



## Islamic Economics Answers to a Wide Range of Contemporary Socio-Economic Challenges

Reza Muhammad Rizqi<sup>1</sup>, Hartini<sup>2\*</sup>

<sup>1</sup>Department of Accounting, Universitas Teknologi Sumbawa, Sumbawa Besar, Indonesia

<sup>2</sup>Department of Management, Universitas Teknologi Sumbawa, Sumbawa Besar, Indonesia

### Article Info

#### Article history:

Received: June 12, 2022

Revised: August 19, 2022

Accepted: August 20, 2022

Published: August 28, 2022

#### JEL Classification Code:

A11, A13, A14

#### Author's email:

[reza.muhammad.rizqi@uts.ac.id](mailto:reza.muhammad.rizqi@uts.ac.id)

[hartini@uts.ac.id](mailto:hartini@uts.ac.id)

#### DOI:

[10.20885/jielariba.vol8.iss1.art9](https://doi.org/10.20885/jielariba.vol8.iss1.art9)



### Abstract

A long period of development spanning more than a century has resulted in traditional economics becoming a highly developed and complex field of study. Finding solutions to existing socio-economic problems is the focus of this paper. The idea of Islamic economics is the central topic of this article. Because it is based on the teachings of the Qur'an and Hadith, the Islamic economic system has proven to be very successful in overcoming various socio-economic problems during the course of human history. In other words, if Islamic economics is used in the right way and in the right way, then one may anticipate many severe socioeconomic difficulties. In short, Islamic economics offers a solution to the problem of how to improve human life. so that no socio-economic problems will be recognized if Islamic economics is practiced in a proper manner. Therefore, Islamic economics focuses primarily on ideas and efforts to improve the general welfare of society. Consequently, Islamic economics is a solution to problems facing society as a whole.

**Keywords:** Socio-economic, Islamic economics, solutions, contemporary

## INTRODUCTION

As long as there are humans living on the surface of this planet, there is a strong need and understanding that it is very important for a person to survive in order to socialize with other people (Hines, 2020). Everyone depends on others around them to meet their needs. As individuals depend on one another in their personal and social lives, a slow evolutionary process of developing systems for the exchange of commodities and services has emerged as a result of this dependence. This trading system developed from a simple activity to a contemporary economic activity during the course of human history. This transformation occurred along with the expansion of human civilization (Peng, 2020).

A long period of development spanning more than a century has resulted in traditional economics becoming a highly developed and complex field of study. This is because traditional economics dominates today's economic ideas. It is impossible to deny that conventional economics has made a significant contribution to the material growth of human existence, especially in the decades following the end of the Second World War (Iskandar et al. 2021). At this time, the economic revolution was able to guarantee the welfare of the people, in addition to increasing output, improving communication facilities, and more opportunities to utilize natural resources. The middle class enjoys a greater standard of living than if their only source of income was agriculture (Jabeen et al. 2020).

Conventional economics, on the other hand, has not been able to keep up with the times in terms of its values. Conventional economic theory is based on the idea that an optimal state will eventually materialize, although this never happens. Even in the last half century, conventional economic theory is increasingly unable to explain economic phenomena. The rise of capitalism widened the gap between the rich and those living in poverty. It also widens the gap between workers and capitalists. It also widens the gap between developed and developing countries. This has also led to high inflation and rising unemployment.

The New Economics Foundation (NEF), a UK based research institute, conducting research on the relationship between per capita income growth and the proportion or share of growth enjoyed by the poor. Their findings and research prove that during the 1980s, the poor received only \$2.2 for every \$100 increase in global per capita income, which equates to about 2.2 percent. This shows that the remaining 97.2 percent goes to those who are already rich. Then, between 1990 and 2001, the percentage that the poor enjoyed was only 60 cents, which is about 0.6 percent, for every 100 percent increase in the number of dollars spent on per capita income. While the remaining 99.4 percent is used by wealthy groups around the world. This shows a decrease in the percentage of people living in poverty by 73%, but the gap is still widening. This fact shows that the current global economy tends to be unbalanced in the management of economic assets and resources, resulting in the rich getting richer while the poor getting poorer. Ironically, this truth correlates with the reality in many Muslim countries, where the much vaunted "trickle down" effect approach only leads to significant socioeconomic inequality in the long run (Mannan, 2014).

With these conditions, during the last three or four decades, the Islamic economic system began to develop as a way out of these conditions. This is an international economic system based on the Qur'an, which as the holy book of Muslims, not only regulates matters of ritual worship, but also regulates matters of ritual worship. In addition, the Qur'an regulates the issue of ritual worship. perfect (complete) and eternal (universal) advice should be given to everyone. The Qur'an includes the basic principles and guiding principles that lie at the heart of every human situation, including those that arise from the conduct of economic activity. The economic principles contained in various verses of the Qur'an are complemented by the sunnah of the Prophet Muhammad SAW through various forms of hadith, and explained in more detail by the faqihs during the heyday of dinnu allIslam, either in the form of ijma or qiyas or ijtihad, when dinnu allIslam was at its peak (Chapra, 2019). At the time of the Prophet Muhammad, Islam provided a very wide space for economic development. One of the main principles of muamal is that anything is permissible unless there is evidence against it, becoming the main engine of economic innovation that accelerates Islamic economic growth (Gwadabe & Ab Rahman, 2020).

The economy expanded during the time of *Khulafaur al-Rashidin* in power. A high level of wealth has been achieved by today's society, and continues to grow under the reign of Umar bin Abdul Aziz. Under Caliph Harun ar-Rashid, Islamic economics reached its peak at the same time that Islam in general reached its peak. During the caliphate of Harun ar-Rashid, which lasted about a quarter of a century (170193 H/786809 AD), Baghdad emerged from obscurity to become a global center of wealth and knowledge. During this period, there was an increase in commercial activity in China. Due to the fact that there is ample financial aid available to students and scholars, the Muslim world has become a meeting place for academics who come from various disciplines as well as various religions and sects (Bhuiyan et al. 2020).

On the other hand, Islam has grappled with a number of problems, both internal and foreign, over the past decade and a half, including moral decline, the events of the Crusades, Islamic economics, and the growth of Islamic economics (Kunaifi et al. 2021). The Islamic economic system is once again considered a potential solution to various socioeconomic problems on a global scale. This view is supported by historical evidence that shows the efficiency of the Islamic economic system, which is carried out in accordance with the guidance of Allah and His Messenger. If Islamic economic instruments were placed in the right way and in the right way, then severe economic problems could be expected, and these problems would not have resulted in economic or financial catastrophe as is the case today.

## LITERATURE REVIEW

### ISLAMIC ECONOMIC PRINCIPLES

According to Karim (2018) provides an explanation of the basic principles of Islamic economics. According to this explanation, the basic concepts that constitute the overall framework of Islamic economics are as follows:

1. Universal Values: Economic Theory

The construction of Islamic economics is based on five universal values, namely: *Tawhid* (Oneness of God), *Adl* (Justice), *Nubuwwa* (Prophet), *Khilafah* (Government) and *Maad*

(Outcome). These five pillars serve as inspiration for Islamic economic proposals and theories (Shinkafi & Ali, 2017).

- a. *Tawhid* (Oneness of Allah Azza Wajalla), the concept of monotheism is the basis for Islamic knowledge. Since Allah created the universe and all of its components, Allah is the rightful owner of the universe and all the resources in it. Therefore, Allah is the true owner of all things. Commands given to humans are only temporary. According to Islamic belief, everything that Allah created has a function and a function. According to verse 51:56 of the Qur'an, the purpose of human creation is to glorify God. Consequently, all activities involving nature (resources) and humans (muamala) must be defined in the context of a relationship with God. Because when we stand before Him, we will be held accountable for all our actions, including our economic and commercial endeavors.
- b. *'Adl* (Justice), the absence of oppression and rejection is what is meant by the Islamic concept of Adl. The importance of this value to the economy lies in the fact that those who participate in the economy should not seek personal gain if doing so will harm other people or destroy nature. People will naturally separate themselves into categories if there is no justice. The oppression of one group by another will ultimately result in the exploitation of another by another individual.
- c. *Nubuwa* (Prophetic), which is to teach the procedure of returning (tauba) to the source of all things, namely Allah, Allah sent prophets and apostles to give instructions and instructions from Allah about how to live a good and right life in the world, and to provide guidance from God about how to live a good and righteous life in the world. The mission of an apostle is to be the most famous example to others, both in this life and the life to come, so that they may be saved. Prophet Muhammad, peace be upon him, is the last and most perfect prophet, and he is the one to be copied until the end of time. The ideals conveyed by the prophets and apostles should be the basis for human economic and commercial endeavors. The qualities of the Prophet that must be imitated are as follows:
- d. *Caliph* (Government). As representatives of God on earth, humans can be considered as leaders in the broadest sense of the word. According to a hadith attributed to the Prophet, every one of you is a leader, and you will be held accountable for the actions you command others to do. This belief serves as the basis for the Islamic concept of human society as a whole. The main aim is to ensure that there is consistent communication (muamala) between the different groups so that chaos and upheaval can be avoided or at least reduced. There is a strong emphasis placed on the function of the state in an Islamic economy. It is primarily responsible for ensuring that the economic system functions according to Sharia law and there is no interference.
- e. *Profit* (Result), Since we all will eventually return to Allah, human existence is not solely on this earth. The verse of Surah 31:33 tells us that Allah forbids us to be addicted to this world because the pleasures of this world are small in comparison to the pleasures of the Hereafter. Man's aim is to fight (Quran, 90:4). The conflict will end with a prize or with a prize. On the other hand, malicious activities will be rewarded with appropriate retaliation and will not be repaid with repeated acts of generosity. This concept is the basis for thinking in economics and business that profits are not only profits in this world, but also profits in the hereafter. Profit is not only defined as profit in this world, but also profit in the hereafter.

## 2. Principles of Derivatives: Characteristics of an Islamic Economic System.

The three derived principles, which have defined the Islamic economic system and become its progenitors, are built on these five universal ideals. There are three concepts drawn from these ideas: dual ownership, freedom of action, and social justice.

### a. *Dual ownership* (properties of various types)

The importance of monotheism and *adla* contributed to the development of the idea of dual ownership. This concept is a translation of the meaning of monotheism: Allah SWT is the ultimate owner of the heavens and the earth and all that is in them, and humans are given the responsibility to manage them. Therefore, individuals are seen in Islamic economics as secondary owners; hence, private or private ownership is recognized within the framework of Islamic economics. However, to ensure justice is served and people are not exploited or mistreated in any way, the state maintains control over important industries that impact people's ability to earn a living. As a result, state ownership and nationalization are possible under Islamic law. Mixed ownership structures, such as private-public, private-domestic-foreign, or foreign,

### b. *Freedom to act* (Freedom to aspire)

Leaders in the business world who seek inspiration from prophets and apostles and who incorporate these figures into their operations develop knowledgeable and skilled employees in a variety of professions. The concept of freedom of action will emerge from the combination of the Four Meanings of Prophecy—*siddiq*, *amanah*, *fathanah*, and *tabligh*—with the principles of justice and *khilafah* (good governance), which will give birth to freedom of action. principle. As long as the distorted effect is not too much, freedom of action will result in a market mechanism (arbitrary process). When justice is respected, the opportunity for distortion is significantly reduced. As part of its responsibility to foster a thriving economy, the state is entrusted with minimizing or eliminating market distortions and acting as an arbitrator monitoring the interactions (*muamala*) of economic and commercial actors. This is done to ensure that *sharia* law is adhered to at all times.

### c. *social justice* (Social justice)

The concept of social justice was born as a result of the intersection of ideals upheld by the caliphate and *maad*. In Islam, it is the responsibility of the government to ensure that the basic needs of its people are met, as well as to ensure that there is a social balance between the rich and the less fortunate. The establishment of a just and equitable economic order is the goal of any economic framework. On the other hand, not all systems are able to produce a fair system on a constant basis. Both historical and empirical evidence show neither capitalism nor socialist economic systems are capable of rebuilding social justice. The use of Islamic economics as a reasonable answer or solution is needed to realize social justice.

## 3. Moral: Islamic Behavior in Economics

The idea of morality combines all these values and principles as a whole. Because the goal of Islam and the call of the Prophets is to perfect human character, morality is a priority because this goal is prioritized. According to a saying attributed to the Prophet, "*Innama bu'ittu li-utammima makarim al-akhlaq*" - which translates to "The Prophet was sent to perfect the qualities of morality" - the Prophet was sent into the world to spread morality.

These ethics serve as guidelines for those involved in economics and business in their daily operations. It is important to underline, however, that although the Islamic economic system is built on a solid foundation and adheres to sound economic principles, this does not guarantee that the Islamic economy will grow by itself without further efforts. The Islamic economic system ensures that there are no financial transactions that are contrary to sharia law by prohibiting such activities. However, the success of a company depends on the economic entity, which may be owned by non-Muslims. The Islamic People's Economy can only progress if Muslims and Muslims behave professionally and have a professional attitude (ihsan, itqan). When it comes to being successful in business, morality is the main indication. The Islamic People's Economy can only progress if Muslims and Muslims behave professionally and have a professional attitude (ihsan, itqan). When it comes to being successful in business, morality is the main indication. The Islamic People's Economy can only progress if Muslims and Muslims behave professionally and have a professional attitude (ihsan, itqan). When it comes to being successful in business, morality is the main indication.

## **THE PURPOSE OF ISLAMIC ECONOMIC THEORY**

The traditional field of economics serves two distinct functions. The first goal is a positive one, and it has to do with ensuring that resources are allocated and distributed efficiently and fairly. Other goals, which can be considered normative, can be expressed in terms of generally desirable socio-economic goals, such as meeting needs, providing full employment opportunities, achieving optimal levels of economic growth, achieving income equality, maintaining economic stability, and preserving the environment. balance (Chapra, 2018; Jaelani, 2017).

At first glance, these two goals seem perfect because they are directed at meeting human needs and the needs of society. But in reality, these two goals are in direct conflict with each other. Even rich countries cannot meet their regulatory obligations, even though they have enormous resources. If any of these goals are achieved, it is necessary to sacrifice others to achieve them. For example, the goal of effective use of industrial equipment can be achieved at the cost of expanding job prospects, or vice versa. Evidence suggests that this failure is becoming more apparent in every region of the world. (Chapra, 2018; Aydin, 2020)

In conventional economics, emphasis is placed on the distribution and distribution of resources; However, the main goal of Islamic economics is to implement maqashid sharia. Islamic economics also places this emphasis. Imam al-Ghazali stated in 1422 Hijri year 352 that the main purpose of sharia (maqashid sharia) is to promote human welfare, namely to protect religion (din), self (nafs), reason, lineage (nasl), and property (Ismail & Muqorobin, 2017; Furqoni et al. 2020). These are what Imam al-Ghazali calls the "five pillars of human welfare" (mal). Because of its great influence on the type, number, and quality of material and psychological demands, and the manner in which these needs are met, the top position on this list is given to faith (religion). Not because it is considered unimportant that the property is deposited at the final destination; rather, because the potential of wealth to bring pleasure in man will depend on the person himself (Tahir & Aidit Ghazali, 1992; Shinkafi & Ali, 2017).

In other words, property ownership is not, by itself, a sufficient condition for happiness in people's lives. Since the welfare of mankind is the main focus of Sharia, concepts such as self, reason and ancestry are all closely related to the individual. Incorporating humans, reason, and

their descendants into the system will result in the creation of a balance that will fulfill all the requirements of human existence. concepts such as self, reason, and ancestry are all closely related to the individual. Incorporating humans, reason, and their descendants into the system will result in the creation of a balance that will fulfill all the requirements of human existence. concepts such as self, reason, and ancestry are all closely related to the individual. Incorporating humans, reason, and their descendants into the system will result in the creation of a balance that will fulfill all the requirements of human existence (Valenzuela et al. 2017).

Based on the explanation of *maqashid sharia* above, it can be stated that the objectives of Islamic economics are as follows:

1. Economic welfare within the framework of Islamic moral norms (justification: QS. al-Baqara, verses 2 and 168, al-Maida, verses 87–88, al-Jumu'a, verse 10).
2. The formation of a society with a solid social order based on universal justice and brotherhood (justification: QS. al-Khujurat, verse 13, al-Maida, verse 8, al-Shuara, verse 183).
3. Achieve a fair and equitable distribution of income and wealth (justification: QS al-Anam, verse 165, an-Nahl, verse 71, az-Zuhruf, verse 32).
4. Creation of personal freedom in the context of social welfare (justification: QS. ar-Ra'du, verse 36, Luqman, verse 22).

## **RESEARCH METHOD**

This research is qualitative research with descriptive analysis method. This research method uses descriptive research with a literature review approach or literature study, which contains theories that are relevant to research problems. In this section, an assessment of the concepts and theories used is carried out based on the available literature, especially from articles published in various scientific journals.

## **RESULT AND DISCUSSION**

### **GAINING KNOWLEDGE OF ISLAMIC ECONOMICS**

The field of economics as a whole can be conceptualized as the study of how individuals make use of limited resources to provide the commodities and services that others need. Meanwhile, Islam, which is the religion of Allah, functions to regulate one's life not only in this world but also in the life to come. Therefore, the economy is part of Islam because it is one of the elements of human existence. According to Munrokhim (2008) if it is part of religion, then of course it must be based on absolute sources, namely the Al-Qur'an and As-Sunnah which are life guidelines. Compared to other religions, Islam is a unique religion because of the absolute position of this source; So, if examined from the point of view of Islamic economics, everything boils down to the Islamic faith based on the Qur'an (Hasan, 2016).

Based on the explanation given above, we can reach the following conclusions: Islamic economy is a system that applies economic principles in a manner that is in accordance with

Islamic teachings in every economic activity that aims to create goods and services with the aim of satisfying human needs. The goal of Islamic economics, like the goals of other economic systems, is to fulfill the many demands of human existence, both at the individual and societal levels (Khan, 2018).

At first glance, it seems that there are no significant differences between Islamic economics and other economic systems. It is the same with the principle and motivation when every person or society tries to achieve maximum results with minimal effort or investment costs. However, when compared to other economic systems in terms of their purpose, form, and characteristics, Islamic economics is fundamentally different from other systems. The economic issues plaguing mankind are addressed by the system by choosing a model that is a compromise between the two extremes, known as socialism and capitalism. In short, Islamic economics can be described as an economic system that is based on the Qur'an and Hadith and seeks to meet human needs both in the present and in the future (Zarka et al. 2018).

To give a clearer understanding, the following are the definitions of Islamic economics given by various leading contemporary Muslim economist. The definitions of Islamic economics given by them are different, but basically, they contain the same meaning, namely as follows: The economic issues plaguing mankind are addressed by the system by choosing a model that is a compromise between the two extremes, known as socialism and capitalism. In short, Islamic economics can be described as an economic system that is based on the Qur'an and Hadith and seeks to meet human needs both in the present and in the future. To give a clearer understanding, the following are the definitions of Islamic economics given by various leading contemporary Muslim economist. The definitions of Islamic economics given by them are different, but basically, they contain the same meaning, namely as follows: The economic issues plaguing mankind are addressed by the system by choosing a model that is a compromise between the two extremes, known as socialism and capitalism. In short, Islamic economics can be described as an economic system that is based on the Qur'an and Hadith and seeks to meet human needs both in the present and in the future. To give a clearer understanding, the following are the definitions of Islamic economics given by various leading contemporary Muslim economist (Asutay, 2007).

The definitions of Islamic economics given by them are different, but basically, they contain the same meaning, namely as follows: Islamic economics can be described as an economic system which is based on the Qur'an and Hadith and seeks to meet human needs both in the present and in the future. To give a clearer understanding, the following are the definitions of Islamic economics given by various Muslim economists leading contemporary. The definitions of Islamic economics given by them are different, but basically, they contain the same meaning, namely as follows: Islamic economics can be described as an economic system which is based on the Qur'an and Hadith and seeks to meet human needs both in the present and in the future. To give a clearer understanding, the following are the definitions of Islamic economics given by various Muslim economists leading contemporary. The definitions of Islamic economics given by them are different, but basically, they contain the same meaning, namely as follows:

1. Mannan (2014: 18) describes Islamic economics as a discipline that investigates the economic problems of society from the point of view of Islamic ideals. Islamic economics is sometimes referred to as the "halal economy."
2. According to Chapra (2016), Islamic economics is a branch of science that helps realize human welfare through the allocation and distribution of scarce resources, in accordance with Islamic teachings, without limiting individual freedom, thereby creating long-term

macroeconomic and environmental imbalances. Chapra (2016) describes Islamic economics as a branch of science that helps realize human well-being through the allocation and distribution of scarce resources. long term, or deterioration of family and social cohesion and moral networks of society.

3. The reaction of Muslim scholars to the economic problems of their time is what Siddiqi (2016) describes as the definition of Islamic economics. The Qur'an, hadith, as well as reason and experience, are some of the ways in which people are assisted in their endeavors.
4. Zamman (2014) argues that Islamic economics is the science and application of Sharia law to prevent injustice in the use and disposal of material resources to ensure human satisfaction and fulfill these obligations to Allah and society. Zaman (2014) argues that Islamic Economics is the science and application of Sharia law to prevent injustice in the use and disposal of material resources.

As a result of the definitions presented above, we can reach the following conclusions: Islamic economics is not only the implementation of economic activities carried out by individuals and established Muslim communities, but also an embodiment of economic behavior based on Islamic principles. teachings. As a result, it combines perspectives on various economic problems, analysis of those problems, and some suggestions for potential alternative solutions to the problems.

## **THE REAL SECTOR IS THE FOUNDATION OF THE ISLAMIC ECONOMY.**

Due to the ongoing economic crisis, governments around the world are scrambling to find ways to prevent the complete collapse of their financial systems. A rescue plan totaling \$3.4 trillion was also developed (the United States contributed \$700 billion, the UK contributed \$691 billion, Germany contributed \$680 billion, Ireland contributed \$544 billion, France contributed \$492 billion, Russia contributed \$200 billion, and Asia contributed \$200 billion). the state contributed \$80 billion).

The dominance of the monetary and financial sector (fixed money system, usury, capital markets, exchanges, foreign exchange, etc.) over the native trade and service sector is the main factor that causes the current state of the economy, which is now in a state of crisis. For example, prior to the 2017-2017 Asian currency crisis, the average amount of money moving in quasi-transactions across the world's financial and capital markets was between \$2 and \$3 trillion daily, which equates to about \$700 trillion per year. \$1. In comparison, the total value of all international trade in products for one year is only about 7 trillion US dollars. Therefore, the circulation of money occurs one hundred times faster than the circulation of products (Republika.com, 2019).

Every day, the amount of money that changes hands in the world's financial markets is equivalent to 1.5 trillion US dollars. In comparison, the number of transactions in international trade involving goods is actually only 6 trillion US dollars every year. The proportion is 500 versus 6. In other words, transactions in the real sector are only about one percent of the total transactions in the financial sector (Kompas.com, 2018). According to "Kompas", meanwhile, the amount of money changing hands in foreign currency operations during the year reached 1.3 trillion dollars in September 2018. According to these facts, the rapid expansion of the financial sector has dramatically deviated from the development of the real economy. This happened as a direct result of the divorce that occurred between the real sector and the financial sector. In the Islamic economy, the financial sector always follows the growth of the real sector. This is

the difference between the concept of Islamic economics and the concept of traditional capitalist economics. In a capitalist economy, the separation between the financial sector and the real sector is a necessity (Handoko, 2020).

The consequence of this split is that the world economy is very vulnerable to crisis shocks. This is due to the fact that economic entities use money that has no interest in the real sector, but only for the purposes of currency speculation. As a result of this speculation, the amount of money in circulation is very disproportionate to the number of goods in the real sector. separation between the financial sector and the real sector is a necessity. The consequence of this split is that the world economy is very vulnerable to crisis shocks. This is due to the fact that economic entities use money that has no interest in the real sector, but only for the purposes of currency speculation. As a result of this speculation, the amount of money in circulation is very disproportionate to the number of goods in the real sector. separation between the financial sector and the real sector is a necessity. The consequence of this split is that the world economy is very vulnerable to crisis shocks. This is due to the fact that economic entities use money that has no interest in the real sector, but only for the purposes of currency speculation. As a result of this speculation, the amount of money in circulation is very disproportionate to the number of goods in the real sector (Ibrahim & Alam, 2018).

The Islamic point of view is that money is a commodity, but it also functions as a medium of exchange. Pseudo transactions, such as those that occur in the money market or capital market today, are strictly prohibited in Islam. On the other hand, Islam encourages participation in global economic exchanges. Before Muhammad became an apostle, he had a successful career as an international trader starting in his childhood. When he was young, he did business with Syria (now known as Syria), Yemen, and many countries in the Gulf. Then, once he became the apostle and leader of the Islamic empire in Medina, Muslims began to build economic relations with China, India, Persia, and Rome from the beginning of his reign. In fact, the perpetrators of Islam only arrived in Northern Europe in the 9th century, that is, two centuries after their first arrival (Pertadireja, 2016).

During the period when the Islamic State existed, Prophet Muhammad saw that there were fewer instances of severe economic downturn. ISIS operated with a deficit, ie before the Hunai Conflict; however, this debt was repaid immediately after the war). Likewise, during the Islamic caliphate, especially during the reign of Khulafa al-Rashidin. There was often a surplus of the state budget under the caliphate of Umar bin al-Khattab and Caliph Uthman bin Affan. What exactly is the key? This is because the monetary policy of the Islamic State at the time of the Prophet Muhammad and the Islamic Khilafah during the Khilafah was always tied to the real sector, especially trade. This happened because of the Islamic Khilafah (Pertadireja, 2016).

## **THE ISLAMIC ECONOMIC SYSTEM GUARANTEES THE WELFARE OF THE PEOPLE**

In Islamic economics, wealth is measured not based on supply and demand, economic growth, foreign exchange reserves, currency values, or unrealistic market price indexes; rather, it is based on the principle of satisfying the needs of everyone in society. This is in contrast to conventional economics, which bases wealth on factors such as these. (Hasan, 2016). As a result, Islamic economics is implemented by doing the following (Hasan, 1987; Rahman, 2016) to meet the needs of every member of society.

### **1. Ownership arrangement.**

The concept of property rights in Islamic economics can be broken down into three distinct

categories. To begin with, there is common ground. The term "shared property" refers to any and all sources, regardless of whether they are solid, liquid, or gaseous, such as oil, iron, copper, gold, and gas. It also refers to anything buried deep within the earth and any form of energy, other than heavy industry, which relies heavily on energy as its primary component. In this scenario, the state is fully responsible for the exploration of resources and their distribution to the community in the form of products and services. Second, it belongs to the state. In addition to common property, any money earned by the state, such as taxes in its various forms, as well as trade, industry, and farms in which the state participates are considered part of state property ownership. All this is possible thanks to the funds provided by the state, which serve the best interests of the state. The third topic is private property, according to the principles of Sharia law, one person may be responsible for managing this property.

## 2. Definition of gold and silver currency system

In the Islamic monetary system, gold and silver both function as currencies. Any replacement securities issued must be backed by gold and silver of equal value, and holders have the right to seek an exchange if they so desire. Therefore, the money used in the banking system of one country will not be controlled by the currency of another country. On the other hand, the value that can be placed on money is immutable and constant. The use of paper currency as a substitute for gold and silver banknotes, which had previously been used, had a negative impact on the nation's economy. The domination of the dollar, which is not directly supported by gold, makes the structure of the economy very vulnerable to changes in the value of the dollar. Even the smallest shock that occurs in the United States will quickly spread across the planet. In addition, political turmoil will also have an impact on changes in currency prices because in speculative money markets, money is transformed into commodities (commodities).

## 3. Cancellation of usury system

Riba, whether in the form of *nasiah* or *fadlnya*, is prohibited by Islamic economics, which also provides loans to people in need without charging additional (interest) on the original debt. People can get loans for the poor, including farmers, through the *Baitulmal*, which is the general treasury of the Islamic State. This loan has no interest component.

## 4. Prohibition of trading systems in unreal markets.

The virtual market today consists of the money market, futures market, and securities market. Examples of futures markets include gold, CPO, mining, and energy commodities. In Islamic economics, it is forbidden to sell goods that do not belong to anyone, as well as sell goods that are not owned by the seller and are not under the authority of the seller at the time the sale is made. It is against the law to transfer shares, bonds, or shares acquired through the use of fraudulent contracts. Moreover, Islam forbids all forms of fraud and manipulation, although capitalism upholds the principle that individuals have the right to own what they produce. This is the Islamic economic system, which not only guarantees the welfare of the people but also protects them from the impact of the economic downturn.

## CONCLUSION

The field of study known as Islamic economics includes research on the expansion and progress of existing economies. This idea has notably been incorporated in the Qur'an, the Sunnah of the Prophet Muhammad, and the thoughts of earlier Islamic scholars, either explicitly or implicitly. However, the resurgence of interest in this idea, particularly in recent decades, can be traced back to the status of less developed Muslim countries. To overcome these obstacles, a unique approach to development planning and strategy is required. Islamic economics places a high priority on developing its human resources and recognizes the capacity of nature to enhance people's sense of self-worth, both of which contribute significantly to the distinctive growth and development characteristics of Islamic economics. This becomes manifest not only in the effective satisfaction of one's worldly needs, but also in the satisfaction of one's needs and preparation for the afterlife. Therefore, Islamic economics focuses primarily on ideas and efforts to improve the general welfare of society. Consequently, Islamic economics is a solution to problems facing society as a whole.

## REFERENCES

- Al-Ghazali, 1422 H. *Al-Mustashfa min 'Ilm al-Ushul*. Amiriyyah.
- Aydin, N. (2020). Paradigmatic foundation and moral axioms of ihsan ethics in Islamic economics and business. *Journal of Islamic Accounting and Business Research*. 11(2), 288-308. <https://doi.org/10.1108/JIABR-12-2016-0146>
- Asutay, M. (2007). A political economy approach to Islamic economics: Systemic understanding for an alternative economic system. *Kyoto Bulletin of Islamic Area Studies*, 1(2), 3-18. <https://ssrn.com/abstract=1735619>
- Bhuiyan, A. B., Ismail, A. G., Nor, M. Z. B., Ali, M. J., & Solaiman, M. (2020). The Islamic economics philosophy and application reality in the existing Islamic economic activities in the world. *International Journal of Shari'ah and Corporate Governance Research*, 3(2), 25-39. <https://doi.org/10.46281/ijscgr.v3i2.850>
- Chapra, M. U. (2016). *The future of economics: An Islamic perspective*. Kube Publishing Ltd.
- Furqani, H., Adnan, G., & Mulyany, R. (2020). Ethics in Islamic economics: microfoundations for an ethical endogeneity. *International Journal of Ethics and Systems*. 36(3), 449-463. <https://doi.org/10.1108/IJOES-03-2020-0032>
- Gwadabe, N. A. B., & Ab Rahman, A. (2020). The role of Islamic finance in mitigating the economic impact of COVID-19 towards the attainment of maqasid al shariah: A case study of waqf institutions in Kano State, Nigeria. *The Journal of Muamalat and Islamic Finance Research*. <https://doi.org/10.33102/jmifr.v17i1.28470>
- Handoko, L. H. (2020). Bibliometric analysis and visualization of Islamic economics and finance articles indexed in Scopus by Indonesian authors. *Science Editing*, 7(2), 169-176. <https://doi.org/10.6087/kcse.213>
- Hasan, Abul & Sadeq, M. (1987). *Economic Growth in an Islamic Economy*, in Development and Finance in Islam. International Islamic University Press.

- Hasan, Z. (2016). Nature and significance of Islamic economics. *Journal of Economic and Social Thought*, 3(3), 400-416. <http://dx.doi.org/10.1453/jest.v3i3.952>
- Hines, M. (2020). Human gender development. *Neuroscience & Biobehavioral Reviews*, 118, 89-96. <https://doi.org/10.1016/j.neubiorev.2020.07.018>  
<http://www.kompas.com>, in 9 November 2021.  
<http://www.republika.com>, in 10 November 2021.
- Ibrahim, M. H., & Alam, N. (2018). Islamic economics and Islamic finance in the world economy. *The World Economy*, 41(3), 668-673. <https://doi.org/10.1111/twec.12506>
- Iskandar, A., Possumah, B. T., & Aqbar, K. (2021). Global Covid-19: What Islamic economic and finance can do? Indonesia experience. *IJIBE (International Journal of Islamic Business Ethics)*, 6(2), 119-134. <http://dx.doi.org/10.30659/ijibe.6.2.119-134a>
- Ismail, N., & Muqorobin, A. (2017). Implementation of Corporate Social Responsibility (CSR) On Islamic Banking: Maqasid Sy ariah's Approach. *Islamic Economics Journal*, 3(1). <http://dx.doi.org/10.21111/iej.v3i1.1384>
- Jaelani, A. (2017). Fiscal policy in Indonesia: Analysis of state budget 2017 in Islamic economic perspective. *International Journal of Economics and Financial Issues*, 7(5), 14-24. <http://dx.doi.org/10.2139/ssrn.2881093>
- Jabeen, S., Haq, S., Jameel, A., Hussain, A., Asif, M., Hwang, J., & Jabeen, A. (2020). Impacts of rural women's traditional economic activities on household economy: Changing economic contributions through empowered women in rural Pakistan. *Sustainability*, 12(7), 2731. <https://doi.org/10.3390/su12072731>
- Karim, A. A. (2018). *Ekonomi Mikro Islam*. Edisi Ketiga. PT. RajaGrafindo Persada.
- Khan, M. A. (2018). Methodology of Islamic economics from Islamic teachings to Islamic economics. *Turkish Journal of Islamic Economics*, 5(1), 35-61. <https://doi.org/10.26414/tujise.2018.5.1.35-61>
- Kunaifi, A., Rahman, F., & Dwiaryanti, R. (2021). The Philosophy and Authentication of Welfare Equalization in the Islamic Economy. *Islamic Research*, 4(2), 54-62. <https://doi.org/10.47076/jkps.v4i2.67>
- Mannan, M. A. (2014). *Islamic Economics: Theory and Practice*. Idarah-I Adabiyatl.
- Munrokhim, M., Suseno, P., & Hendrianto, M. B. (2008). *Ekonomi Islam*. Jakarta: Rajawali Pers.
- Peng, L. P. (2020). Understanding Human-Nature connections through landscape socialization. *International Journal of Environmental Research and Public Health*, 17(20), 7593. <https://doi.org/10.3390/ijerph17207593>
- Pertadireja, (2016). *Pengantar Ekonomika*. Yogyakarta: BPFE.
- Rahman, A. (2016). *Economic Doctrines of Islam*. Terj. Doktrin Ekonomi Islam. Yoyakarta: Dana Bakti Wakaf.
- Shinkafi, A. A., & Ali, N. A. (2017). Contemporary Islamic economic studies on Maqasid Shari'ah: a systematic literature review. *Humanomics*, 33(3), 315-334. <https://doi.org/10.1108/H-03-2017-0041>
- Siddiqi, M. N. (2016). *Role of the State in the Economy: An Islamic Perspective*. UK: The Islamic

Foundation.

Tahir, S., & Aidit Ghazali, S. O. S. A. (Eds.). (1992). *Readings in Microeconomics: An Islamic Perspective*. Longman.

Valenzuela, S., Piña, M., & Ramírez, J. (2017). Behavioral effects of framing on social media users: How conflict, economic, human interest, and morality frames drive news sharing. *Journal of communication, 67*(5), 803-826.  
<https://doi.org/10.1111/jcom.12325>

Zamman, H. (2014). *Economics Function of an Islamic State*. Leicester: The Islamic Foundation.

Zarka, M. A., Khan, M. F., Ariffin, M. I., Salleh, M. S., Ismal, R., Alavi, R., ... & Kahf, M. (2018). *Islamic economics: Principles and analysis*. International Shari'ah Research Academy for Islamic Finance (ISRA).