioritize

community participation and ensure that local populations have a meaningful role in decision-making processes related to mining activities.

Efforts to redistribute the economic benefits of mining are also essential. This can be achieved by channeling mining revenues into public goods such as education, healthcare, and infrastructure in resource-rich regions. By addressing the root causes of inequality and environmental degradation, policymakers can begin to transform Indonesia's mining sector into a model of sustainable development.

Islamic Economic Perspective on Mining Management

The Islamic economic perspective on mining management offers a framework rooted in justice, equity, and stewardship, addressing the structural weaknesses and ethical failures inherent in crony capitalism. This perspective is built on the foundations of Shariah, which views natural resources as communal assets, mandating their use for the collective benefit of society (Herman, 2019). It contrasts sharply with the monopolistic tendencies of crony capitalism while highlighting the challenges of applying these principles in contemporary governance.

Theological Foundation

Islamic economic principles governing natural resource management are derived from the Quran and the teachings of Prophet Muhammad (peace be upon him), emphasizing justice, collective welfare, and environmental stewardship. Central to this perspective is the concept of *milkiyah 'ammah* (public ownership), which asserts that resources such as water, minerals, and forests are communal assets entrusted to humanity for shared benefit. This principle is encapsulated in the Prophet's hadith:

"The people are partners in three things: water, pasture, and fire." (Narrated by Abu Dawud)

The hadith underscores the notion that essential resources should not be monopolized or controlled by a select few, as they are intrinsically linked to the well-being of the entire community. The Quran further reinforces this idea with verses advocating equitable wealth distribution and cautioning against practices that concentrate resources among privileged elites. For instance, Surah Al-Hashr (59:7) states:

"So that it will not be a perpetual distribution among the rich from among you."

Islamic economics also emphasizes stewardship (khalifah), viewing humans as custodians of the earth. This responsibility includes sustainable resource management, balancing economic needs with ecological preservation. The Quran explicitly warns against corruption and environmental harm, as stated in Surah Al-A'raf (7:56):

"And do not cause corruption upon the earth after its reformation."

These principles form the ethical foundation for managing natural resources, ensuring their use aligns with societal welfare and environmental sustainability. This vision stands in stark contrast to the exploitative practices often seen in Indonesia's mining sector under crony capitalism.

Contrasts with Crony Capitalism

Islamic economic principles directly challenge the practices of crony capitalism, particularly in the context of resource management. Crony capitalism thrives on exclusivity, favoritism, and the concentration of wealth and power, often at the expense of justice and equity. In Indonesia's mining sector, politically connected individuals and companies exploit their relationships to secure lucrative concessions, monopolizing resources that should benefit the broader public. These practices fundamentally conflict with Islamic values, which mandate inclusivity, accountability, and equitable distribution.

One of the starkest contrasts lies in the approach to resource ownership. Crony capitalism enables the privatization of public resources, transferring control to a privileged few while excluding marginalized communities. In contrast, Islamic economics views resources as *milkiyah 'ammah*, which cannot be privatized or exploited for personal gain. Wealth generated from such resources must be distributed fairly, prioritizing societal needs such as healthcare, education, and infrastructure. This redistribution aligns with the Islamic principle of *zakat* (almsgiving), which seeks to reduce inequality and enhance social welfare.

Furthermore, Islamic economics rejects the rent-seeking behaviors characteristic of crony capitalism. In a crony system, political elites grant licenses and concessions to their allies in exchange for financial or political favors, fostering corruption and

inefficiency. This behavior erodes public trust and distorts markets, leading to suboptimal resource allocation. By contrast, Islamic principles emphasize transparency and merit-based decision-making, ensuring resource management serves the community's interests rather than those of a privileged few.

The environmental dimension further highlights significant differences between the two systems. Crony capitalism often neglects ecological concerns, prioritizing short-term profits over long-term sustainability. In Indonesia, this has led to widespread deforestation, water pollution, and biodiversity loss in mining regions. However, Islamic teachings emphasize stewardship (*khalifah*) and the preservation of natural resources. The Quran warns against greed and wastefulness and encourages sustainable practices that protect the environment for future generations. This ethical framework not only addresses the environmental degradation caused by mining but also ensures economic activities align with broader social and ecological goals.

Implementation Challenges

While Islamic economic principles offer an appealing alternative to crony capitalism, implementing these ideals in practice presents significant challenges. Indonesia's mining sector is deeply entrenched in systems of political patronage and economic inequality, making it difficult to transition to governance models rooted in Islamic values.

One major challenge is institutional resistance. The entrenched interests of political and business elites pose significant obstacles to reform, as these groups benefit from the current resource allocation system. Efforts to introduce transparent and merit-based licensing processes often face opposition from those who stand to lose their privileges. Overcoming this resistance requires strong political will and public support, as well as the establishment of independent regulatory bodies to oversee resource management.

Another challenge is the lack of awareness and understanding of Islamic economic principles among policymakers and the general public. Despite being the world's largest Muslim-majority country, Indonesia has limited integration of Islamic values into economic governance. Educational initiatives and advocacy campaigns are

needed to raise awareness of the benefits of Islamic resource management, emphasizing its potential to promote justice, equity, and sustainability.

The complexity of modern legal and regulatory frameworks also complicates the implementation of Islamic principles. For instance, the Omnibus Law on Job Creation, which prioritizes ease of investment over environmental and social protections, illustrates the tension between economic development goals and ethical considerations. Aligning these frameworks with Islamic values requires a comprehensive review of existing laws and policies to ensure they uphold principles of transparency, accountability, and public welfare.

Moreover, the global nature of the mining industry adds another layer of complexity. Many mining operations in Indonesia are controlled by multinational corporations that may not adhere to Islamic principles or local regulations. Ensuring compliance with ethical standards requires international cooperation and robust enforcement mechanisms, as well as incentives for companies to adopt sustainable practices.

Finally, implementing Islamic economic principles must address the practical needs of local communities. This includes ensuring that mining revenues are reinvested in public goods, such as education, healthcare, and infrastructure, particularly in resource-rich but underdeveloped regions. Engaging local populations in decision-making processes is also critical, as it fosters a sense of ownership and accountability while addressing systemic marginalization of vulnerable groups.

Policy Implications

Integrating Islamic economic principles into Indonesia's mining sector offers a comprehensive framework to address the structural issues perpetuated by crony capitalism. Transparent licensing processes, equitable revenue distribution, strengthened environmental protections, and enhanced community participation are key pillars of this framework, ensuring resource governance prioritizes collective societal welfare.

By aligning mining policies with Islamic values, Indonesia can transform its resource sector into a driver of sustainable development and social justice, breaking free

from the entrenched systems of exploitation and inequality that have long shaped its mining industry.

CONCLUSION

The phenomenon of crony capitalism in Indonesia's mining sector has led to significant economic inequality, environmental degradation, and social injustice. Close ties between political elites and business actors have facilitated the allocation of resources based on favoritism rather than public need, concentrating economic benefits among a privileged few while marginalizing the broader community. Decentralization, intended to empower local governance, has instead provided new avenues for corruption and rent-seeking, exacerbating inequities.

From an Islamic economic perspective, these practices contradict the principles of justice, transparency, and equitable wealth distribution. The concept of *milkiyah 'ammah* emphasizes that natural resources are public assets that must be managed by the state for the collective welfare of society. Islamic teachings advocate for responsible resource management, ensuring that the proceeds from mining are used for public benefits such as education, healthcare, and infrastructure.

Policy reforms inspired by Islamic principles should focus on transparency in licensing processes, community involvement in oversight, redistribution of mining revenues for public welfare, and strict enforcement of environmental protections. By implementing these recommendations, Indonesia can address the adverse effects of crony capitalism and develop a mining sector that prioritizes justice, sustainability, and societal well-being.

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