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² USUL AL-IQTISAD APPROACH IN DEVELOPING THE FOUNDATIONS OF ISLAMIC ECONOMICS DISCIPLINE

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Abstract

After decades of its development, Islamic economics still remains challenged whether it is qualified to be a discipline. Islamic economics is not only expected to offer a new perspective in understanding economic phenomena and solutions. Islamic economics as a discipline is also challenged to solve the problems based on its own scientific foundations and philosophy that would characterise its approach, and is also challenged to be able to survive with knowledge accumulation and progress. This paper offers an *usul al-iqtisad* as an approach to develop the foundations of Islamic economics based on the provisions sources of knowledge in Islamic epistemology and Islamic ontological principles of how to understand economic phenomena. In *usul al-iqtisad*, the effort to develop Islamic economics discipline can be done in three stages, namely establishing the foundations of Islamic economics discipline, developing the scientific conceptual scheme of Islamic economics, and constructing discipline of Islamic economics and its body of knowledge. *Usul al-iqtisad* offers a comprehensive approach beyond 'juridical texts analysis' or *fiqhi* implications as studied in *usul al-fiqh* approach. The term *iqtisad* used rather than *fiqh* is to emphasize that we are not dealing with the legal aspects of decision-making per se, but a much wider area of human behaviour and social system in developing Islamic economics as a system of thought and systematic discipline.

Keywords: Islamic economics, *usul al-iqtisad*, approach, foundations, discipline

1. Introduction

Islamic economics as a new emerging discipline in contemporary Muslims' scholarship is challenged to eloquently present all dimensions comprising a discipline, namely clear subject-matter, well-defined body of knowledge, methodology(ies) for theory appraisal and knowledge growth and accumulation. Those dimensions of a discipline, however, will not emerge and develop if the foundation is not existed and clarified.

Therefore, scholars like Nasr (1987), Sardar (1988), Khurshid Ahmad (1992), Haneef (1997), AbuSulayman (1998) and Choudhury (1999) persistently call Islamic economic thinkers to achieve 'discipline consciousness', 'discipline independence', and to release themselves from the over-emphasis on western economic ideas, framework and methodology. A serious effort to build a strong philosophical foundation that will form the basis for the operational framework of Islamic economics as a distinct and independent discipline is needed. Islamic economists have to attempt a systematic and comprehensive Islamic approach through a realistic assessment of the contemporary social, political and economic milieu in light of Islamic principles and through a realistic assessment of the Muslim understanding of Islamic principles as a prerequisite.

This paper attempts to highlight some philosophical aspects of Islamic economics by exploring the foundational/methodological issues related to Islamic economics. For want of a better term, we propose to call this area *usul al-iqtisad*. *Usul al-iqtisad* attempts to discuss the foundations of Islamic economics: what are the necessary components of the foundations of Islamic economics and how it can be established so that a body of knowledge can be built. The purpose is to construct a clear and strong foundation of knowledge that is reflected in the state of art, subject matter and body of knowledge and also to hasten the speed of the evolutionary process of Islamic economics towards becoming a distinct discipline (if that is feasible).

2. What is *Usul al-Iqtisad*?

As a new discipline in contemporary Islamic scholarship, many have wondered the origin and the roots of Islamic economic ideas in contemporary times. Monzer Kahf (2003) and Haneef (1997), Addas (2008) and El-Shaikh (2011) for example observe that Islamic economics in the early phase was dominated by the scholars and writers with a background in Islamic sciences in particular *fiqh* discipline and as an emerging discipline seems to some extent is constructed from *fiqhi* foundations. There is a tendency to narrow the discussion of the *fiqhi* discussion in Islamic economics discourse and restrict *fiqh* to Islamic law. This was observed by Addas (2008: 5, 97) by looking at the current practice in the literature. He says:

Islamic economics is no more than the result of applying the Islamic rules and injunctions, i.e., Islamic *fiqh*, to the prevalent secular theoretical structure of economics and finance to separate the permissible from the non-permissible, as well as to ascertain the position of the *shar'ah* on economic acts and current business events.

Yalcintas (1987: 28) earlier on also observed that Islamic economics is a modern version of *fiqh al-al-muamalah*. If *fiqh al-muamalah* sets the legal framework of economic transactions, Islamic economics studies the rationale and motives of the same. *Fiqh* is an inexhaustible source of insight and is indispensable for economic analysis (if it is to carry the adjective 'Islamic'), i.e. to be in accordance with *shar'ah*. This he says, is simply because in Islamic economics we deal not only with the how, but we also with the 'ought/should be'. Fahim Khan (2002: 62) in similar observation says:

Roots of Islamic economics should, by definition, lie in *fiqh*. Islamic economics as a distinct discipline will be justified only if we can show that *fiqh* literature, that provides understanding of Islamic texts, leads us to different roots for understanding the economic behavior of man.

Consequently, *usul al-fiqh* become an important methodology in developing Islamic economics because the nature and subject-matter of Islamic economics is considered to be similar to *fiqh* whereby Islamic economics is the result of applying the Islamic rules and injunctions to the prevalent secular theoretical structure of economics and finance to separate the permissible from the non-permissible, as well as to ascertain the position of the *shar'ah* on economic acts and current business events.

Furthermore, more prevalent evidence we can see in the field of Islamic finance. Shariah compliant in financial transactions that has been defined with legalistic definition of complying to the juridical Shari'ah rulings have occupied the Islamic finance scientific enterprise of converting and modifying the conventional practices to suit Islamic law. People in the banking and finance industry seem to be very much interested in the provision of 'operation manuals' dealing with the 'how to' comply aspects of banking and finance with Shariah (legal) principles.¹

However, scholars like Mannan (1984), M. Anas Zarqa (1987), Nejatullah Siddiqi (1992), Umer Chapra (1996), Naqvi (1997), Metwally (1997), Yousri (2002), and Mirakhor (2007) seem to be aware of this problem and have argued that in developing the discipline, Islamic economists have to go beyond 'juridical texts' that is concern with particular human action and instead should focus on wider the implications these '*fiqh*' positions have on the economic system as a whole. In other word, the scope of Islamic economics is more than the object of study as in *fiqh* discipline.

In addition, if we agree to develop the foundation of Islamic economics discipline using the Islamic scholarship legacy, it has to be seen as more than the narrowly defined *fiqh*. It must include areas of *tawhid* (ontology), ethics or *akhlāq* (axiology), epistemology and methodology that would have to tackle *usul al-fiqh* as well as areas in *usul al-din* and others.

¹ Some writers, such as Kahf (2003: 35) see the relevance of *usul fiqh* and *wa'id al-fiqhiyyah* to derive the principles and theories of Islamic economics. *Fiqh* according to K¹¹ is an indispensable source of knowledge for Islamic economists, especially when it is dealing with developing financial instruments compatible with *Shari'ah*, a deep understanding of the *fiqhi* positions on partnership, sale contracts, lending and *riba* is essential.

Usul al-Iqtisad that is argued in this paper attempts to cover those wider spectrum of Islamic scientific legacy with a new ontological, epistemological and axiological perspective. In other word, *usul al-iqtisad* would involve a much wider scope of subjects than *usul al-fiqh* that is focused on legalistic dimension of human action.

Usul al-iqtisad which consists of two words, *usul* and *iqtisad* literally means "origin", "roots", "principles", "fundamentals", "rudiments" or "elements" of a particular thing.

Unlike *usul fiqh*, that is more on dealing with the textual sources (*adillah al-shar'iyah*) to derive the shari'ah rulings (*ahkam al-shar'iyah*), *usul al-iqtisad* is dealing with texts (*nusus*) and human action (life reality) in economic sphere in a interactive and integrative perspective. The venture of *usul al-iqtisad* would include areas such as the Islamic worldview, its Islamic economic vision, philosophy, including its ontology, axiology, and especially epistemology (including methodology) relevant for Islamic economics and other social/human sciences

Iqtisad includes both the normative and positive dimensions of economic analysis and policy. *Usul al-Iqtisad* therefore aims to investigate the three dimensions of Islamic economics as follows:

- (1) The *normative framework* or the worldview, vision, doctrine, philosophy and conceptual aspects. While the source of this worldview and doctrine is primarily revealed (i.e. from *ulum al-shari'ah* or *ulum al-naqliyyah*), it requires the use of reason and the process of *ijtihad* in translating and applying the revelation and tradition into economic rules and policies (and we could add values, norms and principles) as well as interpreting what is meant by principles and concepts established by revelation when applied to the economic sphere of life.
- (2) The *positive analysis* of actual human behavior in the different areas that make up economics. In *usul al-Iqtisad*, the discussion of positive economics deals with the 'what is' of economic behavior is done with an integration and comparison to the 'what should be' of the normative framework.
- (3) The third component involves 'an enquiry into how to transform the 'what is' into the 'what should be' (*transformative framework*). *Usul al-Iqtisad* is also concern with 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 position with regards to conventional economics.

Several characteristics and purposes of *usul al-iqtisad* as the methodology of Islamic economics can be delineated as follows;

- (1) *Usul al-iqtisad* is a combination of methodology developed in our Islamic heritage (namely *usul fiqh*) and contemporary economics methodology. *Usul al-iqtisad* deals with the primary sources of Islam (*naqliyyah/revealed*); *Qur'an* and *Sunnah* as well secondary sources (*'aqliyyah/reason*); reasoning, experimentation and observation of both our legacy and of modern economics.
- (2) As a methodology of Islamic economics, *usul al-iqtisad* aims at delineating the foundations in developing Islamic economics discipline and outlining the principles that could be used to appraise Islamic economic theories.

- (3) The methodological principles created should not be partial by only emphasizing on Islamic methodology or conventional economic methodology respectively; both are integrated through a methodological dialectic and creative synthesis. Therefore a proper understanding of the Islamic methodology developed in *usul al- fiqh* and contemporary methodology in conventional economics is required to get a creative synthesis of the two methodologies. In order to be able to make this creative synthesis, pre-requisites such as understanding the Islamic worldview and its Islamic economic vision are also needed. Likewise, attempt should be done by exploring and elaborating the Islamic epistemological traditions to get a new breakthrough for methodology in contemporary Islamic economics.
- (4) *Usul al-iqtisad* also concerns with the validity of economic theories appraised that can be evaluated by its internal consistency (to the doctrine, logical rules, and empirical evidence), its compatibility with other aspects of life, and its provision for improvement. In this regard, Naqvi (1986) sees Islamic economists should exert great effort to raise a 'unified' economic discipline, on testable foundations, in a typical Muslim society and not in some Islamic utopia.²

3. *Usul al-Iqtisad* and Sources of Knowledge

Islamic epistemological tradition recognizes various sources of knowledge from where we can derive our Islamic economic theory. This would include divine revelation (*wahy*), intellectual reasoning (*'aql*), and factual observation of universe (*āfaq*) and of the human self/behavior (*anfus*). In the literature, those sources of knowledge have been classified in various ways such as *āyāt al-qauliyyah* (the texts of revelation which are mostly explicit) and *āyāt al-kawniyyah* (sources of knowledge from the observation of universe which are implicit). It is also mentioned as *al-Qur'ān al-takwīnī* (cosmic revelation or the created Universe to describe a), and *al-Qur'ān al-tadwīnī* (a book of God or 'created book' to describe the textual revelation) (Kamali, 2006).

In Islamic epistemology all those sources of knowledge are considered as complementary and integrated for the pursuit of truth and would therefore essentially lead to the deepening conviction of the Truth (Qur'an, *Fāṭir*: 28, *al-Mujādalah*: 11). To quote El-Mesawi (2005: 7) "reason and revelation are but a twofold light revealing the same object, a twofold expression of one and the same original reality, rooted in the essence of things". The insistence of the Qur'an for man to reflect, ponder, think, and observe basically shows that revelation wants to manifest it harmoniously coalesced with the faculty of reflective thinking and the faculty of inner perception, the heart (*al-qalb*) (Acikgenc, 1996: 52).

Usul al-Iqtisad is developed in accordance with the provision of sources of knowledge to deal with the subject-matter (the problems to be solved) of the discipline and to appraise theories in Islamic economics. All sources of knowledge will be simultaneously studied and are connected to explain realities and to reach conclusion. It is believed that, one cannot be understood without reading the other

² For an extensive discussion on the criteria of theory appraisal in Islamic economic methodology, read Furqani and Haneef (2012).

and to have a thorough explanation we have to take all the inputs from those sources of knowledge thoroughly.

In other words, in *usul al-Iqtisad*, the sources of knowledge are approached comprehensively in an integrated approach whereby in order to understand, comprehend, explain and gain knowledge, *fine combination* of the sources of knowledge as well as methodology/-ies is important.

4. *Usul al-Iqtisad's Approach to Develop Islamic Economics Discipline*

If we observe the trend in developing Islamic economics discipline, there is a pragmatic way in Islamization of economics by jumping to Islamization of the existing conventional economics' body of knowledge, assuming there is no problem with its scientific foundations. The focus on Islamizing the end-products (body of knowledge), has been done at the expense of a thorough elaboration, discussion and eventually, application of a proper methodology/ies to economics which resulting Islamic economics is yet to offer a distinct discipline with its own perspective of subject-matter, definition, theory, methodology and body of knowledge (Haneef, 2009: 51).

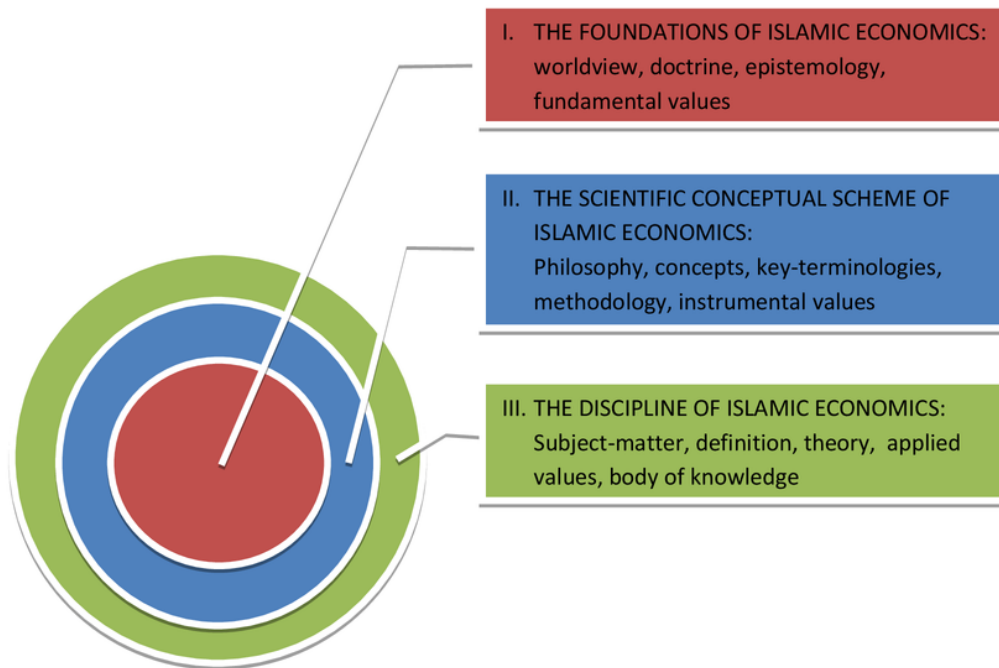
In *usul al-Iqtisad* perspective, Islamization at the level of body of knowledge cannot be done without clear and coherent philosophical foundations that are projected from an Islamic worldview or vision. The foundations of Islamic economics discipline is established by elaborating the Islamic worldview on economic phenomena, establishing the doctrine, epistemology of how knowledge is justified in Islamic economics and fundamental values promoted in Islamic economics. By having those foundations, then the discipline is able to provide 'genuine Islamic perspective' to economic problems and sustainable for knowledge accumulation.

Furthermore, in the effort of developing Islamic economics, we are also requested to reconfigure both the actual problem of economics in Islamic perspective and Islamic solutions to solve the problem. This is because not only solutions, paradigms, or frameworks might be different, the problem and object of study of economics itself might be different. M. Fahim Khan (2015: 13) in this regard observes that "the starting point for developing the discipline of Islamic economics should be how we realistically perceive the economic problems that human beings (we, as well as they) are facing. Inspired by divine guidance, we have our own perceptions of the economic problems of humanity and how to deal with these problems". Therefore, for Muhammad Akram Khan (1994: viii), Islamic economics is not only challenged in attempting a *fresh understanding of the economic phenomena*, but most importantly, in discovering what are actually *real economic problems* that human beings face and to come up with *fresh solutions* to those persistent problems. This is only possible if we are clear in the first place of the foundations of Islamic economics.

Therefore, in the effort of developing Islamic economics, *usul al-iqtisad* proposes the following three stages, namely:

- (1) Establishing the foundations of Islamic economics discipline
- (2) Developing the scientific conceptual scheme of Islamic economics
- (3) Constructing discipline and its body of knowledge

Figure 1. The Component of Islamic Economics Discipline in *Usul al-Iqtisad* Perspective



4.1. Establishing the Foundations of Islamic Economics Discipline

Any discipline and system of thought is founded on certain scientific foundations as the roots, core and basis that would determine the scientific atmosphere, its direction, progress as well as objectives. These foundations characterise the discipline itself, its nature and scope of study. In this regards, what we mean by foundations of Islamic economics refer to the worldview, doctrine, epistemology and fundamental values as in the following:

- (1) **Worldview**, in our case, Islamic worldview which means Islam's perspective of existence and realities, is the basis, roots, or the prior most foundation of any activities, including scientific activities ('Atef el-Zein, 1996: 1). Worldview conceptually functions as the basis of a system of thought and fundamental principles that form the basis for other subsidiary concepts dealing in a general matter with all aspects of life. It is the basis of a set of ideals of how should something be and an explanation for the disparity between the way things are and the way they ought to be. It therefore functions as the basis for any action, reaction, and our perception of the world. The Islamic worldview The Islamic worldview is a religious based worldview where all answers to the worldview's ultimate questions of God, universe, man, life, knowledge, values and morality, stem from religion (*dīn*) itself as revealed in the Qur'an and Sunnah.

The Islamic worldview provides a coherent way of thinking not only about the physical world and universe, but goes deeper in explicating the concept of existences and realities of transcendent realities and their relationship. As Al-Attas (1979: 33) said "Islamic worldview is based upon revealed knowledge through religious experience, and embraces the objective, metaphysical and ontological reality as well as the subjective, mystical and psychological experience of that reality." Hence, the Islamic worldview provides a broad basis in understanding complex economic phenomena, by not separating the spiritual and physical, the invisible realm and the visible realm of phenomena, the body and the soul, matter and meaning, and this life and the after-life. Islamic economic theory views realities in a comprehensive perspective, and attempts to integrate and unite those realities (Choudhury, 2000 and Mirakhor, 2007). The Islamic worldview on economics needs to be elaborated and clarified as that perspective would influence the formation of Islamic economics as a system of thought and activities of Islamic economic intellectual community which then manifests itself in their effort of developing and systematizing body of knowledge of Islamic economics (Sardar, 1989; Acikgenc, 1996).

- (2) **Doctrine** is a set of visions and principles to manage our life in this world in accordance to time and space. The doctrine of Islamic economics is derived from the worldview of how Islam views the realities and existence of God, human beings and nature, and how Islam views human life and goals which are developed within the ontological belief of integrating metaphysics (religion) and economics. The Islamic doctrine of economic according to Fazlur Rahman (1995) is *economic principles* in Islam that will provide a general and clear orientation towards goals, and the particular economic programs, plans and blueprints. Abdul-Rauf (1991: 92) sees it as a *framework of the Islamic value system* pertaining to human economic life. Naqvi (1994: xx) considers the economic doctrine of Islam as essentially an *idealization of reality* according to Islamic perspective as well as principles and guidance that lead to the ideals. The doctrine although can be viewed as a *prior* step in the scientific process (that would set principles, framework and guidelines), it has serious and far-reaching consequences for practical economic life, which would also be captured in Islamic economics structure as a science. This is because economic doctrine is not as something of inapplicable; instead, doctrine would only be meaningful if they are applicable in factual reality. The doctrine should be elaborated in the operational concepts in the following stage.

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- (3) **Epistemology** to clarify what the conception of knowledge involves in Islamic economics system of thought, its legitimate sources, features, scope and how it is applied. Al-Attas (1981) argues that epistemology in Islam is "the study of the sources, limits and methods of knowledge and the nature of truth from the point of view of Islam, affirms the reality of existence and the reality of things and the possibility of knowledge of both." In this perspective, theory of knowledge (epistemology) is related to the Islamic worldview of how Islam perceives reality and truth, life and knowledge. The philosophy of science in Islam likewise, is "bound up intimately with the projection of our worldview because it directly concerns man, his knowledge and purpose in life" (Al-Attas, 1981: 2). Epistemology is an expression of worldview. Knowledge conception in Islamic point of view is very much influenced by the

Realities conception in the Islamic worldview. Choudhury (1995: 8) therefore argues Islamic epistemology is a theory of knowledge that discerns the ultimate regress of the source of knowledge. Epistemology, at the same time, holds a vital role in elaborating the worldview of Islam, transforming the vision of a worldview into reality, establishing a distinct Islamic economic discipline, and putting an Islamic stamp on contemporary issues (Sardar, 1988). Islamic epistemology recognizes multiple sources of knowledge from where theories can be appraised. This requires methodology/-ies to appraise knowledge and theories from those sources of knowledge as will be elaborated in the following stage.

- (4) **Fundamental Values** are the normative foundations derived from Islamic worldview upon which Islamic economics discipline is founded, modelled along and working within the boundaries of those fundamental values (Alatas, 2006). It is in Kuhn's perspective, the entire constellation of beliefs in a disciplinary matrix shared by the members of an Islamic economics scientific community. Those values are religious based values derived from legitimate Islamic epistemological sources, the Qur'an and Sunnah. In *usul al-Iqtisad*, Islamic economics will be founded and naturally grow based those values. We agree with Choudhury (1999: 1) who argues that Islamic values are not a new cloth to the conventional economics body of knowledge. He said:

"In recent years when Muslim scholars wrote on Islamic economics, they had to turn to mainstream economic theories and clothe these up with a palliative of Islamic values. But no new challenge was posed on the epistemological beginnings of a new field of analytical and scientific study. There was no demand from the Muslim scholars to well-define a distinctive field of Islamic economics. The Muslim scholars thus approached the study of Islamic values in neoclassical economic models of behaviour and resource allocation without questioning either the value-orientation of neoclassicism or the possibility of treating Islamic values in such otherwise value-free models of economic behaviour, pricing and allocation".

4.2. Developing Scientific Conceptual Scheme of Islamic Economics

From the foundations of Islamic economics, scientific conceptual scheme is outlined to carry out the scientific activities of preparing the Islamic economics discipline and systematizing its body of knowledge (Acikgenc, 2000: 16). The Islamic economics conceptual scheme is the general body of scientific nomenclature that constitutes a discipline with its distinctive goals, basic premises, and objects and methods of inquiry to be employed by Islamic economists (Bakar, 2010).³ The Islamic economics conceptual scheme is the 'environmental context' in which Islamic economics as a discipline will grow.

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³ Arif (1987: 56) calls it the establishment of 'philosophical foundations of discipline' from where we can embark to 'paradigm building', that is the stratification of 'primary concepts' in Islamic economics discipline.

In this endeavour, *usul al-Iqtisad* approach in developing the scientific conceptual scheme of Islamic economics is in five dimensions, namely philosophy, concepts, key-terminologies, methodology, and instrumental values, as follows:

- (1) **Philosophy of Islamic economics** inquires the abstract ideas of economy in Islamic perspective by answering questions related to the general concepts of the economic realm such as economic problems, economic processes, motive and behaviour of individuals, criteria of well-being, goals and system of consumption, production and distribution and etc., as well as specific concepts in the body of knowledge such as subject-matter, scope and boundaries, the nature of economic agent, set of behavioural framework, and the methodology(ies) to appraise theories in Islamic economics. The various dimensions of philosophy of Islamic economics as a science is naturally discussed earlier among Islamic economics scientific community before any analytical study of Islamic economics is undertaken.
- (2) **Concepts of Islamic economics.** The philosophical discussion as in the above will lead to conceptualisation of ideas into a formal concept as a logical representation of Islamic thought that could convey the message of Islamic worldview and values in understanding truth and reality in the realm of economics. In developing Islamic economic conceptual scheme, knowing concepts “allows the researcher to build the foundations of an investigation theoretical or applied” (Rutherford, 2007: x). *Usul al-Iqtisad* attempts to intertwine the two domains of ‘doctrine’ and ‘practical realities’ in various concepts (key-concepts) that would portray Islamic concepts on certain economic phenomena and would be the basis to appraise an Islamic theory. This conceptualisation is in two dimensions: *First*, economic doctrines are essentially an ‘idealization of reality’ (i.e., they are set up to inspire human beings on how the ‘practical’ reality should be). Based on those ideals (doctrine), basic postulates, hypotheses and assumptions are derived. *Second*, practical-realities, on the other hand, are essentially the ‘practical manifestation’ of doctrine in actual realities.
- (3) **Key-terminologies** of Islamic economics in the form of verbal expression of words or terminologies that would describe Islamic concepts in understanding economic phenomena. In doing this, there are two possible approaches that could be used: (i) by adopting the key-terminologies of mainstream economics in the context of Islamic scientific conceptual scheme before its adoption and utilization in Islamic economics (as commonly done by maintaining the concept of self-interest, utility, rationality and etc with Islamic perspective); or (ii) by attempting to coin new-key terminologies to explain the object of study in Islamic conceptual scheme. It is recognized that the existing key-terminologies in conventional economics have been developed within the Western scientific conceptual scheme in the spirit of a Western-secular worldview which to some extent might contradict to Islamic worldview. The key-terms/key-concepts in economics are therefore not neutral and portray certain economic visions and are used to direct to certain goal as

conceived in economics (Samuels, 1990: 7). That evaluation within the Islamic economic conceptual scheme is therefore important as according to al-Attas (1979: 43) “the infiltration of key concepts from the Western world has brought confusion which will ultimately cause grave consequences if left unchecked.” Therefore, he proposes our task will be “first to isolate the elements including the key concepts which make up that culture and civilization...after the isolation process, the knowledge is free of the elements and key concepts isolated are then infused with the Islamic elements and key concepts.”⁸ *Usul al-Iqtisad* argues that it is better for Islamic economics to have new key-terminologies that would not only capture the shortcomings of existing terms in understanding economic phenomena but also clarify the distinctive feature of the nature, scope and objective of the discipline and most importantly provide Islamic scientific conceptual scheme where the Islamic economics science is operating.⁴

- (4) **Methodology** of Islamic economics is the way we construct and appraise theory. Methodology provide arguments, perhaps rationalizations, which support various preferences entertained by the scientific community for certain rules of intellectual procedure, including those for forming concepts, building models, formulating hypothesis and testing theories (Machlup, 1978: 54). A set of criteria, rules, principles, standards, rationalization, arguments and justifications for theory appraisal as well as testing and proving the reliability of that theory so that we could distinguish between *valid* theories and *invalid* ones (Fox 1997: 32), the ‘truth’ from ‘falsehood’ and ‘real’ from ‘illusory’ (Al-Attas, 2005). *Usul al-Iqtisad* believes that an integrative approach to deal with the sources of knowledge: the Qur’an and Sunnah (*naqliyyah*), the intellectual reasoning (*‘aqliyyah*) and facts observation (*‘amaliyyah*) by using Islamic epistemological framework to correctly understand the Islamic worldview and visions and to develop foundations of discipline and unique theoretical constructs that reflect this vision should be attempted. However, the criteria for theory appraisal is important to be produced by Islamic economists. Otherwise, Islamic economics will unwittingly use Western scientific criteria for building and evaluating economic theories (Furqani and Haneef: 2012).
- (5) **Instrumental Values** of Islamic Economics are certain values derived from the fundamental values that would facilitates the creation of an Islamic socio-economic system (including the *Islamic man* who is characterized as having Islamic values in all his economic activities in making choices/decisions). At this stage, Islamic economics as a discipline attempts to develop instrumental values for the operation of Islamic economic system that will be manifested in the institutions as well as behaviour of economic agent.

⁴ See for example the work of Furqani (2015). He argues that for certain key-concepts and key-terminologies as alternative to conventional key-concepts in the microfoundation of Islamic economics, such as the concept of *huquq* to replace *self-interest* as the basis of individual behavior, *maslahah* to replace utility maximization as the objective in making decision and choice, and *taqwa* behavior to replace rationality behavior as the virtue of economic man.

4.3. Constructing Discipline and Its Body of Knowledge

The last stage in developing Islamic economics is to construct Islamic economics' body of knowledge in the form of a discipline. A discipline according to Acikgenz (1996) would consist of subject-matter, definition, theory, applied values and body of knowledge, as in the following:

- (1) **Subject matter of Islamic economics.** Subject-matter is the object of study, a body of problems that will be investigated, explored and solved by the scientific community. The subject matter of Islamic economics is conceived based on the scholars' perspective in conceiving the *economic problems* in an Islamic framework. Islamic economists will produce provisional opinions to analyse and provide solutions to solve them. The continuous process of addressing the economic problems will solidify the object of study and later on contribute to an accumulation of knowledge. In general, there are two approaches in conceiving economic problems in Islamic economics, namely economic problems *as they are* (the actual reality faced by human being in their economic life) and economics problems *as they should be* (the normative ideals and objectives in solving the economic problems). The approaches implicates to the different conception of subject-matter of Islamic economics. *Usul al-Iqtisad* argues the unification in the conception of economic problems in Islamic economics should be attempted. In this regard, economic problems in Islamic economics is based on *life-reality*, i.e of what human beings face in their life (practical-type economic problems *as they are*) and based on *life-guidance*, from the Qur'an on how human beings should live as well as *life-objectives*, i.e. of what goals he should strive for (ideal-type economic problems *as they ought to be*). This implies economic problems as manifested in *life-reality* will be studied within the grand objective of life in Islam; and economic problems as perceived in *life-objectives* will be studied in the context of life reality. Islamic economic theory will be formulated not only to solve the *apparent* problem of 'what is', but also formulated in a way that refers to goals (ideals) of 'what ought to be'. Islamic economics will not only discuss the 'means' of 'how to do' but also discuss 'ends' of 'how to be'. Islamic economics perceives its subject-matter as an interaction of both the *means* and *ends* studying actual *human behavior* and *human ends*. Thus, its theory is developed not only to explain the economy but also to provide solutions to current economic problems according to certain vision, and to take steps to move in that visionary direction.

- (2) **Definition of Islamic economics.** Definition is important not only to clarify the object of study, subject matter, scope, as well as its underlying norms and aspirations, but it is important for "scientific justification of the study and development of Islamic economics" (Arif, 1985: 79). Hasanuzzaman (1984: 49) against this approach as it would imply that the definition of the science of economics has a universal acceptability hence the term modern economics is qualified with Islam, which actually it does not, as the economic problems and approaches to solve them are

different in Islamic framework. Therefore, new definition of economics should be proposed. Arif (1985: 82) and Mirakhor (2007: 9) believe that the definition should employ *appropriate terminology* which describe concepts *unique* to Islamic economics without any *ambiguity*.

(3) **Theory of Islamic economics.** Theory in general is a statement of relationships between units observed or approximated in the empirical world. A theory is a simplification of the world that aimed at clarifying and explaining some aspect of how it works. It is a statement about what is going on with the phenomena that you want to understand. Economic theory in this regard can be defined as a system of logical relations between certain sets of assumptions and the conclusions derived from them (Wacker, 1998: 5). Nevertheless, in Islamic epistemology perspective, a theory should also be based on (or not against) the principles as envisaged in the divine revelation (Qur'ān and Sunnah). In other word, a theory is not only about describing fact as it is, but also a theory should be based on the Islamic principles. In other word, besides reflecting the actual reality, a theory created is also reflecting (not disconnected with) the Islamic principles and values (al-Sadr, 1983: II/10). A theory in Islamic economics does not only attempt to describe the world or fact as it is (positive / *a posteriori*), nor attempts to merely describe an ideal state of affairs in economic realities (normative / *a priori*). But a theory in Islamic economics also attempts to prescribe, change and transform the economic conditions (transformative). In other word, a theory in Islamic economics is not only concerned with descriptive accuracy of phenomena, but it also contains ideals or visions upon which the realities should be changed (Zaman, 2015: 6). The assumptions and theories of Islamic economics are the 'bridge' that would link the doctrine or ideals and realities. From there, theories of Islamic economics are appraised which are essentially not only on the basis of Islamic doctrine but also based on existing reality of social context, historical experience and current practice. Hence, in *usul al-Iqtisad* perspective, theory in Islamic economics is a statement of relationships between units observed or approximated in the empirical world that aimed at clarifying, explaining some aspects of how it works, and transforming the realities into certain ideals or objectives as envisaged by Islam.

(4) **Applied values of Islamic economics.** Applied values are the actualization of values in the practical life which are derived from fundamental values as the benchmark of human behaviour study is Islamic perspective. Economic actions and decisions are then to be analysed and examined in light of those fundamental values. *Usul al-Iqtisad* recognizes that the values, perspective and orientation influence human in this endeavour. In other word, they are not acting the value-free perspective. Therefore, *Usul al-Iqtisad* attempts to internalize Islamic values of life in human's decision and action within an individual and societal preference function and analyse the behaviour of human being with the ethical framework set by Islam. It studies the Islamic type of behaviour as practiced by individuals and society governed by the norms of Islam. As

has been explained, in Islamic economics choice is conditional and interdependent with ends as guided by moral injunctions and spiritual values (Mannan, 1984: 114). The formal technical analysis will be done in light of considering those ethics and values in theory and analysis. The divergence in actual behavior to the ethical framework would be the basis of analysis and recommendation.⁵

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- (5) **Body of knowledge of Islamic economics.** The body of knowledge⁹ is the systematization of thought, object of study and discussion that represents the subject matter and scope⁸ of Islamic economics studies. Many scholars view that the ⁴rogram of developing Islamic economics body of knowledge as part of Islamization of knowledge that attempts to recast the whole legacy of conventional economics' body of knowledge from an Islamic perspective by adopting the best that conventional offered, then to imbue these with Islamic principles and to inform further development with Islamic values (Bennet, 2005: 110). Alatas (2006) ³owever criticizes contemporary Islamic economics body of knowledge as an empirical theory with "neo-classical guise" that "merely substituted Islamic terms for neo-classical ones, retaining the latter's assumptions, procedures and modes of analysis. As such, it has failed to engage in the analysis and critique of a highly unequal world economic order in which the gaps are ever widening." A critic that should be taken into account by those who are engaging in the Islamization of economics project. *Usul al-Iqtisad* also believes that Islamization of knowledge¹ cannot be done by jumping straight to the body of knowledge, instead, effort should be put initially to develop a solid foundations of science of Islamic economics. Therefore, in *usul al-Iqtisad*'s perspective, the process in developing Islamic ⁸conomics body of knowledge is not that simple. The project of developing Islamic economics body of knowledge is the final step in developing Islamic economics that attempt to capture all dimensions and processes as have been discussed in the above (three stages with all steps). The process of developing an organized body of knowledge should be done gradually with systematic effort by taking all the progress in knowledge accumulation (Acikgenc, 2000: 12).

⁵ The process of unification and application of Islamic values in actual life according to Choudhury (2007: 23-25) can be achieved systematically at the epistemology (E), ontology (O) and ontic (O) level. The epistemological level cultivates the consciousness to accept ¹³divine roots of knowledge as the primal foundation of all knowledge and understanding on the foundation of unity of divine knowledge to be applied in all configurations of world systems. This ¹³ill be articulated through scientific and public discourse at the ontological ¹³level which is realm of being and becoming of logical formalism of the epistemological ideas. The epistemological (E) and ontological (O) levels must be then ¹⁰apsulated in capability and functioning at the Ontic (O) level which is the level of evidences. The E-O-O phases flow incessantly and continuously, as knowledge formation and ¹⁰ts recursive induction in the systemic transformations emerge in the light of unity of knowledge. Such a learning experience brings out the analytical, quantitative and empirical policy-theoretic study, followed by ¹³ferences, policy analysis and recommendations, program formulation and the like. This will be followed by automatic evolution (E) into fresh E-O-O learning phases to perpetuity.

5. Conclusion

⁹ *Usul al-Iqtisad* attempts to address the challenge to develop the foundations of Islamic economics as a discipline with its distinctive features, subject-matter, methodology, theory and body of knowledge. It is argued that the effort to develop Islamic economics discipline cannot be done by jumping to Islamization of body of knowledge as it is done currently in the mainstream Islamic economics discourse (or Islamization of economics approach). Instead, what need to be done is to develop the foundations of Islamic economics based on the provisions sources of knowledge in Islamic epistemology and the Islamic ⁸ worldview and visions in human economic life so that a genuine, solid and ⁶ sustainable body of knowledge of Islamic economics can grow. Then, the ⁴ scientific conceptual scheme of Islamic economics as the scientific nomenclature in which Islamic economics as a discipline will grow should be developed. This would include the dimensions such as philosophy, concepts, key-terminologies, methodology, and instrumental values. The last stage in developing Islamic economics is to construct its body of knowledge based on the foundations and scientific conceptual scheme of Islamic economics in the form of a discipline which consist of subject-matter, definition, theory, applied values and body of knowledge of Islamic economics.

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