

Islam and Economy: Towards a Just Islamization of Economics

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ABSTRACT

This study aims to explore the concept of the Islamization of economics, focusing on the integration of Islamic principles into the conventional economic system. It highlights the need for an ethical and value-based economic framework rooted in Islamic teachings. The research adopts a qualitative approach, using library research to review relevant literature on Islamic economics, the Islamization of knowledge, and the intersection between Islamic teachings and economic principles

The study finds that Islamic economics offers an ethical and moral framework that emphasizes fairness, justice, and social welfare. It highlights the significance of integrating Islamic values such as the prohibition of interest (riba) and the promotion of zakat (charity) and profit-sharing mechanisms into the economic system. The research concludes that the Islamization of economics can lead to the development of a more inclusive and sustainable economic system that aligns with both Islamic and universal principles.

Keyword: *Islamization of Economics, Islamic Finance, Ethical Economy*

Islam dan Ekonomi: Menuju Islamisasi Ekonomi yang Adil

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ABSTRAK

Studi ini bertujuan untuk mengeksplorasi konsep Islamisasi ekonomi, dengan fokus pada integrasi prinsip-prinsip Islam ke dalam sistem ekonomi konvensional. Studi ini menyoroti perlunya kerangka ekonomi yang etis dan

berbasis nilai yang berakar pada ajaran Islam. Penelitian ini mengadopsi pendekatan kualitatif, menggunakan penelitian kepustakaan untuk meninjau literatur yang relevan tentang ekonomi Islam, Islamisasi ilmu pengetahuan, dan hubungan antara ajaran Islam dan prinsip-prinsip ekonomi. Studi ini menemukan bahwa ekonomi Islam menawarkan kerangka etika dan moral yang menekankan keadilan, kesetaraan, dan kesejahteraan sosial. Studi ini menyoroti pentingnya mengintegrasikan nilai-nilai Islam seperti larangan bunga (riba) dan promosi zakat (amal) dan mekanisme bagi hasil ke dalam sistem ekonomi. Penelitian ini menyimpulkan bahwa Islamisasi ekonomi dapat mengarah pada pengembangan sistem ekonomi yang lebih inklusif dan berkelanjutan yang sejalan dengan prinsip-prinsip Islam dan universal.

Kata Kunci: *Islamisasi Ekonomi, Keuangan Islam, Ekonomi Etis*

INTRODUCTION

Economics is inherently an integral part of Islamic teachings, as Islam is a comprehensive (syumuliyah) system that encompasses all aspects of life. While the Qur'an and Sunnah are not dedicated economic textbooks, they contain fundamental economic principles that can be applied in daily life. A study conducted by the International Islamic University of Pakistan revealed that approximately 400 Qur'anic verses—equivalent to 3.5 juz—are directly related to economic matters, along with numerous hadiths on muamalah (transactions), demonstrating Islam's strong emphasis on economic issues.

The discussion on Islamic economics is closely linked to the existence of modern (conventional) economics. Islamic economics emerged as a response from Muslim scholars to the development of modern science, which tends to be secular and often neglects ethical and humanitarian values, leading to various economic issues (Qoyum et al., 2021) .

Historically, economics existed long before being formally recognized as a scientific discipline. Economic thought began to take shape in the 15th century, but it was only in the 18th century that economics was officially established as a field of study, marked by the work of Adam Smith in *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776). Adam Smith's ideas (1723–1790) laid the foundation for capitalist ideology and became the cornerstone of the classical school of economics.

METHOD

This study employs a qualitative research method, which aims to explore and understand social or economic phenomena within their natural settings. Qualitative research emphasizes depth over breadth, focusing on the meaning, interpretation, and context of the subject under study rather than numerical data or statistical analysis.

RESULT AND DISCUSSION

Relationship Between Islam and Economy: Doctrine and Science

Islam, as a universal and comprehensive religion, was revealed by Allah SWT with the primary goal of ensuring human welfare in both this world and the hereafter. Its teachings are not limited to acts of worship (*ibadah*) but also extend to social, economic, and political aspects of life (*muamalah*). As a universal system, Islam is applicable to all of humanity across time and place, providing complete and perfect guidelines for human existence (Hafidhuddin, 2007)

The relationship between Islam and economics has been understood differently among Muslim scholars, leading to two primary perspectives:

1. Islamic Economics as a Doctrine

- a) This view holds that Islamic economics is a set of divine **normative values** derived from the Qur'an and Hadith. It prescribes ethical and legal principles that guide human economic activities in accordance with *sharia* (Islamic law).
- b) Islamic economics, in this sense, must function normatively—defining what is permissible (*halal*) and impermissible (*haram*), ensuring fairness, justice, and societal welfare.
- c) The primary focus is on achieving *falah* (true success and prosperity), which goes beyond material wealth to include spiritual and moral well-being.

2. Islamic Economics as a Science

- a) This perspective views Islamic economics as an academic discipline that systematically studies economic behavior, institutions, and policies while integrating Islamic moral values.
- b) Unlike conventional economics, which often separates economic analysis from ethical considerations, Islamic economics asserts that economic theories should be aligned with religious and moral principles.
- c) The argument for this approach is that **secular economic models often lead to crises and inequalities** due to their detachment from ethical and humanitarian considerations.

Both perspectives play an essential role in shaping the modern Islamic economic framework. While doctrine ensures alignment with religious principles, scientific inquiry allows for the adaptation of economic policies that are practical and applicable in contemporary societies.

Methodological Approaches in Islamic Economics

Islamic economists have developed various approaches to constructing an economic framework that adheres to *sharia* principles. Among the most prominent methodologies are:

1. All or Nothing Approach

This approach advocates for a complete and independent Islamic economic system that is entirely separate from conventional economics. Key characteristics include:

- a) Rejection of Conventional Theories: Conventional economic models are seen as flawed due to their secular and interest-based (*riba*) foundations.
- b) Rebuilding from Islamic Sources: Economic theories are developed directly from Islamic texts, such as the Qur'an and Hadith.
- c) Idealistic and Difficult to Implement: This approach assumes that a fully Islamic society must be established first, making it challenging to apply in diverse and modern economic environments.

While this method ensures strict adherence to Islamic values, it faces practical limitations, particularly in engaging with the global financial system and modern economic institutions.

2. Step by Step Approach

This method emphasizes gradual reform by filtering and modifying conventional economic theories to align with Islamic values. It involves:

- Selective Adoption: Accepting beneficial aspects of conventional economics while eliminating elements that contradict *sharia* (e.g., interest-based banking).
- Incremental Change: Islamic economic principles are introduced into existing systems progressively rather than through radical transformation.
- Practical but Criticized: Some argue that this approach merely adapts conventional economic models rather than developing a unique Islamic economic system. Critics also contend that it makes Islamic economics seem like a modified version of capitalism rather than an independent discipline (Beik, 2016).

Towards an Integrative Approach

Given the limitations of both approaches, many scholars advocate for an integrative approach, which:

- Uses conventional economic theories as a reference point while critically evaluating them through an Islamic lens.
- Modifies and incorporates Islamic values to create a system that is distinct from conventional economics in both philosophical and practical terms.
- Strikes a balance between doctrine and empirical reality, ensuring that economic theories remain both ethical and functional.

This approach seeks to develop an authentic Islamic economic framework that is applicable in modern society without compromising *sharia* principles.

Efforts to Ensure the Successful Islamization of Economics

The idea of Islamizing economics emerged alongside the broader movement of Islamizing knowledge, both driven by theological and ethical awareness. This initiative aims to develop scientific disciplines within the framework of an Islamic worldview, recognizing that modern scientific paradigms have contributed to various negative consequences in contemporary civilization. These consequences arise from the philosophical foundations of science—metaphysics, epistemology, and axiology—which, in many cases, lack moral and ethical considerations. The exclusion of these values often leads modern science to neglect human welfare, as evidenced by the ongoing global crises that highlight a disconnect between ethics and scientific advancements (Arifin, 1996).

The Islamization of knowledge arose as a response to the declining state of scientific development in the Islamic world and the dominance of secular science. One of the key figures in this movement is Ismail Raji al-Faruqi, whose thoughts on Islamic education and epistemology influenced many modern Muslim scholars. Al-Faruqi argued that the stagnation of Islamic civilization was largely due to the identity crisis in its education system. The integration of secular philosophy into Islamic education led to a dichotomy that weakened the holistic approach of Islamic sciences. His solution was to redefine and reintegrate knowledge within an Islamic framework, as was done by classical Muslim scholars when incorporating Greek sciences into Islamic thought. He emphasized the importance of systematically developing Islamic textbooks that align with Islamic principles and using them as the foundation for higher education curricula (Iswati, 2017).

Similarly, Syed Naquib al-Attas defined Islamic economics as an effort to reconstruct knowledge in accordance with the essence of Islam. Unlike Seyyed Hossein Nasr, who focused on metaphysical aspects, al-Attas emphasized the ontological and epistemological transformation of knowledge. His approach involved two key steps: (1) removing Western elements and concepts that contradict Islamic values, and (2) incorporating Islamic principles into scientific disciplines. According to al-Attas, knowledge should be filtered so that only those concepts that align with Islamic teachings are retained (Attas, 1999).

Al-Faruqi further developed the concept of Islamizing knowledge by proposing a practical methodology. He argued that the Islamization of knowledge should involve a critical examination of both Islamic and Western scientific disciplines. The goal is to reintegrate modern sciences with Islamic perspectives

through systematic processes, including organizing, analyzing, reinterpreting, and aligning them with Islamic values (Faruqi, 1995).

To ensure the successful Islamization of economics, several strategic efforts must be undertaken:

1. Deeper Integration of Economics with Islamic Sciences

Islamic economics should be more closely linked to various Islamic disciplines, such as Qur'anic studies, Hadith, Aqidah, Usul al-Fiqh, Islamic transaction laws (Fiqh Muamalat), and Islamic history. A stronger connection between these fields will provide a more comprehensive and well-grounded Islamic economic framework (Hafidhuddin, 2007).

2. Strengthening Educational Institutions and Curricula

The development of Islamic economics requires robust educational institutions and comprehensive curricula at all levels, from primary to higher education. Currently, no Islamic country has a fully standardized and holistic curriculum for Islamic economics. Yusuf Qaradawi suggests that foundational Islamic education should be taught as fardh 'ain (compulsory for all Muslims) at primary and secondary levels, while specialized disciplines such as economics and politics should be offered at the university level as fardh kifayah (obligatory for the community). This structure helps prevent the fragmentation between religious knowledge and worldly knowledge, ensuring a unified approach to education. Without standardized guidelines for Islamic economics, differences in interpretation could lead to inconsistencies in economic theories and applications. Universities and research institutions play a critical role in establishing these standard principles.

3. Building Strong Economic Infrastructure

The practical application of Islamic economics requires empirical laboratories in the form of well-established Islamic economic institutions. These include zakat organizations, Islamic banks, Islamic capital markets, and other financial institutions. Without strong institutional performance, the theoretical development of Islamic economics will face stagnation. Real-world implementation is essential for refining and advancing Islamic economic theories. Thus, all segments of the Muslim community must contribute to strengthening these institutions to ensure the long-term success of Islamic economics.

By addressing these key areas—academic integration, curriculum reform, and institutional development—the Islamization of economics can progress effectively, providing a viable alternative to conventional economic systems while staying true to Islamic principles.

CONCLUSION

The Islamization of economics is a crucial initiative aimed at integrating Islamic values into economic thought and practice. This movement emerged as part of the broader Islamization of knowledge, which seeks to align scientific disciplines with the Islamic worldview. The motivation behind this effort stems from the realization that modern science, with its secular foundations, often lacks ethical and moral considerations, leading to various socio-economic crises.

Scholars like Ismail Raji al-Faruqi and Syed Naquib al-Attas have provided intellectual frameworks for this transformation. Al-Faruqi emphasized the need to critically examine and reintegrate modern sciences within an Islamic perspective, while al-Attas proposed a two-step process of removing conflicting Western elements and incorporating Islamic principles into existing knowledge structures. These approaches highlight the importance of redefining economics through an Islamic epistemology that balances revelation, reason, and empirical reality.

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