

ECONOMIC GLOBAL CRISIS IN PERSPECTIVES OF ISLAM

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Abstract: *The global economic crisis is a recurring phenomenon that impacts financial and social stability. This study analyzes the crisis from an Islamic perspective, critiquing conventional systems rooted in riba (usury) and speculation. By using qualitative methods and literature analysis of figures like Ibn Khaldun and Chapra, the findings suggest that Islam offers a holistic framework based on justice (al-'adl) and balance (al-tawazun). Islamic principles such as zakat and asset-based financing serve as alternatives to prevent systemic failure. The study concludes that applying these principles can mitigate future global economic challenges.*

Keywords: *Global Economic Crisis, Islamic Economics, Riba, Economic Justice, Capitalism.*

Introduction

The global economic crisis is not a new phenomenon in human history. Since the 20th century, the world has been repeatedly hit by economic storms that leave behind trails of unemployment, poverty, and deep social instability. Dominant conventional economic systems, particularly capitalism and neoliberalism, are often blamed for the fragility of our financial structure. Crisis is not merely a technical market phenomenon, but a manifestation of the failure of a life system (manhaj) that separates ethics from financial activities. In this ethical vacuum, Islamic economics offers a different paradigm where religion is viewed as a way of life (nizam al-hayah) encompassing economic and social dimensions.

Literature Review

Studies consistently highlight ethical violations in muamalah (transactions) as the root cause of crises. Ibn Khaldun's classical thoughts in the Muqaddimah warned that economic destruction is closely linked to tax injustice and the greed of elites hindering wealth circulation. In the modern era, M. Umer Chapra refuted the idea that free markets can reach equilibrium without moral intervention. Literature identifies three primary "diseases": the riba system creating a bubble economy, gharar (uncertainty), and fractional reserve banking which triggers inflation. Interestingly, IMF research (Hasan and Dridi, 2010) proved that Islamic banks were more resilient during the 2008 crisis because they were prohibited from touching the speculative assets that toppled major Wall Street institutions.

Method

This research uses a qualitative approach with a conceptual analysis method. Data was collected through a literature study of primary sources such as the Qur'an and Sunnah, as well as works by classical scholars like Al-Ghazali and Ibn Khaldun. Additionally, the thoughts of contemporary Islamic economists like Muhammad Umer Chapra and Nejatullah Siddiqi were

used to dissect the root causes of the crisis and formulate Sharia-based solutions through content analysis.

Result and Discussion

The analysis shows that the failure of conventional systems stems from a failure to balance profit, ethics, and social welfare. Islam offers solutions through asset-backed financing, which prevents economic bubbles. Instruments like zakat and wakaf act as automatic stabilizers, ensuring wealth does not only circulate among the rich. However, a gap exists between theory and practice; many Islamic financial institutions pursue "Sharia-compliant" status by mimicking conventional products rather than being truly "Sharia-based". The challenge lies in implementation amidst a dominant global system.

Economic Dimensions and Islamic Mechanisms

Financing System	Profit & Loss Sharing (PLS): Sharing profits and risks between entrepreneurs and investors.	Prevents unilateral bankruptcy; the system is more resilient during shocks.
Transaction Basis	Asset-Backed Financing: Every transaction must be backed by real physical assets	Prevents bubble economies and limits wild speculation; connects the financial sector to the real economy.
Wealth Circulation	Zakat and Wakaf: Mandatory and voluntary instruments to distribute wealth to the social sector.	Acts as an automatic stabilizer and social safety net to maintain purchasing power during crises.
Contract Ethics	Prohibition of Riba, Gharar, and Maysir: Ban on interest, high uncertainty, and gambling/speculation.	. Removes debt burdens beyond real growth; reduces volatility and extreme market pressure.
Monetary Sovereignty	Sharia-Compliant Currency: Use of gold dinars or money with intrinsic value.	Reduces dependence on unstable global hegemonic currencies prone to systemic inflation.
Market Ethics	Prohibition of Ihtikar (Hoarding): Ban on monopolies and hoarding basic goods.	Guarantees availability of goods and prevents price distortions that oppress consumers during crises.

Conclusion

The world needs a paradigm shift toward Maqasid Shariah for long-term stability. Protecting wealth is only possible if the financial sector is reunited with the real economy and cleansed of riba and wild speculation. Global crises serve as a reminder of human greed; Islamic principles of justice, balance, and holistic welfare (al-falah) offer a more resilient and ethical path forward.

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