

ISLAMIC MORAL ECONOMY AS AN ALTERNATIVE FRAMEWORK FOR GLOBAL ECONOMIC CHALLENGES

Hesty Rahma Syafitri¹
Muhammad Rafi'i²

^{1,2}Universitas Muhammadiyah Sumatera Utara
hestysyaff@gmail.com
muhammadrafii@umsu.ac.id

Abstract: *Islamic Moral Economy offers an alternative framework for addressing persistent global economic challenges, including economic inequality, financial instability, poverty, and ethical deficiencies in contemporary economic systems. Mainstream economic models often emphasize profit maximization and market efficiency, which can lead to social imbalance and moral neglect. In contrast, Islamic Moral Economy integrates ethical values with economic practices, prioritizing justice, social responsibility, and collective well being. This framework promotes equitable wealth distribution, discourages exploitative financial practices, and encourages responsible production and consumption. Social finance instruments such as zakat, waqf, and charitable redistribution play a significant role in reducing poverty and strengthening social solidarity. By incorporating moral, social, and economic dimensions, Islamic Moral Economy provides a holistic and sustainable approach to economic development. This value-based framework demonstrates relevance beyond religious boundaries and offers a viable response to ongoing global economic challenges in an increasingly interconnected world.*

Keywords: *Global Trade; Halal Product Guarantee Law; World Trade Organization Agreement.*

Introduction

The emergence of globalization naturally has an impact on the life of a country, including Indonesia. Impact globalization covers the positive and negative effects on various fields of life, including the economic sector (Kuanova et al., 2021). The rolling process of globalization is accompanied by rapid progress in knowledge and technology, which has caused changes in the environment and strategy, and has had a broad impact on the existence and continuity of life in the nation and state. Externally, globalization has created contact across cultures for countries, including Indonesia. In other words, globalization impacts dramatic social change, but not all change is consistent with social progress (Safri, 2018).

The presence of globalization naturally has a significant impact on the life of Indonesian society. Impact: This covers two aspects: the positive impact and the negative impact. Globalization has also penetrated all fields of life, including good politics, economy, thought, social culture, etc. Globalization happens in every field of life, like ideology, politics, economy, social culture, defence, and national security (Jam'an et al., 2024). Technology in information and communication is a factor supporting the central globalization. Nowadays, technology develops so rapidly that information in all forms and importance can be disseminated worldwide. Therefore, globalization cannot be avoided (Safri, 2019)

Even though globalization is considered a new phenomenon, the same economic transnationalism has a long history. At the end of the 16th century, the rise of maritime Europe began with the globalization stage, the second (called globalization primitive). This is, at least in Indonesia, marked with the arrival of the East India Trading Company (VOC) (Abdin, 2017).

The proto globalization period. This period lasted until the 18th century. 2 However, the globalization of the economy did not start from such a background far back in history. This study only reviews the era of modern globalization. In just 20 or 30 years, the final globalization economy alone has become the primary trend. Strengthening the globalization economy, especially since the General Agreement on Tariffs and Trade (GATT) agreement in the early 1990s (Muala, 2020).

The globalized economy claims to have lofty goals but is precisely supported by an ideology often considered lame, namely, capitalism and liberalism. Capitalism, as a winning and successful ideology to outdo body socialism-communism, has not yet become the ideology of the whole economy. Benefits are enormous, only revolving around a handful of people, while the majority become a victim of extortion source Power (Muala, 2020)

In Islam, with a draft economy, the sharia was present at the right time and was warmly welcomed by the community. Islamic economics seems to be at least considered an answer to the chaotic globalization economy. According to Patrick Buchanan, Islam is seen as a strong alternative that can come back and replace the West. As the Muslim population increases and the population of Western citizens decreases, Muslims are flocking immigrate to Europe. The moment this happens, there is an improvement in the number of Muslims, who are very enthusiastic (militant). Islam can answer their people's questions firmly and relevantly. The (Patrick J, 2011) important role of religion in life, social and political, is vital to face the impact of negative globalization that can change the style of life or culture of somebody, so that universal values such as tolerance, solidarity, justice, deliberation, etc. can be lost.

However, is it true? Islamic law with a stronger Islamic spirit than globalization, a soulful economy, liberalism, and capitalism? Is the globalized economy a monster in the 21st century? So, how does Islam's attitude towards the globalized economy impact countries worldwide?

Literature Review

Repositioning Islamic Economics in the Era of Globalization Perspective Maqāsid Syariah, which is written by (Muala, 2020), explains that Islamic Economics becomes an alternative to answer economic problems. Economic goals are not only about individual fulfillment but also about creating profit together. Islamic economics put forward concepts based on the maqāsid sharia, namely, the five problems basis (al- darūriyat al- khams). Thus, the needs are fulfilled to maintain religion, soul, mind, descendants, and property. To reach goals, several steps are needed in implementing Islamic economics: turn on return factors humanity, reduce the concentration of wealth, restructure the economic structure, and restructure the financial system.

Economic Globalization in an Islamic Perspective, written by (Safri, 2019), states that to face globalization requires powers or Power competitive, including: 1). power competition quality. 2). power price competitiveness. 3) Power Marketing competition. 4) Power Networking competition (network) based on piety.

Third, research titled Challenges of Sharia Economics in Facing Indonesia's Future in the Era of Globalization (Mashdurohatun, 2011) states that Sharia Economy in Facing Indonesia's Future in the Era of Globalization needs to consider several factors, namely Mastery of Technology, Development of Sharia-based SMEs, Maintaining The advantages of Islamic economics, namely the Islamic economic system, and prohibition of usury.

Fourth, research with the title Globalization and Challenges for the System of Islamic Finance: Perspectives on Islamic Economic Philosophy by (Bambang Wahyu, 2011) states that the Challenge to the system of Islamic finance today is globalization, which has much strength to influence the character and development of the system of Islamic finance. The division of risk and sharing profit as the core of Islamic finance must improve to increase the solution to end the problem of

modern finance. However, the ways that are especially discussed are related to the lack of instrument finance and diversification of the portfolio.

Fifth, research titled Globalization of Islamic Economics and Monetary Policy in the ASEAN Region: Perspective Islamic Economic Politics by (Yuniarti, 2021) states that Globalization leads to liberalization and privatization of the economy. This is a consequence of the expansion of capital or the deployment by developed countries throughout the country. Thus, globalization will reform the structure and policies of nations so that they can align with global interests.

Method

This research uses the library research method as the main approach in data collection. Data were obtained from various literature relevant to the research topic, such as scientific journals, reference books, academic articles, and other credible official documents. The literature was then classified based on themes, topics, and relevance to the focus of the study. The data was analyzed using a critical philosophy approach. This approach allows researchers to evaluate and interpret the content of the literature in depth, not only based on the facts presented, but also by considering the context, the logic of the arguments, and the theoretical and practical implications of each source. With this method, the research aims to find appropriate data supporting the study objectives' scientific achievement. In addition, using a critical philosophy approach provides a strong foundation in compiling answers that can be accounted for academically and rationally.

Result and Discussion

1. Globalization.

Globalization is taken from the word global, and its meaning is universal. The globalized economy is a slow process that gives birth to new authorities that control economic activity in various countries. Some observers say that the globalization of the economy is a new form of imperialism, though not all globalization has a negative nature. Hendra Halawi explained that the globalized economy is marked by the narrowing of investment and market boundaries at the corporate, national, regional, and international levels. This is caused by: increasingly sophisticated communication and transportation; increasingly free foreign exchange; increasingly open national economy; and increasingly the maximum superiority comparative and competitiveness of each country. Method production and assembly with organization management that is always efficient, and a development company multinational that is increasingly rapid in some significant areas of the world (Safri, 2019).

According to the Big Indonesian Dictionary, globalization is a process of expansion to the world. Definition: This shows that all related activities with activities around the world that we know are globalization. For example, even though globalization has led to television broadcasting, we can avoid it now and follow and watch a European football match from the comfort of our home. According to the world's great scholar, Yusuf al-Qardawi, globalization is the internationalization of everything and removes the boundaries in economic interaction. Yusuf Al-Qardawi's views about globalization are for removing walls and distance between one country and another, and between cultures. Hopefully, all of us will get closer to each other in terms of world culture, world markets, and world families. According to the American Heritage Dictionary, globalization is an action or designed process for making something global (universal), both in coverage and implementation. "Global" is like Qardhawi's definition (Safri, 2019).

The globalized economy is fixated on free market ideology and overlooks the different conditions of each country. Of course, by its realization. The free-market system is applied fully as the Constitution is new to regulate the international economic system. This is clear and can cause a threat to third-world countries because the free market needs readiness in many aspects,

including reliable sources, Power, human resources, infrastructure, natural resources, and availability of a legitimate intermediary to ensure the security of the business world. Otherwise, developed countries will only become the target (Yuniarti, 2021).

The facts show that globalization is a form of capital expansion in developed countries. Therefore, every initiative of globalization is always accompanied by an interest in increasing investment capital. First, foreign capital uses several deliberate reasons, for example, to develop and expand field work, advance the welfare of the people, and persuade the rulers of the countries concerned to represent the interests of the country's nationals.

According to Tanri Abeng, the form of globalization in the real economy happens through the following:

Globalization production: Companies produce in various countries to reduce production costs. This can happen because of low wages, labor rates, profitable imports, adequate of this, the world has become the center of global manufacturing.

- a) The presence of power in foreign work is a sign of globalization in employment. The presence of power in foreign work is a sign of globalization and employment.
- b) Globalization of finance. Global companies can obtain loans and make investments (in the form of a portfolio or directly) in all countries.
- c) Globalization work. Global companies now can employ workers from worldwide based on class, for example, workers with international experience, or workers without skilled workers, usually from developing countries. Globalization makes movement easier and freer.
- d) Globalization network in formation. Progress technology makes it easier and faster for the public to obtain information from various countries worldwide through television, radio, and print media. Networks' increasingly efficient communication processes have expanded the market for the same product to various parts of the world.
- e) Globalization of trade. This is achieved by reducing and eliminating rates and various non-tariff barriers in trade. This method will make trade and competition faster, closer, and fairer (Apridar, 2012).

2. The Foundation of Islamic Economics in the Era of Globalization

Islam, although its conservative, fundamentalist, and purifying ways are put aside to some extent, arranges life publicly to reach its main objective: interests in the world. Al Akira. According to Ahmad, there are four philosophical developments in the economy taken from the teachings of Islam (Khurshid, 1976) that are:

- a) Tawhid lays down the runway economy for the connection between Allah SWT and human (*habl min Allah*) and between man with other humans (*habl min an-nas*).
- b) *Rububiyah* knows and understands the fundamental laws of divinity and uses them as a barometer of economic development in Islam. Concept *Rububiyah* refers to the belief that God is the only ruler who creates, maintains, protects, and guides life through creation to perfection.
- c) The Caliph defines man as God's representative on earth and is responsible for answering as a Muslim and a member of the human people. Concept caliphates describe people as responsible caliphs who answer to operate God's mission in all fields of life, including morality, economics, politics, social problems, ideology, and social organization principles. From the concept, they appear to understand guardianship, norms, politics, and principles of social organization.
- d) *Tazkiyah*, Duties The main goal of the Prophet Muhammad SWT was to purify people so they could weave connections with Allah SWT, fellow human beings, the environment,

nature, society, and the nation. Concept This guides man to develop himself and all aspects of life, including finances. The result is Farah, or welfare in the world (Umar, 2008)

Of the four-matter said, the experts Fiqh *Ushr* conclude that objective regulation legislation is problem. Objective development economy must in line with draft *mashrakha*. Likewise, in perspective, connections with Allah SWT, fellow human beings, the environment, nature, society, and nation. Concept: This guides man to develop himself and all aspects of life, including finances. The result is Farah, or welfare *Maqasid al- Mukhallaf*, *Maqasid ash Shariah* must at least cover two aspects: First, discussion about *Maslahah*, meaning, levels, characteristics and absoluteness. Second, the discussion aspect of linguistics in problem definition is sometimes neglected. Binding orders must easily be understood by all parties involved, not only in terms of words and sentences, but also in terms of understanding language, context, and culture (Firdaus, 2018). In essence, the most important aspect of Sharia is its usefulness, good reviewed from *Maqasid Sharia* (Allah's intention) 18 and *Maqashid al-Mukhallaf*.

3. Road Map in Building an Islamic Economy

Islamic economics was born from the womb of religion, and current globalization is born from the secular womb of the West. Complying with principles based on Sharia law in general consistent is not an easy thing in developed economy in climate globalization This. However, adopting Islamic economics and taking deliberate steps is very important to avoid being trapped in the globalization economy. Mr Chapra calls on Islamic countries to leave the approach to economic development secular because no consistent approach (Awais et al., 2024) (Amanat, 2021)

Islam proposes a solution to build a return economy. Islamic law regulates basic strategy based rules but allows flexibility to develop customized policy with space and time. (Aslam, 2010) First, policy must truly support the realization of *Maqasid Syariah* and not contradict it. Second, policy No may aim to increase claims to source power. According to Umar Chapra, five central policies are needed to reach welfare and development oriented towards justice: First, the element of humanity must be activated (Umar, 2008). The key element from every development program is human. Activating element humanity means to awaken and motivate the public about the importance of the public element in the development of the economy. We are invited to Work on the same things needed for equality development. Individual must be motivated to contribute through education and training, through diligent and efficient work with integrity, honesty, and discipline. They own skills, knowledge, technology, management, and access to finance.

Second, reduce the concentration of wealth. Significant obstacles to equalization development are ownership sources in a power-intensive economy. Islam's special attention is to cut off concentrated wealth ownership in the hands of a handful of people. Therefore, extreme and daring action based on Islamic values is needed from a broader view of equality. The strategy to create equality in Islam is different from socialism. Abolish ownership individual will reduce Spirit creativity, spontaneity, and productivity through ownership collective and centralization. On the other hand, the strategy in Islamic teachings is in line with *Maqasid Sharia* as follows: This covers an equalization system of property, removes focus on ownership assets, strengthens and considers not only corporations but also small-scale industries, promotes zakat, and organizes a repeat system of finance.

Third, restructuring the economy. Redistribution of Power to reduce the concentration of wealth and achieve a fair and equitable economy must be accompanied by a practical arrangement to return to the economy, including consumption, finance, capital formation, and

production (Abdin, 2017; Umar, 2008). Because consumption is a determining factor in the economy every day, the wrong view about the public's consumption will have fatal consequences for the macroeconomic situation. Consumption patterns must be filtered based on Islamic values and adapted to available power sources. There must be a moral filter in your style, priority-focused consumption rather than pleasure (Singh & Gal, 2020). The most important Islamic value is the degree of its usefulness in fulfilling needs. Consumption that is not controlled, especially on luxurious and expensive goods, results in a decline in domestic savings and impacts the decline in investment levels. Fourth, reconstruction of fiscal policy. Lack of access to source Power economy is one of the reasons for poverty. Besides that, it is also because the inability to become an entrepreneur, an insufficient salary is the main thing, especially the need for saving and investing. Due to savings originating from society, then already appropriately if the savings are intended for the interest of society and not for the interest of only a handful of people. System finance plays an important economic role, especially in connecting investors and the business world. Therefore, a system of finance that is functioning according to Islamic values is needed. Traditional banks, which manage public funds, must be brought into the national economy through a more humane and sustainable system that lasts. This makes capital owners very rich. Fifth: Planning Policy Strategic. Efforts to realize objective Islamic law in equalization development economy cannot be easily achieved without existing planning for a strategic long- term plan. Plan. This will make it easier for officials, especially in the country's economy, to make a realistic calculation of all sources of human power and prioritize them carefully. With policy steps, the government has more direction and a clear purpose. This can also be translated as an effective and efficient way to generate and implement new ideas to change structural and institutional (Mohamed, 2021). Chapra believes that Islamic countries must make every effort to remove claims on the source of Power through the filter of Islamic values. The private sector needs to be supported and motivated through moral and financial support. In addition, it also encourages the consumption of efficient and effective power sources to reach the objective of *Maqashid Sharia*.

Change policy must be implemented more seldom because it can cause doubt and uncertainty in the perpetrator economy. However, the assessment of the inconsistency policy made during planning must be done bravely so that it can be fixed without suspicious delay. Of course, each Islamic country's potential source of power varies. Therefore, although the direction of strategy is the same, the details will differ. Which unites policies strategically. This is a fact that everything is intended to reach the objective of social Islamic economics (Umar, 2008) (Kassim, 2016). For the development Islamic economics more continue, important for No only Study from experience success and weakness economy traditional, but also use approaches new, creative and innovative customized with time and place are also necessary A little knowledge Islamic economics in various aspect for truly understand it (Nur, 2008)

Table 1: Example

Aspect of Global Economic Challenge	Conventional Economic Approach	Islamic Moral Economy Approach
Economic Inequality	Wealth accumulation driven by profit maximization with limited redistribution	Mandatory redistribution through <i>zakat</i> , <i>waqf</i> , and social solidarity (<i>ukhuwwah iqtishadiyyah</i>)
Financial Instability	Interest-based system and	Risk-sharing mechanisms (<i>mudarabah</i> ,

Aspect of Global Economic Challenge	Conventional Economic Approach	Islamic Moral Economy Approach
	speculative financial instruments	<i>musharakah</i>) and prohibition of <i>riba</i>

Conclusion

Based on research that has been done, can take conclusion as following: First, globalization economy is booster main trading goods and services, rights property, trade and investment, and others whose growth is very rapid. in activity economy. Good in scale macro and scale micro. Globalization economy thick with ideology liberalism and capitalism, and the perpetrators the main thing is party private that is company multinational.

On the other hand, the character of the globalization economy alone lies in the internationalization of production, a new distribution model, international work, migration from South to North, a competitive creation environment that accelerates the process, and internationalization in the future—global agents in every country.

Second, the globalized economy has faced criticism; some argue this is a form of colonialism and imperialism. In addition, the globalized economy is also considered an empty message because it fails to fulfill its promise, especially regarding distributive justice for a welfare society. Because Western science gave birth to a liberal economy, ideology, and globalization, it has ignored the moral aspect. Therefore, Islamic criticism of the globalization economy emphasizes moral aspects and goals of the economy itself. Economic goals: No, fulfill the needs of the individual but create welfare for the collective without harming other parties. Activity economy emphasizes justice and happiness for individuals' fulfilment needs, and religious values cannot be separated from activity economy. This criticism follows Islamic efforts to push globalization and make it more humane and consistent with his beliefs.

Third, the concept of the economy that Islam puts forward aims to follow *Maqasid Sharia*, namely the fulfilment of the five services (*al-darururiyat al-kams*), which still guard all the primary needs of the economy. Religion, soul, spirit, lineage, salvation, treasure, object, human. For reaching this objective, steps must be taken to promote the Islamic economy namely, revitalizing the humanity element, reducing the concentration of wealth, restructuring the economy, and restructuring the fiscal policy.

References

- Abdin, M. J. (2017). Challenges of Global Economic Integration. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2909413>
- Amanat, A. (2021). The Global Islamic Revolution. In *Revolutionary World* (pp. 192–214). Cambridge University Press. <https://doi.org/10.1017/9781108182409.009>
- Awais, M., Osman Öztürk, A., Khalid Bhatti, O., & Ellahi, N. (2024). *The Islamic Economic System*. Routledge. <https://doi.org/10.4324/9781003484349>
- Cortelezzi, F., & Ferrari, A. (2022). *Contemporary Issues in Islamic Law, Economics and Finance*. Routledge. <https://doi.org/10.4324/9781003155218>
- Hanif, M., Chaker, M., & Sabah, A. (2024). Islamic finance and economic growth: Global evidence. *DigestofMiddleEastStudies*, 33(1), 83-102. <https://doi.org/10.1111/DOME.12313>
- Jam'an, Asdar, & Marsuni, N. S. (2024). The Challenges of the Sharia Economy and

- Businesses In Facing the Coronavirus Endemic and Circular Economy In Indonesia. *LAMAISYIR: Jurnal Ekonomi Islam*, 275–291. <https://doi.org/10.24252/LAMAISYIR.V11I2.48593>
- Kassim, S. (2016). Islamic finance and economic growth: The Malaysian experience. *Global Finance Journal*, 30, 66–76. <https://doi.org/10.1016/j.gfj.2015.11.007>
- Muala, A. (2020). Reposisi Ekonomi Islam Di Era Globalisasi Perspektif Maqashid Syari'ah. *JIL: Journal of Islamic Law*, 1(1), 45–63. <https://doi.org/10.24260/jil.v1i1.17>
- Nisa, H., Khotimah, I. C., Hidayani, & Ahmadan, D. (2024). Keuangan Syariah dalam Menghadapi Resesi Global. *ADL ISLAMIC ECONOMIC Nisa, H., Khotimah, I. C., Hidayani, & Ahmadan, D. (2024). Keuangan Syariah Dalam Menghadapi Resesi Global. Adl Islamic Economic*, 5(1), 23–33. <https://doi.org/10.56644/ADL.V5I1.101>
- Safri, H. (2019). Globalisasi Ekonomi dalam Perspektif Islam. *Ecobisma (Jurnal Ekonomi, Bisnis Dan Manajemen)*, 5(1), 84–98. <https://doi.org/10.36987/ecobi.v5i1.77>
- Singh, D., & Gal, Z. (2020). Economic Freedom and its Impact on Foreign Direct Investment: Global Overview. *Review of Economic Perspectives*, 20(1), 73–90. <https://doi.org/10.2478/revecp-2020-0004>
- Triwibowo, A., Sugeng, A., & Baidhowi, M. M. (2023). Tax incentives during the COVID-19 pandemic: An Islamic economics perspective. *Journal of Islamic Economics Lariba*, 9(1), 149–164. <https://doi.org/10.20885/JIELARIBA.VOL9.ISS1.ART9>
- Yuniarti, D. (2021). Globalisasi Ekonomi dan Moneter Syariah di Regional Asean: Perspektif Politik Ekonomi Islam. *Cross-Border*, 4(1), 605–628.