



Rationality and Religiosity of Islamic Economy in Facing Global Challenges

Dzarin Gifarian Khaulani¹ Bening Fathima Rabbaniya Amatillah²

¹Sunan Gunung Djati State Islamic University of Bandung, Indonesia

²Institute of Technology Bandung, Indonesia

Correspondence: dzarin@uinsgd.ac.id

Abstrak: Islamic economics actually still has the opportunity to develop and become an alternative in facing global challenges. However, the development of Islamic economics requires a strong theoretical foundation. The purpose of this study is to show the importance of epistemological research in the field of Islamic economics. There are two approaches that can be used in analyzing Islamic economics, namely descriptive and thematic. Both are interrelated in the process of strengthening the study of Islamic economics. Therefore, based on the epistemological approach, there are two types of Islamic economic studies that are normatively based on rationality and religiosity, and both cannot be separated from the moral basis of Islam. This research method uses the literature survey method by utilizing library resources in obtaining data, to prepare a theoretical framework and also to strengthen the methodology. Then the validity of the Islamic economic methodology can be tested based on the consistency of the internal system and its compatibility with various systems that govern the dimensions of human life. By supporting Islamic economics as a normative science, a combination of rationality and religiosity will continue and be sustained, as this will develop an economic flow that is more rooted in global ethics in the future.

Keywords: *Islamic economics; normative science; epistemological research; global challenges.*

Introduction

As a middle way between a liberal capitalist economy and a communist economy, Islamic economics actually still has the opportunity to be developed into an alternative form of economy in the face of economic globalization. However, in order to be a strong economic system, Islamic economics needs strong theoretical and philosophical support. Epistemologically, there are two approaches in analyzing Islamic economic philosophy. First, contextual descriptive analysis, second normative thematic analysis. Both forms of analysis can be used to analyze the thinking of Islamic economic figures. In this context, Islamic economic thought as claimed by classical and modern Islamic economists must have normative justifications derived from the norms of Islamic teachings and sociological justifications associated with the development and economic challenges faced in its time. For example, Al-Ghazali's thinking about market mechanisms needs to be sought the relevance of his concept to the market situation in his time and its relevance to the market situation at the present time. This process methodologically leads to the idealism of the market system in Islam which leads to the concept of welfare. From the perspective of the correlation of thought, the purpose of combining one character with another, is to strengthen the concept of Islamic economic concepts with methodological strengths, so that it becomes a paradigm of Islamic economics (Kizilkaya & Azid, 2017). The paradigm

that will be built departs from the concept of the existence of human status as servants of God and His representatives on earth (Hawwa, 2003). This paradigm makes humans existentially a homo economicus, so that economic activity is not only a physical and psychological routine for humans, but also includes a spiritual dimension.

Islam has a wealth of knowledge and experience that can be used as a source of methodology for Islamic economics. From the development of the fiscal and monetary systems of the time of the Prophet and Khulafaur Rashidin, (Huda, 2018) the model of al-Shaybani's division of labor, (Islahi, 2014) the concept of hoarding and the concept of raising the price of Yahya bin Umar, (Zamzam, 2019) Al-Ghazali production hierarchy, (Ghazanfar et al., 2011) the hierarchy of human needs as-Syatibi, (Riyanto, 2016) Ibn Taimiyah's price theory, (Islahi, 2015) the theory of international trade Ibn Khaldun, (Veithzal & Nizar Usman, 2013) The theory of money al-Maqrizi, (Chapra, 2001) and much more. The wealth of this thought in addition to helping epistemological efforts to formulate theories and economic systems also aims to provide a broad line of thought for conceptualization and development in the contemporary era.

Whereas for thematic analysis, important topics of Islamic economics are placed as methodological sources for the analysis of various economic problems related to individuals, communities, business institutions, countries, and other strategies. The uniqueness of thematic analysis lies at the conceptual point of meeting various schools of thought. However, there are differences in the approach and scientific origin of the characters, because there are differences in the basic assumptions. But this will enrich the treasury of Islamic economic theory. Thus, various topics, concepts and basic views on economic activities are comprehensively accumulated to create an Islamic economic system.

Epistemological problems show that economics is fully practical. This means that people need economics only to solve physical life problems in a short time, for example, human behavior. The problem is that many people are involved in economic activities, so that production, consumption and distribution activities touch on complex issues such as the level of welfare and justice (Dua, 2008).

In fact, if it is associated with economic growth, accelerated production, population growth, labor, technology, poverty and unemployment, as well as other economic aspects, the economy is also in contact with philosophical dimensions, because to understand the problems above requires a deep understanding with the help of various theories and methodology, as well as quality analytical skills. In addition, people as economic entities not only deal with the problem of how production and distribution are carried out, but also with the fact that relationships arise between those who participate in them, such as moral judgments, quality of human resources, or social responsibility of economic agents (Dua, 2008).

Islamic Economics is a normative science. This means that Islamic economics is trying to direct what people have to do (*das sollen*) in economic activities. Because, human weaknesses are often caused by their ignorance of what should they do, so they need guidance in economic activities (Antoni, 2012). These guidelines are listed in the Qur'an and as-Sunnah. Thus, Islamic economic normativity is based on the revelations and role models of the Prophet Muhammad. Methodologically, this provides guidelines and general principles of economic activity in accordance with its human corridors. Within this regulatory framework, a number of concepts emerge, such as balance (*tawazzun*), professionalism (*itqan*), cooperation (*ta'aawun*), prohibitions on damaging the preservation

of nature, and so on. In addition, this regulatory framework is universal in the sense that it can be applied in all contexts of time and age, because it is in accordance with the laws of nature (Aravik, 2017).

Based on this, Islamic economics seeks to influence production activities through Islamic provisions and norms as an independent variable. These variables usually take the form of moral principles, rules and systems that determine how people should act and behave, and prevent economic exploitation and injustice. For example, the prohibition on the destruction of nature in the letter Hud: 61 is a moral imperative as an imperative category, because it involves one of humanity's duties as servants of God. Likewise, with the difference in abilities and abilities between one person and another, as summarized in Surat Al-An'am: 165. The moral consequences contained in this verse tell people that they must help one another and work together to solve the problems everyday life.

Literature Review

Numerous previous studies have extensively examined the fundamental principles and practical implementation of Islamic economics, addressing both theoretical aspects concerning various concepts, theories, and approaches within Islamic economics, as well as their application in diverse financial contexts. One illustrative investigation conducted by Maharani and Ulum (2020) centered on exploring the prospects and challenges encountered by Islamic economics in Indonesia, specifically in the realm of electronic banking. Their study underscored the potential of electronic banking as a catalyst for enhancing public services, facilitating efficient fund management, and leveraging new technologies to offer accessible and affordable Islamic economic services to all strata of society. Electronic banking exemplifies a manifestation of the seamless financial transactions prevalent in the digital economy, leading to heightened efficiency and efficacy by minimizing time expenditure during work-related activities. Nevertheless, it is noteworthy that the conveniences associated with electronic banking applications may not be uniformly experienced or embraced by all individuals.

Another study conducted by Arif (2019) shed light on the opportunities and challenges faced by Islamic economics in the context of the ASEAN Economic Community (AEC). The findings indicated that one of the pressing issues confronting the Islamic financial industry in Indonesia pertains to the availability of competent human resources. The expansion of the Islamic finance and banking sector has resulted in an increased demand for highly skilled professionals. The rapid progression of Islamic economic practices across diverse facets necessitates the provision of exceptional human capital to sustain and propel the growth of Islamic economics on a global scale. Encouragingly, the Indonesian government has exhibited an increasingly supportive and facilitative stance towards the development of Islamic economic practices, exemplified by the enactment of the Sharia Banking Law and the State Sharia Securities Law in 2008. Such favorable measures engender a more promising outlook for the future trajectory of Islamic economic practices in Indonesia. Consequently, ensuring the availability of outstanding human resources capable of fostering the advancement and expansion of Islamic economic practices within Indonesia assumes paramount significance, particularly in the face of the ASEAN Economic Community.

Additionally, Syamsuri et al. (2021) conducted a study illuminating the intricate interplay between Islam, capitalism, and socialism. From a sociological perspective, Islam

manifests itself within both capitalist and socialist societies, forging connections with both systems. Capitalism and socialism predate the advent of Islam, as evidenced by Mecca's historical status as a hub for international trade and finance. Prior to assuming the mantle of prophethood, even Prophet Muhammad himself engaged in commercial activities. Consequently, capitalism and socialism can be regarded as external ideologies or systems that have permeated economic thought, exerting influences on Islamic economics. Notwithstanding, Islam, in turn, exerts its influence on economic systems, rectifying and harmonizing economic principles within the domains of capitalism and socialism. Hence, Islam, capitalism, and socialism exist as interactive forces, mutually shaping and influencing one another in a dynamic manner.

Methods

This article was written using the literature survey method. This method is used to utilize library resources to obtain data, trace previous sources to prepare theoretical frameworks and refine methodologies (Zed, 2004). Historical studies, generally rely on library research. This also applies to the study of Islamic History (Zed, 2004). Islamic historians use library research to explain and deepen questions that have not been resolved in the past. Historical information later published historical sources are seen as having the opportunity to provide solutions (Mustakif & Mulyati, 2019). In this case, the explanation is related to "Rationality and Religiosity of Islamic Economy in Facing Global Challenges" also obtained from these sources.

Results and Discussion

Based on economic rationality, Islamic economics is an approach to the interpretation and resolution of economic problems, based on values, norms, laws and institutions based on the Qur'an and al-Sunnah. In other words, the empirical reality of economics is an integral part of the revelation of the Koran. For example, one's commitment to work in order to meet the needs of life and fulfill their abilities (QS at-Taubah: 105; Yusuf: 61.67; Hud: 121,123). By working, people can change their lives and improve their welfare. This concept is very empirical, where people who work a lot eventually reach wealth. Interestingly, there is no religion (other than Islam) that talks about the importance of working in the education system (José et al., 2018).

Economic rationality provides a tool to explain economic phenomena and activities, including human behavior, as conditions of the required variables. Because of its rationality, Islamic economics moves in the corridors of science, which are empirically related to daily human routines. Economic problems, such as lack of goods, are empirical problems because many people feel them. Islamic economics rationally provides solutions in the form of monopoly prohibitions, fair distribution, the functioning of the market system through the utility of goods rather than price, balancing the demand side and the supply side, etc (Askari et al., 2015).

Likewise, Islamic economics has suggested that the level of demand for public goods will increase if the level of producer spending in the form of social returns also increases. In other words, the more funds allocated by entrepreneurs for zakat, alms, donations or Corporate Social Responsibility (CSR), will increase the demand for their products. Thus, social returns have a multiple effect on people's purchasing power. Social returns will

stimulate the purchasing power of the poor on demand. Producers respond by directing their production activities to the clear demand side through product diversification (for both rich and poor). This condition allows producers to develop the supply side with the help of innovative products and expand market segmentation.

In a traditional economy, the supply and demand sides are complementary. Problems faced by the demand side are usually handled by the supply side, and vice versa. Usually on the demand side, the relationship between price and quantity of demand is negative. If the price of an item increases, the amount of demand for this item will decrease. If prices fall, demand will increase. In short, high productivity in the production of one item causes a decrease in prices. Conversely, scarcity increases prices. As for supply, the correlation between price and demand is positive. If the price goes up, the demand for this item will increase. Conversely, falling prices cause a decrease in demand. The solution to the traditional economy is to increase the supply side if the demand side is negative. While Islamic economics deals with this differently. The negative side of the request is overcome by zakat, alms, donations and CSR funds. Overcome the negative side of the proposal by diversifying products according to the use of each community group. Thus, the reaction of producers to public demand creates an effective demand, namely the priority of production based on the usefulness of the goods.

Economic rationality is thus useful for explaining scientific economic phenomena and how to overcome them. This was obtained from the study of various theories and Islamic economic thought. Explanation of economic problems sought a solution based on the economic reference system itself, so that Islamic economics is represented as a branch of knowledge based on methodology, has a system and paradigm, can be explained rationally and systematically, and can be tested empirically. Based on this, the development of Islamic economics and its systemic devices can follow the path of modern science based on empirical research and scientific testing.

Discussions

The interest of European and Asian countries to open Sharia windows in the global financial sector is due to the fact that the Islamic financial system has a methodological basis, and when tested empirically, it turns out to be very beneficial because of its orientation towards the stability of the value of money. Of course, it is not surprising that the United Kingdom declared London to be the center of international Islamic financial markets.

In this context, the public must understand the need for the development of Islamic economics in various fields of economics. For example, the focus is on financial stability by eliminating the interests of the manufacturing sector and small and medium-sized businesses through expanding the intermediary functions of financial institutions, efforts to develop business partnerships, reducing excessive public consumption, and so on. Take for example the Islamic banking sector. Islamic economics cannot develop market share based solely on the emotional level of society, because it is Muslim. The sharia banking mechanism goes beyond this dimension, so that all elements of society recognize its effectiveness and focus on financial system stability. Thus, public questions about "expensive Islamic bank financing" must be explained in the criteria and maxim of economic rationality. Transparency in explaining the mechanism and way of operating

Islamic banks is a basic requirement for developing a larger market share so that people feel "safe" to be a customer.

Economic religiosity is the design of faith, sharia, and morality in economic activities. These three dimensions are combined in the Islamic worldview, (Choudhury, 1998) which states that the owner of economic resources is Allah SWT (sura al-Baqarah: 284; al-Maidah: 17; al-Hadid: 7). People are only given the mandate to manage, profit, and maintain sustainability. Thanks to this use, their needs are met and their well-being is increased, but they have the obligation to distribute it in the form of zakat, donations, alms, investment, because there is a part of other people's wealth; poor people and those who need it. Thus, economic activity is a form of human submission to Allah SWT with the assumption of seeking peace, and then true happiness and prosperity for humanity. This Islamic worldview is contrary to the assumption that economic behavior is only limited by one's natural response to survival.

Economic religiosity says that humans are moral beings (Chapra, 1992). Toshihiko Isutsu mentioned that moral discourse in the Koran aims to provide guidance to people about behavior that has social consequences because it confirms the concept of people as religious beings. This religious character influences economic behavior. For example, an entrepreneur knows that his business profits must be distributed in the form of zakat, donation, and alms, because human understanding is only the relative owner of the source of wealth. Provisions of zakat, *infaq*, and alms are inevitable religious (moral) rules. Separately, this will control greed and selfishness.

In the aggregate, forms of wealth distribution are social obligations and altruism. Through moral configuration, people have the opportunity to know the good and the bad, to be able to distinguish between themselves and realize the consequences of their choices. Morality directs people to certain goals in the right way and tool. In addition, the moral rules inherent in humans are problems that change their lives into arenas of moral struggle to maintain their existence as servants of Allah and His caliphate. Thus, Islam is a moral force that directs one's economic behavior to achieve balance in life, manipulate the ethical order of society and provide guidelines for survival in the world and in the future.

Conclusion

In Islam, a number of economic actions begin with morality so that goals can be optimally fulfilled. The aim is to: a) understand economic behavior and problems, b) direct human behavior to overcome these economic problems. The first provides a basic understanding of economic reality and aspects of the problems that arise from it. While the second provides guidance on how to carry out economic activities and solutions to overcome this problem. Because morality is the ontological basis of economic activity, every economic behavior must be based on this normative basis, which is the correct behavior that will lead to maximum results, and risks can be avoided.

In this context, the validity of the methodology of Islamic economics can be tested based on the consistency of the internal system and its compatibility with various systems that govern the dimensions of human life. By supporting Islamic economics as a normative science, the combination of economic rationality and religiosity will continue, because this will develop a more entrenched economic flow in the future.

References

Antoni, C. (2012). *Wacana Ruang*. Penerbit Andi.

Aravik, H. (2017). *Sejarah Pemikiran Ekonomi Islam Kontemporer Edisi Pertama*. Kencana.

Arif, Z. (2019). Optimalisasi Peluang Dan Tantangan Ekonomi Islam Dalam Menghadapi Masyarakat Ekonomi Asean. *Al Maal: Journal of Islamic Economics and Banking*, 1(1), 89. <https://doi.org/10.31000/almal.v1i1.1817>

Askari, H., Iqbal, Z., & Mirakhori, A. (2015). *Introduction to Islamic Economics: Theory and Application*. John Wiley & Sons.

Chapra, M. U. (1992). *Islam and the Economic Challenge*. International Institute of Islamic Thought (IIIT).

Chapra, M. U. (2001). *Masa Depan Ilmu Ekonomi: Sebuah Tinjauan Islam*. Gema Insani.

Choudhury, M. A. (1998). *Studies in Islamic Social Sciences*. Palgrave Macmillan.

Dua, M. (2008). *Filsafat Ekonomi, Upaya Mencari Kesejahteraan Bersama*. Kanisius.

Ghazanfar, S. M., Islahi, A. A., Jāmi‘at al-Malik ‘Abd al-‘Azīz, & Scientific Publishing Centre. (2011). *Economic thought of al-Ghazali (450-505 A.H./1058-1111 A.D.)*. Scientific Pub. Center, King Abdulaziz University.

Hawwa, S. (2003). *Ar-Rasul Shalallahu ’alaihi Wa Sallam*. Gema Insani.

Huda, N. (2018). *Ekonomi Makro Islam*. Prenada Media.

Islahi, A. A. (2014). *History of Islamic Economic Thought: Contributions of Muslim Scholars to Economic Thought and Analysis*. Edward Elgar Publishing.

Islahi, A. A. (2015). *Economic Concepts of Ibn Taimiyah*. Kube Publishing Ltd.

José, Á.-G., Cruz, del R. R., María de la, & Martín, G.-U. (2018). *Handbook of Research on Socio-Economic Impacts of Religious Tourism and Pilgrimage*. IGI Global.

Kizilkaya, N., & Azid, T. (2017). *Labor in an Islamic Setting: Theory and Practice*. Routledge.

Maharani, S. & Ulum, M. (2020). Electronic Banking: Opportunities and Future Challenges of Islamic Economy in Indonesia. *International Journal on Islamic Applications in Computer Science And Technology*, 8(1), 1-10.

Mustakif, M. K., & Mulyati, M. (2019). Sarekat Dagang Islam SDI (1905-1912): Between The Savagery of Vereenigde Oostindische Compagnie (VOC) and The Independence of Indonesia. *International Journal of Nusantara Islam*, 7(1), 1-17. <https://doi.org/10.15575/ijni.v7i1.4807>

Riyanto, W. F. (2016). Pertingkatan Kebutuhan Dalam Maqasid Asy-Syari’ah (Perspektif Ilmu Ekonomi Islam Kontemporer). *Jurnal Hukum Islam*. <http://ejournal.iainpekalongan.ac.id/index.php/jhi/article/view/582>

Syamsuri, S., Aziz, A., Hendri, H., & Ghofur, G. (2021). Islamic economics in hegemony of capitalism and socialism: A study of comparative analysis. *Al'Ibar Journal of Islamic Civilization and Development*, 1(1), 87-104

Veithzal, R., & Nizar Usman, A. (2013). *Islamic Economics and Finance*. Gramedia Pustaka Utama.

Zamzam, F. (2019). *Perekonomian Islam: Sejarah dan Pemikiran*. Kencana.

Zed, M. (2004). *Metode penelitian kepustakaan*. Yayasan Obor Indonesia.