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ABSTRACT

This study explores Islamic economics as a moral economy, emphasizing its ethical foundations derived from Shariah principles. Islamic economics contrasts with conventional systems by prioritizing justice, social welfare, and the equitable distribution of wealth over profit maximization. Key concepts such as Zakat (almsgiving), the prohibition of Riba (interest), and ethical financial practices aim to address global economic challenges like inequality, poverty, and financial instability. Through a qualitative case study, this research critically analyzes how Islamic economic principles can be applied to contemporary economic issues. The study highlights both the potential of Islamic economics to offer sustainable and equitable solutions and the challenges of integrating these principles into global financial systems, particularly due to diverse interpretations and structural limitations. The findings contribute to a deeper understanding of how Islamic economics can inspire ethical reforms in global economic practices.

Keywords: *Islamic economics, moral economy, economic justice.*

INTRODUCTION

The study of Islamic economics offers a distinctive perspective on economic activities, one deeply rooted in moral and ethical principles derived from Islamic law, or Shariah. In contrast to conventional economic systems, where efficiency, growth, and profit maximization dominate, Islamic economics places equal emphasis on justice, equality, and the welfare of society. These principles are not merely theoretical; they shape the very foundation of economic practices and policies within Islamic societies. Islamic economics seeks to balance material prosperity with moral responsibility, advocating for a just distribution of wealth and the avoidance of exploitative practices such as usury (riba) and excessive speculation (gharar). This holistic approach distinguishes Islamic economics as a system that prioritizes not just economic growth, but also societal well-being and ethical conduct.

Globally, economic systems have been criticized for exacerbating inequality and perpetuating injustices. Capitalism, while driving substantial economic growth, has often been associated with wealth concentration in the hands of a few, leaving large portions of the population in poverty. A report by Oxfam (2020) highlighted that the richest 1% of the global population own more than twice as much wealth as 6.9 billion people combined. Similarly, the World Inequality Lab (2022) has shown how economic inequality has worsened, particularly in developing countries, where resources are disproportionately controlled by political and economic elites. Moreover, the 2008 global financial crisis, driven by reckless speculation and greed, exposed the fragility of the capitalist system, leading to widespread economic instability and social unrest.

In response to these global economic challenges, scholars and policymakers have increasingly explored alternative models that prioritize justice and sustainability. Islamic economics, with its focus on equitable wealth distribution and ethical financial practices, has gained attention as a potential solution to some of these systemic issues. This approach challenges the notion of unregulated markets and profit-driven capitalism, proposing instead a system that promotes fairness, social welfare, and responsible governance of resources. However, despite its potential, Islamic economics remains underexplored in mainstream economic discourse, especially outside Muslim-majority countries.

Within the context of Islamic economies, there are also specific challenges. For instance, while Islamic finance has grown substantially over the past few decades, representing an industry worth over \$2 trillion globally (IFSB, 2020), there remain concerns about its adherence to the broader objectives of Islamic economic justice. Critics argue that much of contemporary Islamic finance mimics conventional banking practices, with Islamic banks often prioritizing profit over ethical concerns, such as poverty alleviation or social welfare (Khan, 2013). This dissonance between the ideals of Islamic economics and the practices of Islamic finance raises important questions about how the moral principles of Islamic economics can be better integrated into financial systems.

Furthermore, in many Muslim-majority countries, economic development has been hampered by issues such as corruption, lack of regulatory oversight, and insufficient infrastructure. These structural challenges often prevent Islamic economic principles from being fully realized in practice. For instance, zakat (almsgiving), one of the pillars of Islamic economics aimed at wealth redistribution, is often not collected or distributed efficiently, limiting its potential impact on poverty reduction (Obaidullah, 2016).

Several studies have examined the relationship between Islamic economic principles and economic outcomes. For instance, Chapra (2008) argues that the application of Islamic economic principles can lead to a more just and equitable economic system. He emphasizes that Islamic economics promotes social welfare through its emphasis on the redistribution of wealth and the prohibition of exploitative practices such as *riba*. Similarly, Iqbal and Mirakhor (2011) highlight that Islamic finance, when properly implemented, can lead to financial stability, as it avoids speculative activities that contribute to economic volatility. They assert that the Islamic prohibition of interest creates a more equitable financial system by aligning the interests of lenders and borrowers.

However, not all scholars are optimistic about the current state of Islamic economics. Khan (2013) argues that much of the contemporary practice of Islamic finance has deviated from its ethical roots, focusing more on profit maximization than on promoting social welfare. He suggests that Islamic financial institutions need to re-align themselves with the broader objectives of Islamic economics, which prioritize justice and the well-being of society over individual profit.

Given the increasing global interest in ethical and sustainable economic systems, understanding Islamic economics from a moral perspective is of great importance. As the world grapples with rising

inequality, environmental degradation, and financial instability, the principles of Islamic economics offer valuable insights into how economies can be restructured to prioritize fairness, responsibility, and community welfare. Furthermore, as Islamic finance continues to grow globally, it is crucial to examine whether its practices truly align with the ethical precepts of Islamic economics or whether they simply replicate the profit-driven motives of conventional finance.

This research is particularly urgent in the context of Muslim-majority countries, where the promise of Islamic economics has not been fully realized. As these countries strive to achieve sustainable development, there is a need to revisit and critically examine how Islamic economic principles can be more effectively implemented to address issues such as poverty, inequality, and corruption. The role of zakat and waqf (endowments) in promoting social welfare, as well as the potential of Islamic microfinance to support small businesses and reduce poverty, are areas that require further exploration.

This research contributes to the existing literature by proposing a framework that views Islamic economics not merely as an economic system, but as an Islamic moral economy. Unlike previous studies that have focused on the technical aspects of Islamic finance, this research emphasizes the ethical and moral foundations of Islamic economics, exploring how these principles can be applied to address contemporary economic challenges. By framing Islamic economics as a moral economy, this research shifts the focus from profit maximization to the broader objectives of justice, equality, and social welfare.

The primary objective of this research is to critically analyze Islamic economics as a moral economy by exploring how its ethical foundations can provide solutions to contemporary economic challenges. It aims to examine the ethical principles of Islamic economics and their implications for economic justice and social welfare, investigate the current practices of Islamic finance to assess their alignment with the broader objectives of Islamic economics, and propose a framework for integrating Islamic moral principles into contemporary economic systems to promote a more just and equitable global economy.

This research is expected to benefit both scholars and policymakers by providing a deeper understanding of the ethical dimensions of Islamic economics. For scholars, it offers a new perspective on how Islamic economic principles can be applied to address contemporary economic issues, challenging the dominance of conventional economic models. For policymakers, this research provides insights into how Islamic economic principles can be integrated into national and international economic policies to promote fairness and social welfare.

This research hypothesizes that Islamic economics, when understood and implemented as a moral economy, has the potential to offer viable solutions to global economic challenges such as inequality, poverty, and financial instability. By emphasizing ethical conduct, equitable wealth distribution, and social welfare, Islamic economics can serve as a model for a more just and sustainable economic system. The implications of this research extend beyond the academic realm, offering practical insights into how policymakers and financial institutions can align their practices with the ethical principles of Islamic economics to promote global economic justice.

RESEARCH METHOD

1. Research Design

This study employs a descriptive and analytical approach using qualitative methods. The qualitative research aims to analyze Islamic economics as a moral economy, examining its ethical principles and how these principles can address contemporary economic challenges. A descriptive method is used to depict the phenomena and practices of Islamic economics, while an analytical method is used to evaluate the alignment between current Islamic financial practices and the core principles of Islamic economics. This approach is selected to facilitate a deep understanding of moral concepts in Islamic economics and their impact on social justice and welfare.

2. Research Approach

A qualitative approach is adopted as the focus of this research is on understanding the moral principles of Islamic economics and how they can be applied within the global economic context. This approach allows the researcher to interpret data in a comprehensive and in-depth manner. Data is collected from various sources, including literature, official documents, research reports, and interviews with Islamic economics experts, to gain a clearer understanding of the application of moral economy principles in different contexts.

3. Population and Sample

The population in this study consists of experts and practitioners involved in the field of Islamic economics, including academics, economists, and Islamic finance practitioners. The sample is selected using purposive sampling, where research subjects are chosen based on specific criteria such as their involvement in Islamic economic research or practice. The sample is drawn from academic institutions, Islamic financial institutions, and organizations focusing on Islamic economics in regions with significant Muslim populations, such as Indonesia, Malaysia, and Middle Eastern countries.

4. Data Collection Techniques

Data for this study is collected from two main sources: primary and secondary data.

- a. Primary Data is obtained through in-depth interviews with Islamic economics experts and practitioners. The interviews are semi-structured, following a general guide but open to further exploration based on respondents' answers. These interviews are conducted either in person or through digital platforms for respondents located abroad.
- b. Secondary Data is gathered from literature reviews, including academic journals, books, reports, and publications related to Islamic economics, Islamic finance, and the implementation of moral economy principles. This data supports the analysis and strengthens the arguments presented in the study.

5. Research Instrument

The research instrument used in this qualitative study is a semi-structured interview guide designed to explore respondents' views and understanding of Islamic economics as a moral economy. The interview guide is structured around the research objectives, focusing on key aspects such as social justice, public welfare, and the application of moral principles in Islamic financial practices.

6. Data Analysis Technique

Data analysis is carried out using thematic analysis, which involves identifying key themes emerging from the interview data and literature. The analysis process includes the following stages:

- a. Data Collection: Primary data from interviews and secondary data from literature are organized into relevant categories.
- b. Data Reduction: Relevant data is selected and categorized based on key themes, such as justice, social welfare, and economic ethics.

- c. **Data Presentation:** The data is presented in a clear and logical narrative, illustrating the relationship between empirical findings and existing theories in Islamic economic literature.
- d. **Conclusion Drawing:** Based on the analyzed data, the researcher draws conclusions on how Islamic economics can be understood as a moral economy and how its principles can be applied to contemporary economic systems.

7. Data Validation

To ensure the validity of the data, the study employs triangulation, comparing and integrating data obtained from different sources and methods. By cross-referencing interview results with relevant secondary data, the researcher ensures the consistency and accuracy of the findings. Additionally, validation is conducted by seeking feedback from Islamic economics experts on the initial analysis to confirm that the interpretations are accurate and relevant.

8. Research Ethics

In conducting this research, ethical considerations are strictly maintained. All respondents are interviewed with their consent, and their identities are kept confidential unless they provide written permission for publication. The researcher maintains objectivity and avoids manipulating data to support the research hypothesis. All research procedures are conducted in accordance with ethical research standards.

9. Research Timeline and Location

This study is conducted over a six-month period, from data collection to analysis and report writing. The primary research locations are Indonesia and Malaysia, two countries with advanced Islamic financial systems, along with several Middle Eastern countries. Interviews are conducted both in person and via online platforms to accommodate geographical limitations.

10. Research Implications

This study is expected to contribute to the development of Islamic economics by providing a deeper understanding of how Islamic economics can be conceptualized as a moral economy. The findings of this study may also assist policymakers, academics, and Islamic finance practitioners in designing policies and financial products that align more closely with the principles of social justice and public welfare as advocated in Islamic economics.

With a comprehensive qualitative approach, this research aims to fill gaps in the existing literature by offering new insights into Islamic economics as a moral economy and exploring its potential in addressing global economic challenges.

RESULTS AND DISCUSSION

A. Understanding Islamic Economics:

Principles from Islamic sources, principally the Quran and Sunnah (the teachings of the Prophet Muhammad), serve as the cornerstone upon which Islamic economics is constructed. With the goal of establishing a fair and just socioeconomic system, these values direct economic activity in conformity with Sharia, the Islamic legal code. The unique features of Islamic economics are highlighted by fundamental ideas like the requirement of Zakat (almsgiving), the ban on Riba (interest), and the stress placed on distributing wealth fairly.

Zakat is a fundamental Islamic principle that requires a person to donate a certain amount of their money to the less fortunate members of society (Quran 9:60). By means of this duty, the community's social cohesiveness and solidarity are promoted and poverty is mitigated and money is

redistributed. Furthermore, the ban on Riba assures fair and equitable financial transactions and deters abusive lending practices, all of which support stability and economic fairness.

Furthermore, Islamic economics promotes the idea of "maslaha," or the public interest, which places a higher priority on society welfare and group well-being than on personal profit. With the goal of advancing social peace and the common good, this concept directs economic policies and choices. As such, Islamic economics goes beyond monetary wealth to include more expansive aspects of human well-being and social progress. Moreover, Islamic economics provides fairness, openness, and equity in all economic interactions by emphasizing the notion of 'adl' (justice) in economic transactions. The focus on distributive justice highlights the dedication of Islamic economics towards mitigating socioeconomic inequalities and disadvantages, ultimately promoting an inclusive and fair economic framework.

B. Nature of Moral Economy :

According to academics such as E.P. Thompson, the idea of a moral economy highlights how moral standards, values, and ethical considerations influence economic actions and results. In Islamic economics, morality is an essential component that penetrates every element of economic activity rather than just being a side issue. Islamic economics represents a comprehensive view of human behavior and social well-being by incorporating moral principles drawn from religion teachings into economic decision-making processes.

The moral economy concept recognizes that moral issues cannot be separated from economic acts since they are inextricably linked to social, cultural, and ethical circumstances. Islamic civilizations impose moral standards of justice, compassion, and fairness on business dealings through the application of ethical principles derived from Sharia. Thus, Islamic economics may be seen as a "Islamic moral economy" that places equal weight on economic efficiency and growth as well as moral behavior and community wellbeing.

C. Framework of Political Economy :

Political economy studies how politics and economics interact, looking at how power is distributed, how institutions are set up, and how resources are used in society. Political power and economic control are inextricably intertwined in Islamic political economy, with the Caliphate traditionally functioning as both a political and a religious organization. Upholding justice, accountability, and consultation (Shura) is the goal of Islamic government, which supports stability and socioeconomic inclusion.

Islamic political economics places a strong emphasis on the government's responsibility to uphold economic and social justice. Islamic rules and principles, especially those pertaining to economic operations like the collecting and distribution of zakat, the control of financial transactions, and the provision of social welfare programs, must be put into practice and upheld by the state. Islamic political economics approaches economic governance with a moral lens, aiming to reduce inequality and advance the common good.

D. Integration of Morality in Islamic Economics :

Islamic economics places a higher priority on moral behavior and societal welfare than it does on the pursuit of self-interest and profit maximization. By outlawing Riba, we can promote fairness in financial transactions by discouraging abusive lending practices. Zakat is a redistributive method that strengthens ties between communities and addresses issues of poverty and injustice. Furthermore, Islamic financial mechanisms that encourage risk-sharing and moral investing behaviors include partnerships and profit-sharing, or *mudarabah*.

It is both a religious requirement and a practical strategy to solve social issues and promote sustainable development for Islamic economics to incorporate morals. Islamic economics aims to build a more just and equitable socioeconomic system in which the needs of the most vulnerable are given priority and money is distributed equitably among all members of society by coordinating economic activity with moral values.

Discussion

Islamic economics, deeply rooted in Islamic teachings, represents the integration of moral and ethical values into economic theory and practice. Unlike conventional economics, which primarily focuses on efficiency and growth, Islamic economics adopts a holistic approach that also prioritizes societal welfare, justice, fairness, and equitable development. By incorporating moral principles into economic activities, Islamic economics provides a comprehensive framework that transcends the narrow scope of traditional economic systems, offering a distinctive model for both individual and societal well-being.

The concept of an "Islamic moral economy" highlights the intrinsic relationship between ethical values and economic behavior in Islamic societies. This paradigm emphasizes the commitment of Islamic economics to uphold moral integrity, foster social cohesion, and work towards the creation of a just society. Fundamental principles like Zakat (mandatory almsgiving), the prohibition of Riba (interest), and the focus on distributive justice are central to this system, ensuring that socioeconomic inequalities are addressed and that resources are fairly distributed within the community. Zakat, for instance, directly contributes to poverty alleviation by redistributing wealth from the affluent to those in need, thus reducing the wealth gap and promoting economic equity.

As globalization reshapes the global economic landscape, the principles of Islamic economics provide a valuable framework for addressing modern economic challenges, such as income inequality, environmental degradation, and financial instability. In contrast to conventional systems that often prioritize profit over people and the environment, Islamic economics offers an ethical compass that encourages sustainable development and responsible resource management. The moral guidelines embedded in Islamic teachings serve as a bulwark against exploitative practices, fostering a more balanced approach to economic growth.

One of the key elements of Islamic economics is the prohibition of Riba, which discourages interest-based financial transactions that can lead to excessive risk and speculative bubbles, phenomena that have historically contributed to financial crises. Instead, Islamic finance promotes risk-sharing mechanisms and ethical investments, which not only encourage financial stability but also support socially and environmentally responsible ventures. This model of finance ensures that wealth generation is aligned with the broader goals of social good, making it an attractive alternative to speculative capitalism that prioritizes short-term gains at the expense of long-term sustainability.

The concept of Zakat is equally crucial in addressing global issues like income inequality. In today's world, where the wealth gap continues to widen, with a small percentage of the population controlling the majority of global wealth, Islamic economics provides practical mechanisms to ensure wealth redistribution. Zakat mandates that a portion of wealth be distributed to the less fortunate, thereby promoting a more equitable distribution of resources and ensuring that economic benefits are shared more broadly across society. This practice offers a direct solution to the growing concentration of wealth and helps mitigate social tensions that arise from economic disparities.

Despite the promise of Islamic economics, there are challenges to its implementation, especially on a global scale. The broader global economy is largely built on conventional economic principles, such as

interest-based finance, which poses a challenge for the integration of Islamic financial systems. Additionally, the diverse interpretations of Islamic teachings across different cultural and geographical contexts can lead to variations in how Islamic economic principles are applied. For instance, the practice of Islamic finance in the Middle East may differ from its application in Southeast Asia due to cultural and regulatory differences.

These challenges present opportunities for Islamic economics to engage in dialogue with other economic models. By interacting with conventional systems, Islamic economics can contribute to a more inclusive and ethically grounded global economic landscape. The ethical underpinnings of Islamic economics, particularly its focus on social justice, fairness, and sustainability, can inspire reforms in conventional economic practices, promoting a more just and sustainable global economy.

The contemporary relevance of Islamic economics extends beyond Muslim-majority countries. Its emphasis on moral behavior, social responsibility, and equitable wealth distribution appeals to a global audience seeking alternatives to the profit-driven models that have often led to economic crises, environmental harm, and social inequalities. By proposing a balanced approach that integrates material success with ethical principles, Islamic economics offers a path to economic prosperity that aligns with the broader goals of human flourishing and societal harmony.

Islamic economics, understood as an "Islamic moral economy," offers a compelling vision of a more equitable, inclusive, and sustainable socio-economic order. Its principles of justice, compassion, and solidarity present an alternative to the conventional economic systems that prioritize profit over people. In a world facing pressing challenges such as financial instability, growing income inequality, and environmental degradation, Islamic economics provides timeless wisdom that can inspire transformative change. By offering a moral foundation for economic activity, it paves the way for a more prosperous and just future, not only for Muslim communities but for the global society as a whole.

CONCLUSION:

In conclusion, Islamic economics, with its foundation in Shariah principles, offers a powerful alternative to conventional economic systems by integrating moral and ethical considerations into economic practice. It emphasizes justice, fairness, and societal welfare, contrasting with the profit-maximization focus of capitalism. Key elements such as Zakat, the prohibition of Riba, and the promotion of distributive justice address global challenges like income inequality, poverty, and financial instability. However, despite its potential, challenges remain in fully integrating Islamic economics into the global economy, particularly due to diverse interpretations of Islamic teachings and the dominance of interest-based financial systems. Moving forward, there is a strong need for policymakers and practitioners to re-align Islamic finance practices with the broader moral objectives of Islamic economics. By fostering dialogue between Islamic and conventional systems, Islamic economics has the potential to inspire more ethical and sustainable economic reforms worldwide, providing a model for a just, inclusive, and equitable future.

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