

## An Islamic Theoretical Framework for Economic Analysis

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### Abstract

### Review Article

Conventional economics despite its scientific approach and positive arguments failed to solve the current economic problems of the humanity. There are two reasons for such failure; one reason is the positivity of its nature which hinders it from playing active role in controlling human behavior. And the second reason is that its basic postulates by themselves are the causes of the creation of the economic problems. This state of the affairs, necessitate, a complete departure from the contemporary conventional wisdom, in search of solution, to an alternative framework. An Islamic framework of economic analysis could present a viable alternative in the context, due to its dynamic nature, combining both material and spiritual aspects of human economic behaviors. Therefore, this article attempts to provide some insights into the early efforts by Muslim scholars in development the science of Islamic economics. It also underscores the inadequacy of the conventional economics theory and its causes, and the need for formulation of Islamic theory of economics. Philosophical framework of Islamic economics along with some major axioms of Islamic ethics, shaping Islamic outlook on economics are also dealt with. The distinctive features of an Islamic framework for economic analysis are also delineated in this article. Using an analytical approach, the article concludes the urgency of the need for the articulation of a comprehensive Islamic framework for Islamization of economic, hence, solving the contemporary economic problems of the humanity.

**Keywords:** Islamic economic, spiritual aspect, material aspect, universalism, social responsibility, utilitarianism, selfishness.

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## INTRODUCTION

Generally speaking, Muslim economist's writings do not go beyond the confines of the framework of the neo-classical economics which conventional economists themselves considered to be inadequate for the explanation of the human economic behaviors. This is due to exclusion of several aspects of economic behavior from economics analysis. Considering this scenario, there is a pressing need for the discovery of alternative Islamic framework for economic analysis. The alternative framework should include in its structure three essential elements; Islamic worldview and vision related to economics, actual human behavior in different areas of economics and the "what should be" aspect of the human behaviors. The first element can be viewed as a normative framework the second as positive as it deals with human actual economic behavior and third element relating to an

inquiry regarding the transformation of "what is" aspect of economic behavior into "what should be" aspect of economic behavior. By including these essential elements in its structure Islamic economic presents an ideal and comprehensive framework for economic analysis. The desired features of the alternative Islamic framework of economic analysis should include the two positive elements of human behavior; balancing and need-fulfillment derived directly from the Qur'an (Khan, 2013).

Balancing constituting a natural instinct of the human being, has to pervade between pursuing individual interest and the interest of the society, between spending for one's own needs and the needs of others and in allocating time and resources to meet different needs. Seeking power or adopting hedonistic behavior is the other instinct of human being that run counter to the balancing instinct. It is therefore,

imperative to give balancing instinct a prominent role in order to ascertain social order and establish civil society. Thus, “balancing” constitutes an essential element in decision –making in the Islamic framework rather than maximization of utility or profit which is more relevant to hedonistic behavior, discouraged by Islam. The “need fulfilment” constituting another positive element of human behavior, requires the provision of all those goods and services which have a strong bearing on the well- being of a human being. For, they would reduce the hardship hence leading to a real difference in human well-being.

This article attempts to provide some insights to the early efforts undertaken by Muslim scholars in their quest for development the science of Islamic economics and its surrounding circumstances. It also underscores the inadequacy of the conventional economics theory and its causes, and the need for formulation of Islamic theory of economics. Philosophical framework of Islamic economics, along with some major axioms of Islamic ethics shaping Islamic outlook on economics are also dealt with. The distinctive features of an Islamic framework for economic analysis are also delineated in this article. A qualitative method using library research is used to accomplish the research. The data and information gathered from relevant literature are textually analysed and examined to construct comprehensive Islamic framework for economic analysis. The authors conclude that Islamization of economic could be made possible through rationalization of economic thought into a scientific framework, where Islamic ethics are extended into the social arena hence influencing the course of economic operation and social change.

### HISTORICAL SKETCH

The science of Islamic economic evolved and developed based on the Islamic economic knowledge which was established and assembled by Muslim scholars with great interest in dealing with the economics issues of the society. They addressed the economic problems of their communities by examining, classifying and analyzing the available knowledge in order to find out more accurate facts pertaining to the nature of relationship between economic aspects and *Shari'ah* rule, hence, deducing the causes and the effects of some common economic problems. In addition to this, they also enhanced the understanding of economic and non-economic issue (Siddiqi, 1982). Some of the related examples are Abu Yusuf (113-182H) who examined the causes of price increase in the context of giving advice to the ruler regarding the pricing issues (Abu Yusuf, 1979). He also analyzed the effect of fluctuation of the price between high and low on the purchasing power of coin in general and made a clear distinction between gold and silver coins on one hand and *fulus* on the other.

Al-Ghazali (451-505H) as another prominent classic Muslim scholar provided description of problems involving barter exchange prior to explaining the benefits of using money and its function as the medium of exchange. He also explained the reason for the prohibition of hoarding and usury in Islam (Yusri, 2002) Ibn Qayim Al-Jawziyyah and Ibn Taimiyyah too in their discussion of the issue of price, made a clear distinction between the natural and made price hence, viewing the former as a competitive price and the latter as the price set by merchants who control the chain of the supply of the goods. Then he identified the cases where the government can control the price and where the price is determined by the market. These examples demonstrate that Islamic economic in its inception stage was not only based on the understanding of the economic problems within their legal context but also based on intellectual efforts made in pursue of understanding the causes and effects of these problems hence, laying down rules prior to their treatment.

When *Ijtihad* was at its peaks in 7<sup>th</sup> and 8<sup>th</sup> Hijri centuries, during this time the prominent scholars such as Abdulrahman Ibn Khaldun (1332-1466 H) and Taqie Aldin Al-Maqreezi (1364-1416 H) analyzed and interpreted the economic phenomenon within social and historical contexts. Ibn Khalndun came up with certain rules and principles that explain how the nature of economic problems undergo change through different stages of human civilization. He also analyzed the main causes of the growth of output and population in the light of *Shari'ah* and creed. Al-Maqreezi presented an interpretation of the hyperinflation based on the historical and current events in Egypt which he himself witnessed. After this period Islamic economic thought experienced no visible progress and remained dormant for many centuries as was reflected in scant contribution in the field. This state of the affair created an extensive intellectual gap due to the closure of the door of *ijtihad*. However, the 20<sup>th</sup> century marked the turning point in the Muslim history as the economic thought reemerged and serious attempts were made to revive the science of economics. It was at this time that the term “Islamic Economics” was coined describing this discipline (Yusri, 2002).

Yusri (2002) held the intellectual progress in secular schools of economics in 19<sup>th</sup> century, to have played a significant role in the emergence of Islamic economics as a new discipline. It echoed, on one hand, the expression of the historical Islamic heritages and on the other, the desire of the Muslim intellectuals in understanding the economic issues and problems on the modern basis. In other words, analysis of the causes of economic problems and issues hence finding practical solutions suitable to the modern circumstances of the societies within the framework of Islamic law and values constituted the focal point of the new discipline. This development was the reflection of the modern Islamic movement attempts at reviving the *Shari'ah* in

all spheres of life with the aim of preserving the Islamic identity.

During 19<sup>th</sup> and the first half of the 20<sup>th</sup> centuries the Muslim world suffered from several events and strokes which consequently lead to the emergence of Islamic movements. The severest of these blows that were inflicted on the Muslim world come in the form of military occupation and political and economic colonization of most of the Muslim world in Asia and Africa by the European powers. As a result of this military superiority and political domination of the European power, the Ottoman Empire was weakened and disintegrated and its center Turkey fell in the hand of Young Turks, a secularist militarist movement. The two major world wars also took place at the first half of the 20<sup>th</sup> century leading to a serious economic crisis (1929-33). These wars resulted severe economic depression affecting the world including Muslim countries. However, its effect on the European powers was much more severe as it weakened it and lead to the independence of their colonies. Having liberated themselves from the colonial power the newly independent Muslim countries were inspired to restore their original identity which was certainly affected under the dominance of colonial power.

The emergence of the socialist state in the Russia in 1917 was another event that had a catastrophic consequence for Muslim world, as it imposed its will on the neighboring Muslim countries by force. However, the newly emerged socialist states engagement in cold war with the western capitalist countries that controlled the wealth of most of the Muslim world was a blessing in disguise as it led to the lessening of the pressure on Muslim world. It was at the back drop of these challenges that Muslim thinkers and leaders of the new Islamic movements, who, on the economic front, wanted to restore Islamic economic in thought and practice and to accomplish progress and independence for the Muslims (Yusry, 2002).

Consequently, the growing interest in Islamic economics, after about two centuries of lull in intellectual activity among the Muslims, can be attributed to a number of factors. First, the great dissatisfaction with the way the main stream economics analyzed the economic problems of the world hence, finding solutions. Despite the boast of material prosperity in the present era, the world is faced with endemic problems such as unemployment, inflation, widespread poverty in developing countries, misery amidst affluence, pollution of the environment, dilution of moral values, regional disparities due to the technological innovation. These all in addition to the dominance of the economic power of the global corporation, the waste of precious resources, as a result of reckless consumerism, international exploitation under the cover of economic aid, necessitated the call

for adaptation of a fresh approach to human problems (Khan, 1999).

The second reason is the narrowness of the basis of mainstream neoclassical economics and its unrealistic assumptions about human nature and behaviors. This is manifest from the widespread questioning of the economists the approach and the conclusions of the neoclassical economics and its emphasize on revision of it premises. The third reason is the adoption of insensitive approach by the colonialist power to indigenous cultural values, social institutions and the local technology of the colonized nations. Thus they systematically destroyed the traditional societies under the plea that capitalism was more efficient and productive. The history has shown the hollowness of this assertion, for when the colonial power left the colonies they became poorer than when they occupied them. This lead to the disorientation of the elite of those countries from the capitalism hence opting for a jumbled form of socialism or capitalism. Some of them looked up to pristine values of Islam and were inspired to revive their bygone glory. This phenomenon has been portrayed as one of the causes of upsurge of interest in Islamic economics.

The fourth reason is the institutionalization of exploitation of the poor countries by the rich as a result of the prevalent economic thinking. The increasing disparity between the poor nations and the rich nations is clear from the unfavorable trade terms systematically imposed by the rich country over the primary producers. The global economics is structured in a manner that perpetuate the hegemony of industrially advanced country without regard for the equality. This all has led to the realization of the need for a fresh look of this economic order. The unfolding of dramatic change in Eastern Europe since 1989 and the consequent disintegration of the USSR boosted further the search for new economic system with the justification of the inadequacy of the approach of the conventional economics.

#### **INADEQUACY OF THE APPROACH OF CONVENTIONAL ECONOMICS**

Positivity of approach and scientific nature of the discipline of economic could not provide a sufficient ground for solution of the economic problems of the humanity. This is very much true in the case of conventional economic. For despite its scientific approach and positive arguments it has failed to provide solutions to the current economic problems of the humanity. Sardar (1991) attribute this problem to two factors, first, the neoclassical economics, being a positive discipline, does not play any active role in directing or controlling human behavior or economic events. It merely explains or rationalizes them. The second reason he presents is the instrumentality of it basic postulates, such as human selfishness, unregulated free enterprises, consumer sovereignty, the absolute

freedom in earning, investing, saving or wasting, in creation of various economic problems. Thus suggesting a complete departure from the contemporary conventional wisdom, in search of solution to the present day economic problems.

Conventional economics' failure in solving the economic problems is not the only reason of its inadequacy for solving humanity problem, but also the very foundation of economic theory itself. For, the neoclassical paradigm which was highly celebrated as the "economics" lost its significance against the theory of rational expectations, hence paving the ground for economist to search for alternative paradigms to replace the neoclassical synthesis until the mid-seventies. This has led to the emergence of different schools of thought like Neo-classical, Neo-Keynesian, Post Keynesian etc. hence coming up with different alternatives (Khan, 2002) the detail of their theories are beyond the scope of this paper.

### WHY ISLAMIC THEORY OF ECONOMIC?

Theorizing Islamic economics or formulation of Islamic theory of economics constitute an urgent need that the Muslim economists should be concerned with. Justification for such exercise by the Muslim economist could be drawn on the basis of wide spread dissatisfaction with the theory of conventional economics. For it failed to address the economic problems of today due to its limitation. This call for developing a more realistic theory of economic which is capable of explaining economic behaviors of any given society in the light of its socio-economic and institutional parameters (Khan, 2013). Two crucial steps are required to be taken in building an Islamic theory of economics. First developing an original economic theory which is rooted in and inspired by divine knowledge to explain positive economic behavior of man, without making any reference to religion. Second, subjecting the theory, formed, to the parameters given in the socio-economic teaching of Islam. This is required to make it Islamic theory of economics which mean an Islamic approach to understand, analyze and theorize economic behavior of human being. This process however need to undergo the following stages:

1. Understanding the underlying reason for the irrelevancy of conventional theory in making Islamic analysis of economic behavior.
2. Developing an Islamic approach in understanding economic behavior in general.
3. Identification of Islamic parameters of economic behavior hence their integration into the approach in understanding such behavior.

The irrelevance of the conventional theory of economic in analyzing the economic behavior of Muslim society is due to its conception of man as merely utility maximizer not bound by any sort of morality. This point is accurately pointed out by Nomani and Rehnema (1994) by stating ;" for the

modern secular man, Bentham constructed a new life compass, criteria for right and wrong ...by arguing that the nature has predestined man to be governed by and subjugated to "two sovereign masters, pain and pleasure"(Wornock, Ed., 1970: 33) This was recognized in the western philosophy as the "principle of utility" based on this principle modern man perceived good as what lead to happiness and bad as what generate pain. Since decision-making would involve either happiness or sorrow, therefore, the rational man, capable of making the right decision would presumably seek greater pleasure and avoid pain. Consideration of pleasure generation and pain avoidance, as the standard for right and wrong, came to dominate the ethic system of modern man.

According to such understanding, the pursuit of self-interest was considered to constitute a perpetual purpose of modern man life. The rationality of a choice was linked to its potential in generation of more pleasure than pain, or less pain than pleasure. Bentham held satisfaction to be obtainable through the pleasure of wealth, power, sense and piety. Whereas, he attributed displeasure to pain resulting from privation, awkwardness, senses and piety (Warnoc, 1970:68). He opposed and criticized moralist or "religionist" and asceticism due to opposing the maximization of happiness. He refused to believe without rational ground therefore rejected religion including belief in God (Russell, 1979). He applied principle of utility to the function of the government based on his assumption of greatest happiness of the greatest number, as the guiding principle for the law-makers. This assumption was considered as the main foundation based on which the legitimacy and validity of the laws could be established. The extent of its influence was so great that devotion to God and attaining piety was substituted by serving the self through the maximization of pleasure. The effect of utilitarianism was also reflected in the realm of economic principles. Henceforth, a new calculus for rational action was called for based on the newly articulated selfish and hedonistic nature of modern man. It was no more viable for modern pleasure-maximizing man to be bound by just price and ethical business practices or condemnation of usury, hence, leading to redundancy of the spiritual ethical issues in the economic dynamic. As a result, modern society acknowledged a complete hegemony of economic domain over other domains of human's life (Nomani and Rehnema, 1994).

Adam Smith, the moral philosopher as well as the founding father of political economy, draw similar conclusions to Bentham with regard to human nature. He perceived material pleasure as a major motivating factor of human activities. His contention was that the pursuit of private interest, and not altruism, by economic man in the market was responsible for securing a harmonious system within which framework society's interest were maximized. This is clear from

his statement: “it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest that we address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages” (Curtis, ed. 1962:106).

Consequently, according to him, competition and selfishness is not portrayed as the cause of anarchy in the society but rather as the means of securing social harmony and collective benefit. Alfred Marshal, the father of modern economics, later incorporated this hedonistic nature of man into the economic theory. To him the principle of utility was a “powerful incentive to action” hence, attaching economic influence a greater role in the formation of man’s character than any other influence (Jensen, 1990).

From the preceding discussion it can be concluded that function of human psychology, to a great extent, is influenced by the notion of pleasure satisfaction and pain minimization. The projection of human nature as pleasure maximizer and pain minimizer is a severe blow to the noble nature of human being. Therefore, conventional economics theories which explain human behavior in terms of material concern devoid of any other concerns, are not relevant in its present form for the explanation of a Muslim economic behavior. This is due to giving preference to man pleasure over that of God which is in stark contrast to fundamental perception of all activities being performed with the objective of obtaining God’s pleasure. Furthermore, the assumptions and the priority of economic man in modern society are not compatible with those of Islamic man. For, in Islamic society the pious Muslim do not perceive every personnel interest to be permissible and not anything that lead to personal loss as prohibited. This according to Siddiqi, (1981) is because the impulses of his behavior come from moral purpose derived from clear injunctions in the Quran laying down social goals and individual’s norm pertaining to man economic life. It provides a definite framework, based on Islamic philosophical foundation, for the organization of man’s economic life hence, furnishing a distinctive paradigm for Islamic economics.

## **PHILOSOPHICAL FRAMEWORK OF ISLAMIC ECONOMICS**

The current trend in the discussion of Islamic economic is dominated by the concern for engaging the Western economic thought in a dialogue. This is to infuse the Western materialism with a sense of the sacred, and also to formalize Islamic economic dictums into a scientific economic thought. Therefore, an approach to a philosophy of Islamic economics and putting relevant arguments within a single framework of study is necessary. However, in exposing such a philosophy it is crucial to determine its functions and objectives. Firstly, the philosophical position must provide economic thought with general conception of

changes or development and secondly, it must inform economics of ethics. Facilitation of cohabitation between economics and ethics is not the only objective which such a philosophy should address but also should channel any energy based on the faith’s ethic in the quest of economic prosperity. In Islam the task of philosophy of economics is to direct the potential of Islamic ethics into the economic sphere of life and to establish the primacy of ethics over economic concerns. The philosophy of economics should also provide economics with a worldview capable of providing rational economic thought where ethics and material livelihood are synthesized (Nasr, <https://onlinelibrary.wiley.com>).

Subsequently, development in Islam has its clear ideals and clear notion of its desired result as reflected in the Medinan community of the prophet (pbuh). This signifies that the Islamic conception of development is bound by ethics in general and the religion worldview in particular. Thus Islamic notion of change in human history is not based on evolutionary concept which is drawn as a hypothesis from a specific science hence, generalized to a worldview. Islam views the perfection of man already in Adam (AS) the primordial man, and not in some hypothetical omega point in human history. It can be concluded from this argument that Islamic conception of development is more towards improving human existing condition of life rather than arriving at a perceived ideal state. Therefore, “Islamic development” in practice does not tolerate the inequalities brought about by the “progress” and which are evident in the contemporary theories of development throughout the third world.

An Islamic notion of development has broader implications and is not limited to the mere mundane interpretations as portrayed in the western literature. What distinguish Islamic concept of development from Western concept of development, is the integration of spiritual and temporal aspects of human life. Therefore, from this distinguished feature of the Islamic conception of development it can be conclude that the development for Muslim is none other than the path to the actualization of that goal which comprises the integration of the spiritual and temporal dimensions of human existence. This implies that the West is not necessarily developed and the Muslim world backward. It rather means the economic and technological development of the West in comparison to the Muslim world. Islam perceive economic and technological dominance of the West as a separate issue from Islam’s more ethereal developmental objectives which is the union of the spiritual and the material. It also considers the merit and absoluteness of this dominance to be questionable. Thus, contending that it is not the West which has achieved genuine development, but rather it is the Islamic world which power has declined due to its departure from the teaching of Islam hence from natural

equilibrium the source of all power and glory (Nasr, <https://onlinelibrary.wiley.com>).

In Islamic conception, the process of development is perceived as a move towards the integration of the spiritual and the mundane aspects of life. The achievement of this goal would lead to the restoration of worldly power back to the Muslim. The fact that West is powerful militarily and economically does not grantee its continuity for, it no longer has recourse to the perennial values which are the source of veritable development hence, ultimate power. Both cyclical view of history and the religion's notion of veritable development make Muslims suspicious of the promise of Westernizing development and conscious of Islam's own heritage. This realization will lead to boosting up and strengthening Muslims conviction in their own tradition as the source of veritable development. It is in the light of this conviction that the Islamic movements have seen the Islamization of the political, social and economic institutions as the prerequisite for attaining veritable development. This is achievable through scrutinizing the value-system underlying these institutions and making it compatible with the Islamic worldview, rather than through the improvement of material welfare of the people only. In other words, to achieve this goal by merely transforming the character, objectives or functional capacities of different institutions is not sufficient. Henceforth, formulation of an Islamic model of development and rationalization of Islamic thought into a scientific framework require subjecting society to the process of Islamization which basically, refer to the way in which the Islamic ethics are extended into the social arena hence influencing the course of economic operations and social change.

Nasr (1987) holds the negation of distinction between the temporal and spiritual dimensions of human existence as the essence of the Islamic ethics which is crystal clear from Islam's holistic view of human life demonstrated by provision of a comprehensive legal framework, covering every aspect of human's existence and the social order based on a network interrelating the concepts of God, humanity, man's relation to God, man's position and function in the universe and his relation to his fellow human beings. Economics occupies a special place in this scheme due to the dependency of the stability of this system on the material and spiritual well-being of human being. Islam has restrained from ascetism and assigned to men a definitive social-economic duty, which performance has a direct effect on his spiritual standing. Islam has adopted a greater tendency of informing material pursuit with spirituality and ethics rather than subjugating material need to primacy of spiritual concern. This is clearly reflected in the Qur'an: "But seek the abode of the Hereafter on that which Allah hath given thee and neglect not thy portion of the world" (Qur'an, 28: 77).

Islam synthesizes between man's desire for material possession and strong longing for spiritual ascension, as is clear from the Quranic verse, thus guaranteeing completeness of its system. The essence of Islamic ethics, which also conditions economics, is merely concerned with preserving the position of man as the vicegerent *Khalifu Allah* on earth assigned with specific duties and responsibilities along with free will both at individual and collective level. Thus, Islamic ethics provides man with guidance which is necessary for fulfilling his responsibility, exercising his free will in order to realize his potential. Therefore, it is of crucial importance to delineate the manner in which Islamic ethics and its notion of man's cosmic role is related to economics. In the following section some major axioms of Islamic ethics which have strong bearing on the formation of the premises of an Islamic outlook on economics are discussed.

### **SOME MAJOR AXIOMS OF ISLAMIC ETHICS SHAPING ISLAMIC OUTLOOK ON ECONOMICS**

1-Urunity (*al-tawhid*) believe in the Oneness of God is the fundamental principle of Islamic society. It expresses a strong conviction in God being the only source or power deserving worship and reverence. It also constitutes the foundation for all other principles of the faith. It provides an Islamic man with an ideology and world-view which is capable of directing man toward the formation of a society which is free from contradictions. A society adhering strongly to this principle rejects "legal, class, social, political, racial, national, territorial...or even economic contradictions for it implies a mode of looking upon all being as unity" (Shariati,1979) Therefore, believe in *al-tawhid* functions as a liberating force which free man from all worldly servitudes and dependencies. It rather equips the faithful against the worship of the false gods, such as other men, nations, money or ideas. In the economic realm it calls for the abolishment of the exploitation of the weak by the strong and eradication of capitalism. In the realm of ethics, it means the integration of the spiritual and physical aspects of human existence. It constitutes the ultimate objective of human life and zenith of a dynamic process controlled by three basic values of great economic relevance, comprising; a- Muslim complete commitment to God, the Creator and the Provider of all ecological resources, b- the believers' obligation to restrain themselves from excessive consumption and waste of resources. This is clear from the Qur'anic verse: "*Eat and drink but be not prodigal*" (Qur'an, 7:31). This verse has direct and indirect implications for economic behavior of Muslims. Its direct effect is the reduction of consumption function and its indirect effect is the subjugating of economics to ethics. C, from Islamic perspective the "the economic man" or (*homo economicus*) is supposed to produce and consume with total regard to the consumption and production related

behavior of the others in the society. It requires the economic man to be individual and collective entity at the same time. This dualistic character of the man is stated in the prophetic hadith: *the believer in their mutual love and concern are like a body, if a part of it complains other parts call each other to come to assistance, sharing its pain and sleeplessness* (Al-Bukhary, 78:42).

According to Nasr (1987) the immediate economic implication of this hadith is the promotion of sense of universalism and collective responsibility among the Muslims. It merges individual interest with that of the greater interest of the society thus, have economic consequence manifested in the form of subjection of the production and consumption in Islamic economics to an allowability constraint. This constitutes the distinguishing feature of the Islamic economic which limits the concepts of utility or profits maximization through emphasize on moderation and social responsibility. It is therefore, not the optimization of the utility only, in consumption and production, which matter but also the spiritual gratification. Unlike Islamic economic, in free market it is the feasibility constraint that govern the economic relations. Consequently, the concern of the producers and consumers in the Muslim society, is not confined to optimization of utility only it also includes spiritual satisfaction.

(2) *‘Adalah*, (equilibrium or justice) while the ethics of Unity play a decisive role in pursuit of Islamic economics, the concern for equilibrium determine its contents and structure. In principle equilibrium precedes Unity. This is because in order for the society to move “vertically” towards the union of the temporal and the spiritual it has to attain a “horizontal” balance among different social elements present in it. The single most important idea that is relevant to attaining equilibrium is the Islamic conception of justice. Justice embodies concrete social ideals and mechanism among which is the mechanism that guarantees the provision of basic human need for the poor. And the more directly relevant to economic justice in Islam is the absence of monopoly elements in production or consumption relationship of the economy. In other words, Islam dislike hoarding and discourage the believers from accumulation of unlimited wealth. An obvious example in this respect is Islam restriction of right to property, best manifested in limited ownership of land. Thus Islam could be classified as egalitarian by its nature due to its emphasis on the eradication of monopolistic elements from social and economic relations. It relies on ethics and tends to subject material life to concern for perennial equilibrium and ultimate unity (Nasr, 1987).

Therefore, while the concern for justice is perceived in terms of Islamic-cum-socialist plan for economic action, it is more meaningful to see the issue

from an ethical-philosophical angle, which depicts justice as the instrument of not only social equilibrium but also as that of cosmic one. This is clear from Islam’s explicit condemnation of socio-economic inequalities and its avoidance of dogmatic and absolutist egalitarianism. It tolerates inequalities to certain extent and consider it as an objective of only secondary importance. It emphasis more on the spiritual status of the community as a whole and that of the individual residing in it. Since man’s social environment and conditions are the making of God and that of his spiritual standing is his own making he will be judged by the latter. This is clear from the Qur’anic verse: *“Wealth and children are an ornament of life of the world. But the good deeds which endure are better in the Lord’s sight for reward, and better in respect of hope”* (Qur’an: 18:46).

From an Islamic perspective, the role of wealth, or its lack, in the Divine Judgment of human souls is to test man and to vary the case of each human being from other on the Judgment Day. So, the difference of individual’s wealth in the society is not to be considered as an objective fact deserving concern, it is rather an integral part of order in the society and not as anomaly which has to be rectified. However, one should bear in mind that Islam differentiate between unjustified and excessive inequalities and mere variations in income and wealth. Equity means fairness which could be observed only when the differences in human capability, effort and work habits and entrepreneurship are taken into consideration. Motahhari, (n.d) argues that the system of rewarding worker differently on the basis of their different capacity is not discrimination as God has created men with different capacity. Therefore, justice require a system of reward which tally with the level of the individual contribution. Otherwise rewarding different contribution equally would constitute injustice Itself (Iqbal, 1988, Motahhari, 1361H).

Consequently, Islam’s acceptance of the principle of inequality should not be misunderstood with unjustified and excessive inequality. Islam emphatically condemns excessive inequality and draw a demarcating line between tolerable and excessive inequality. Islam defines the tolerable inequality as the circumstances reflecting the factors of variations in level of human skill, talent, toil service rendered to the society. Whereas, the intolerable inequality is the flagrant inequality that is reflective of moral and social anomaly, which Islam abhor and call upon its adherents to resolve it. Islam enjoined justice through various injunctions and explained how it could be practically achieved in specific circumstances. It also prescribes a more comprehensive mechanism, which implantation would not only promote justice but definitely lead to the safeguard and provision of social and economic justice. (Nasr, 1989) the most important mechanism that Islam devised for the achieving justice is the abolition of

usury *riba*, positive interest rate as understood in modern economic.

(3) Responsibility: in economic context responsibility refers to limits imposed on the extent of the free market operations. The purposes of imposing such limits on the operation of free market is to encourage Muslim in provision of basic human need to poor, protection of the society against the prevalent excesses and distortions in the market. It also put a limit to the harmful fluctuation in the level of wages, restriction on excessive profits and reducing even eliminating the uncertainties in the financial transactions and finally the establishment of equity in the whole sphere of economics. Thus, responsibility in this sense represent the humanitarian and egalitarian social ethos of Islam. In addition, the sense of responsibility function as a means of enforcement of Islamic personal values in the economic life of the society. It restrains Muslims from engagement in illegal economic activities and encourage them to abide by Islamic teaching on justice, equity and morality in conducting commercial activities

#### AN ISLAMIC FRAMEWORK OF ECONOMIC ANALYSIS

Most of the writings of the Muslim Economists do not go beyond the confines of the framework of the neo-classical economics which conventional economist themselves considered to be inadequate for the explanation of the human economic behaviors. This inadequacy is due to exclusion of several aspects of economic behavior from economics analysis. Islamic economists are obliged to include them in their economic analysis. These missing aspects are not normative but positive aspects which describe human nature. For instance, Qur'an states regarding human nature; "*man has been created halu'a* (Qur'an, 70:19) which means impatient and greedy. Therefore, the understanding of the meaning of *halu'a* constitutes a necessary requirement for analyzing human economic behavior, and a mere translation of the word will not be sufficient for such analysis. *Israf*, profligacy and *tabdhir*, wastefulness are other Islamic core concepts related to the microeconomic behavior which have rarely been subjected to economic analysis. It is therefore, imperative to delineate the dynamic nature of these concepts and include them in the analysis of human economic behavior. Thus the exclusion of those positive human behavior from the economic analysis and the increasing dissatisfaction with the conventional economic necessitate the discovery of an alternative framework of economic analysis based on Islamic worldview.

This alternative framework should accommodate the revealed knowledge about human nature and behavior in its structure (Khan, 2013). This framework should consist of three component elements, the first relating to normative framework or Islamic

worldview and vision related to economics. The second component element dealing with the analysis of actual human behavior in different areas of economics, and the third component element involving an inquiry into how to transform the "what is" aspect of economic behavior into "what should be" aspect of economic behavior. By having taken, these elements into its structure, the Islamic economic presents the ideal framework for economic analysis due to inclusion of normative framework based on Islamic worldview and vision relating to economics, actual human behavior in different areas of economics and an inquiry into how to transform the "what is" aspect of the economic to "what ought to be". The last component involving policy prescriptions is a very important feature and dimension of Islamic economics where the epistemological base of Islamic economics, founded on revelation, has a different implication with regard to the relationship between theory and practice/behaviour of human beings. Therefore, it has to be of universal application and capable of making realistic assumptions and axioms. Thus, the desired features of the alternative Islamic framework of economic analysis should include the two positive elements of human behavior balancing and need-fulfillment derived directly from the Qur'an (Khan, 2013).

#### 1-BALANCING

Balancing, as may be understood, is not the assigning of the same level of attention, importance, time or resources to all competing matters or affairs. It is rather the assigning of the right amount at the right time to the right extent in attainment of the objectives (Ayubhamid.com/reflection/). Balancing constitutes an essential element of human activities especially, economic decision-making, therefore, need to be taken into account in Islamic framework of analysis. This is the counterpart of the concepts of maximization, optimization, minimization etc. in conventional economic representing the key element of the explanation of human economic behavior. Islamic worldview requires the economic agents, to maintain balance not only in economic activities but in all of their activities.

Accordingly, balance has to pervade between pursuing individual interest and the interest of the society, between spending for one's own needs and the needs of other and in allocating time and resources to meet different needs. Thus, Islamic worldview emphasis on the significance of the concept of balance in the light of the Qur'anic view of this world and the human life therein. For example, the Qur'an states; "*And the heaven He raised high, and He has set up the balance, in order that you may not transgress (due) balance; and observe the weight with equity and do not make deficient.*" (Qur'an, 55:7-9. It is also stated in other Quranic verses; "*And the earth we spread out, and place therein firm mountain and cause to grow therein all kind of things in due proportion. And we have*



*provided therein means of living, for you and those whom you provide not [moving (living) creatures, cattle, beasts and other animals, etc.); And there is not a thing, but with us are the stores thereof. And we send it not down except with known measure.”* (Qur’an, 15:19-21). Qur’an also mentions balance in the context of explaining the attribute of believers, as in verse; *“And those, who when they spend, are neither extravagant nor niggardly, but hold a medium (way) between those (extremes)”* (Qur’an, 25:67).

The above Qur’anic verses signify the essential role of observing balance in spending time and resource in the conduct of worldly affairs as well as in the worship and carrying out religious duties. Also keeping balance in spending time and resource in taking care of one own self and that of his family members and other aspects of his economic and social life. These Qur’anic teachings, as perceived by Khan (2013), may give the impression of “balance” being a normative concept, but a closer analysis of the concept would reveal its being an essential part of human nature. For, man normally, tends to seek balance in his activities in order to attain objectives in various dimensions of his life. Therefore, maintaining balance could be described as a positive attitude rather than being normative one. It can be seen in human behavior across different cultures, its absence from human behavior could lead to the fall of nations.

Accordingly, consideration of balancing as natural instinct of the human being, is clear from restraint that human exercises regarding certain activities such as eating, drinking or recreation despite having the capacity to enjoy more. The break is required as there are other needs such as education, health or home improvement to be met (Khan, 2013). Contrarily, seeking power or adopting hedonistic behavior is the other instinct of human being that run counter to the balancing instinct. Thus, it is imperative to give balancing instinct a prominent role in order to ascertain social order and establish civil society. This will not be possible without subjecting the hedonistic instinct to some limits, hence, the elimination of imbalance from the social order in the society. In theorizing economic behavior and formulating a framework for its analysis, balancing attitude can play an important and constructive role. Therefore, balancing constitutes an essential element in decision-making in the Islamic framework rather than maximization of utility or profit which is more relevant to hedonistic behavior discouraged by Islam.

Admittedly, man has the propensity of modifying his animal instinctive desire to the one which is conducive to living in a social environment. This tendency has been recognized by sociologist as self-discipline and self-control which is the ability by means of which a person can manage his emotions and weaknesses. It provides him a way to do what he thinks is right. It provides the fuel for his will, hence, allowing

him to win when everything is set against him. It is part of one’s character and something that he can learn.(Michael, <https://study.com/>). As such, self-discipline could be seen as a measuring yardstick of being human. This is because the more disciplined behaviour a person demonstrates the more human he becomes.

Similarly, the less disciplined behaviour an individual displays the closer he become to the lower order animals, lacking in reason and social responsibility and driven always by instinctive desire. It is therefore, an essential requirement of the civilized society to instil among its individual members a certain level of self-discipline, and “balancing” is the most important element of such character. It plays an important role in the process of man’s decision-making regarding the allocation of resources and time at his disposal. Society always needs some rules written or unwritten, or voluntarily or involuntarily, due to the existence of the conflict between reason and instincts. It is through the operation of these rules that discipline and control among the members of a society could be established hence, maintaining the desired balance in individual personal as well as social life (Khan, 2013).

The existence of rules in the society do not negate “balancing” as part of the way of human life in a civilized society. In fact, a more realistic and objective framework for the analysis of the social phenomenon in general, and economic in particular, could be drawn by in cooperating balance rather than maximization into its structure. Once such a general framework is drawn on the basis of balancing it can be used to analyze the economic behavior based on hedonistic instincts, for hedonistic instinct is also reality. As the Qur’an envisage lust for satisfaction and power as an instinctive reality; *“Beautiful for people is the love of things they covet; women, children, much of gold and silver (wealth), branded beautiful horses, cattle and well-tilled land. This is the pleasure of the present world’s life; but Allah has the best return (Paradize with flowing rivers, etc.) with Him”* (Qur’an, 3:14).

Acknowledging balance as the subject matter of economics by no means would mean the denial of the reality of desire for satisfaction. However, there should always exist a limit within which pursuit of lust could be fulfilled without any conflict with the concept of balance. To that extent the conventional economic will remain valid and to that extent it will be similar to the economics of lower order animals. It is by virtue of the relevance of balance that economics for human being and society start.

Some indications for formation of an Islamic framework for economic analysis are provided in Shatibi’s details on the objectives of Shari’ah (Islamic Law) which he holds to be the wellbeing of mankind. This is a positive objective of life of man on earth

without dispute. Alfred Marshal also recognizes wellbeing of mankind as a positive objective as is clear from his perception of the economics as the study of well-being of man. However, there is a difference of assumption between Marshal, Ghazali and Shatibi regarding the phenomenon leading to the well-being. The main difference between them lays in the perception of well-being. Alfred Marshall perceived well-being in terms of satisfaction of instinctive desire while, Shatibi and Ghazali on the other hand, deem instinctive desire subject to modification within a social framework to improve well-being. Thus, modification of instinctive desires will ultimately lead to the identification of “needs” which in turn would enhance and improve human’s welfare. Both concepts represent the positive aspects of human behavior in pursue of well-being.

## 2-NEED FULFILMENT

Chapra (2007) is of the opinion that in the Islamic framework for economic analyses distinction should be made between the necessary and unnecessary. For this purpose, he divided goods and services into the two categories namely, needs and luxuries. The term needs, according to him, comprise all those goods and services which fulfillment have a strong bearing on the well-being of a person. For, they would reduce the hardship hence leading to a real difference in human well-being. On the other hand, the luxuries comprise all those goods and services with no real bearing on the well-being of man. They are desired only for snobbery appeal and have no real impact on the well-being of human society. Therefore, any goods and service which potentially lead to fulfillment of need such as, capital, goods, imports, exports, raw material and physical and social infrastructure is considered necessary, whereas, everything which lacks such potential does not come under the need category.

Muslim jurists have provided an intricate discussion about the human needs. They have divided human basic needs into three levels within the framework of *Maqasid al-Shari’ah*, (objectives of the of Islamic Law) namely, *daruriyyat* (basic needs or necessities) *hajiyyat* (supportive or complementary needs) and *tahsiniyyat* (comfort or desirable needs) (al-Shatibi, 1997; Ridzuan *et al.*, 2017). All these three levels of the objectives of the law come under the purview of needs and do not include luxuries or goods which are considered as symbols of high status. Anything which is not within but beyond the scope of the ‘needs’ is considered by the Muslim jurists as prodigality and self-indulgence therefore, disapproved.

*Daruriyyat* which come at the top of the hierarchy and represents the first level of *Maqasid*, is crucial to the existence of the society. This is because its non-fulfillment will threaten human security specially, the safety of its religion, life, descent and property. *Daruriyyat* are absolutely required and are

essential to the human beings and they contain the major *maslahah*. The absence of any component element of the *daruriyyat* will result disruption in human life and lead to chaos in society. On the other hand, *hajiyyat*, occupies a secondary position in the hierarchy of needs. Its absence will not expose human security to threat but still can lead to some hardship and inconvenience in human life. Whereas, *tahsiniyyat* come in the bottom of the hierarchy of needs. It is characterized as the provider of pleasures and convenience to human life (Al-Qradawi, 1993). These three levels of needs are interdependent for, in case of the destruction of one level the other levels also will be effected. For example, if *daruriyyat* is ruined the *hajiyyat* and *tahsiniyyat* will ultimately suffer from the same fate and will not be beneficial and the *maslahah* it contains will be disrupted totally. However, the destruction of *hajiyyat* or *tahsiniyyat* will not lead to the complete disruption of *daruriyyat*. But, a complete destruction of *hajiyyat* and *tahsiniyyat* will cause damage to the large portion of the *daruriyyat* (al-Shatibi, 1997).

It is important to bear in mind that the dynamism of Islam requires the classification of the goods and services into needs and luxuries not to remain constant throughout time and space. Therefore, it allows human being to satisfy all his needs even those comforts which are conducive to his efficiency and well-being. However, it is extremely important in the classification of goods and services into two categories to take into account the wealth and general standard of the living in a given Muslim country. As the increase in wealth and improvement in general standard of living may occur due to technological development, the perspective about the needs may also change. This is crystal clear from the current economic standing of some Muslim countries which can afford a higher standard of needs fulfillment than the early Muslim societies. It is therefore indispensable to satisfy all basic needs of all human beings in a Muslim society. This goal could only be achieved when the differences in consumption level which have been allowed in line with the economic status of the individual do not go beyond what the economy’s resources can bear. Such differences in consumptions level of the individual should not be reflective of arrogance and should not lead to social gaps that can weaken the bonds of Islamic brotherhood (Chapra, 2007). Therefore, the Islamic consumption norms and the availability of the resources and their impact on the brotherhood and social equality constitute the parameters of the criterion for the classification of the goods and services into two categories.

Islam does not view man as a creature concerned with fulfillment of mere basic or physical needs only, but view him to be concerned with the fulfillment of spiritual needs as well. Indeed, the physical basic needs of human are closely related to

spiritual needs and perfection of the soul. It is therefore imperative for human being to fulfill both physical and spiritual needs from permissible sources. It is stated in the Holy Qurán; “*O mankind, eat from whatever is on the earth (that is) lawful and good and do not follow the footsteps of Satan. Indeed, he is to you a clear enemy*” (Qurán, 2:168). This verse requires human to fulfill his basic needs from the sources and the means which are mentioned by *Shariáh* law. They should be fulfilled in a manner that eventually lead towards devotion towards God. The ultimate goal of fulfilling physical and spiritual needs should be to achieve success and happiness in both worldly and Hereafter lives. In achieving this goal, the role of societies and dependence on God cannot be denied. Adaptation of individualist attitude in achieving the worldly and hereafter goals is in stark contrast to Islam. It makes all the worldly efforts to be in vain and void of attaining the other worldly objectives. It is stated in the Holy Qurán; “*Shame is pitched over them (like a tent) wherever they are found, except when under a covenant (of protection) from Allah and from men*” (Qurán, 3:112) Therefore, Islam spell out the need for observing balance between spiritual and physical needs in the context of *maslahah* which represent an effort undertaken for the sake of one’s own good and the interest of the society in a way that is permissible and at the same time avoiding the occurrence of the harmful conduct (Ridzuan *et al.*, 2017).

Accordingly, while searching for basic needs, one is required to conform to the religious sanctions and guidance. There are some Quránic injunctions pertaining to the etiquettes of fulfilling the basic needs. Among them are concerning food (Qurán, 2:57), clothes (Qurán, 7:26), sex and marriage (Qurán 30:21), sleep (Qurán, 25:47). All these Quránic injunctions provide guidance in how to fulfilling one’s physical and spiritual needs in a manner that reflects obedience to God. There is also a narration from the companion regarding this. Nafi’ has reported; Ibn Úmar never used to take his meal unless a poor man was called to eat with him. One day I (Nafi’) brought a poor man to eat with him, the man ate too much, whereupon Ibn Úmar said “O Nafi’! don’t let this man enter my house, for I heard the Prophet saying, “A believer eats in one intestine (is satisfied with a little food) and a non-believer eats in seven intestines (eat much food)” (Al-Bukhari, 65:305). This narration provides an excellent example of the etiquette of fulfilling the basic needs and want.

## CONCLUSION

Conventional economics perceive the notion of pleasure satisfaction and pain minimization as the prime factor of human psychology. Such perception can be viewed as a severe blow to noble nature of human being. Thus, economic theory explaining human behavior in term of material concern devoid of any other concerns, fail to present an adequate tool for

understanding Muslims economic behavior. For, it gives preference to man pleasure over that of God which is in stark contrast to fundamental perception of all activities being performed with the objective of obtaining God’ pleasure. Because, the impulses of Muslim behavior come from moral purpose derived from clear injunctions in the Quran laying down social goals and individual’s norm pertaining to man economic life. It provides a definite framework, based on Islamic philosophical foundation, which focuses on directing the potential of Islamic ethics into the economic sphere of life, hence, establishing the primacy of ethics over economic concerns. Islam does not view man as a creature concerned with fulfillment of mere basic or physical needs only, but views him to be concerned with the fulfillment of spiritual needs as well. Indeed, the physical basic needs of human are closely related to spiritual needs and perfection of the soul. This constitutes a distinctive paradigm for Islamic economic. Besides focusing on directing the potential of Islamic ethic into the economic activities it also provides economics with a world view capable of providing rational economic thought where ethics and material livelihood are synthesized.

Islamic economic presents the ideal framework for economic analysis due to inclusion of normative framework based on Islamic worldview and vision relating to economic actual human behavior in different areas of economics and an inquiry into how to transform the “what is” aspect of the economic to “what ought to be”. The last component involving policy prescriptions is a very important feature and dimension of Islamic economics where the epistemological base of Islamic economics, founded on revelation, has a different implication with regard to the relationship between theory and practice or behaviour of human beings. It therefore, has to be of universal application and capable of making realistic assumption and axioms. The desired features of the alternative Islamic framework of economic analysis should include the two positive elements of human behavior; balancing and need-fulfillment derived directly from the Qur’an. It should also merge individual interest with that of social interest through emphasis on moderation and social responsibility. Thus, Islam provide a holistic view of human life demonstrated by provision of a comprehensive legal framework, covering every aspect of human’s existence and the social order based on a network interrelating the concepts of God, humanity, man’s relation to God, man’s position and function in the universe and his relation to his fellow human beings. The essence of Islamic ethics, which also conditions economics, is merely concerned with preserving the position of man as the vicegerent *Khaliftu Allah* on earth assigned with specific duties and responsibilities and not as a mere utility maximizer.

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