

Methodological Discussion on the Subject of Islamic Economics

Murat Yaş*

Abstract

While the number of studies and controversial debates on the reliability of Islamic economics has recently experienced a sharp rise in number, the methodological inquiry and appraisal of Islamic economics has become more important than ever before with regard to the improvement of the scientific methodology of the field and to ensure that it moves forward in a more appropriate direction. This paper attempts to scrutinize widely applied methodological perspectives in Islamic economics; namely Usul-al Fiqh, Islamization of Knowledge, Maqasid al-Shariah and Tawhidic Methodology. Finally, a more holistic methodological approach as proposed in Islamic economics entitled the Methodology of the Economics of Islam will be presented. Through this methodology, religious variables have been suggested that can be interlinked with economic attitudes for improving the spiritual perspective of the field and explaining economic realities in a more suitable way.

Key Words: *Methodology, Islamic economics, Usul al-Fiqh, Typology*

Introduction

With the onset and spread of the recent global financial crisis, an increase in the number of fiery debates on the methodology of Economics can be observed. A myriad of remedies emanating from methodological alternative approaches have been suggested by opposing mainstream ideas to correct the direction of the field of Economics. Despite such failure

* INCEIF, Islamic Finance Department, Lorong Universiti A, 59100 Kuala Lumpur, Malaysia
E-mail: 1200385@student.inceif.org

in the conventional finance system, with the subsequent downsizing of the world economy, there has occurred a sharp growth and rapid development in Islamic Finance industry which stands at around 20 percent of the world financial system annually, a rise from \$ 150 Billion in 1990s to \$ 1.3 Trillion in 2012. Thus, Islamic economics and Finance have attracted the attention of even non-Muslim religious leaders, high-ranking bureaucrats, well-known multinational investors and international organizations who have begun to consider its potential to provide a solution for the global financial system, an investment opportunity or simply as an 'elephant in the room'-a player too big to ignore.

On the other hand, the contemporary Islamic Finance industry as a sub-branch of Islamic economics with its quasi-western institutions and financial instruments have triggered continuous discussions among Muslims as to whether the essential axioms and fundamentals of Islamic economics and Islamic Finance are underpinned to an appropriate methodology or not. Therefore, the need to shed light on the methodological inquiry of Islamic economics and proposing an appropriate approach have become more crucial and necessary than they ever were before.

From a historical perspective, a central idea has prevailed that the collapse of the Ottoman Empire and the European Colonialism of Islamic Countries caused the intellectual stagnation of Islamic Civilization in the entire world in the subject of Economics as well as in other social studies through the resulting cultural and institutional hegemony of Western Civilizations (Zaman, 2012). As a consequence of the dissolution of colonial empires and the resulting declaration of independence in Islamic Countries one by one, especially in Middle East and South Asia during the middle of 20th century, many of those countries have attempted to establish Islamic frameworks at juristic, economic, and political levels of governments as a reflection of embracing the implications of Islam in social matters on governmental level.

Although there has been reached a consensus among both Muslim economists and Ulamā to establish a usury-free economic and financial system, there have been wide range of views on the scope of Islamic economics, its definition and its methodology on knowledge can be produced in the context of the disintegration of Islamic countries. However, such discussions have mostly remained of a limited scope in terms of lack of a comprehensive methodological inquiry and an indifference towards the addressing of major social and economic problems. To illustrate, current

practices of Islamic economics have not gone much beyond the injection of zakah and exclusion of riba into the western economic system through the convergence of most of its applications with versions of applications already existing in western economic system..

During the post-colonial period, some leaders of Islamic countries have strived to maintain cultural and institutional hegemony independent of the influence of European Countries and the USSR disconnecting themselves from their heritage rooted in Islamic Civilizations and have maintained low level of economic and political interaction and integration. Those factors have diminished the pace of methodological improvement in Islamic economics which has yet to reach a satisfactory level according to some scholars (Çızakça, 2011).

The progress of Islamic economics has stagnated with the dissolution of the Ottoman Empire while rapid development in mainstream economics has continued in Western World. Therefore, as a fundamental requirement for restoring the gap in the field, it has been reattempted to establish the discipline of Islamic economics from the dust with the aim of developing the subject from its fundamental axioms to an advanced level.

During the initial efforts for reviving Islamic economics, launching an interest-free economic system has been highlighted as the main concern (Al-Tiby, 2011). Therefore, the field of Islamic economics and its methodology has proven more akin to the relationship between Fiqh and Usul-al Fiqh with initial attempts of isolation from the principles incompatible with Shariah (Al-Sadr, 1983). However, reckoning Islamic economics as a sub-branch of Fiqh by turning it into completely a normative and legal discipline may overlook measuring realities and hence, may undermine instituting suitable economic policies due to a lack of consistent economic forecasting.

On the other hand, the “Islamization of Economics” method has been proposed and applied in the majority of Islamic Countries with view to accelerating the improvement of Islamic economics as well as being able to link doctrinal and scientific issues. However, the problems underlying the epistemological roots of Islamized Economics and the shallowness in normative perspective have rendered the requirement of more holistic methodologies with the inclusion of Maqasid al Shariah and the concept of Tawhid referring to divine unity in all aspects of Islamic economics.

The purpose of this paper is to provide a methodological inquiry and appraisal in detail to diagnose the shortcomings of current methodologi-

cal approaches of Islamic economics as the consequence of it being a new discipline. Moreover, the paper also attempts to propose a more holistic methodology which interlinks spiritual notions and economic attitudes. Integrating religious elements into Islamic economics could enable the field to progress in a more plausible direction by emphasizing the spiritual side of individuals and society more explicitly.

Usul al-Fiqh Methodology

Fiqh, which means “Islamic Jurisprudence,” is, in short, extracted from the sources of the Quran and Sunnah through the method of Ijma and Analogy to be utilized as the guidance for judging a wide range of cases and situations through a Shariah perspective. Moreover, there are myriad of Islamic ruling for pecuniary matters such as transactions, debts and trade categorized as prohibition (haraam), obligation (wajib), recommendation (mandūb) disliked (makrūh) and neutral cases (mubah) under the field of Fiqh. Therefore, any attempt to establish Islamic economics firstly underlies the Shariah’s guidance on certain economic and social activities which initially may cause Islamic economics to be considered under the legal notion (Al-Sadr, 1983).

Some scholars assert that Islamic economics is largely and fundamentally based on Fiqh by considering it as a modern juristic interpretation derived from Quran and Sunnah for economic and social activities as a subfield of Fiqh al-Muamalat (Yalçıntaş, 1987). Furthermore, Fiqh al-Muamalat is regarded as being the most essential heritage and basis for the construction of contemporary Islamic economics through its scope in proposing both theoretical and practical solutions for economic activities. Similarly, Islamic economics is also considered to be generated through drawing on Islamic Law to replace the non-permissible with the permissible in secular theoretical structures (Addas, 2008).

Under such legal perspectives, Fiqh has rendered greater more influence on Islamic economics than any alternative perspectives. Nevertheless, it offers limited scope in defining Islamic economics because of an underestimation of the need to the apply scientific methods in the field. This has led to the use of fiqh as being accused of constituting a vain attempt to develop a so-called discipline we might entitle Islamic economics (Al-Sadr, 1983). However, restraining Islamic economics in a legal perspective does not correspond with the spirit of Islam. Fiqh is only one field derived

from Quran and Sunnah and has a purpose of providing legal guidance to religious practices, behaviors and activities under certain circumstances.

Moreover, a positivist approach to Islamic economics may also assist in the description of economic and social realities to which appropriate fiscal and monetary policies may be applied for the well-being of a society. Islam pays special attention to rights of labor, ecological balance, education and security. Therefore, applying quantitative research to measure efficiency in investment and the developmental level of each factor in determining the correct and proper rate of taxes and budget spending in the above-mentioned mentioned areas might prove very beneficial in achieving the sustainable development of society.

Although rules in Fiqh have been adopted as the essential guidance for the establishment of normative statements in Islamic economics, overlooking Maqasid al-Shariah may also lead to certain limitations with regard to the proper development in the field of Islamic economics since it concerns main objectives of Shariah which it aims to achieve. Concentration on the main goals of Shariah through exercising a greater concern towards circumstances in contemporary life may enable to eliminate the most crucial social problems regarding Islamic economics.

Islamization of Economics Methodology

After scrutinizing the Quran and Sunnah cautiously, it has been established that both the principal resources in Islam consist of a myriad of descriptive statements in addition to normative statements (Zarqa, 2003). Therefore, it has been suggested that Islamic economics should link practical realities with the doctrine established using scientific methods (Furqani & Haneef, 2012). Thus, Usul al-Fiqh methodology could be considered as a narrow approach due to the reduction of Islamic economics to a pure normative and legal perspective.

The *Islamisation of Economics* methodology has developed as a sub-branch of the *Islamisation of Knowledge* project. This attempts to Islamize relatively more advanced mainstream economics rather than constructing Islamic economics from scratch. This methodology *has been embraced* by many scholars due to the present relative backwardness of Islamic economics and underscores the urgent need to establish an advanced Islamic economic system (Furqani & Haneef, 2012).

The plan for the *Islamisation of Knowledge* was initially proposed by Ismail Raji Al-Faruqi through the following of a number of steps: the mas-

tery of modern disciplines, the detailed survey of disciplines, the mastery of Islamic legacy with anthologies and analysis, establishment of the specific relevance of Islam to the disciplines, critical assessment of the modern discipline and critical assessment of the Islamic legacy (Al-Faruqi, 1982). This is achieved through isolation of Western elements contradicting with the Shariah and infusion of Islamic elements and key concepts. (Al-Attas, 1993) According to Monzer Kahf, the task of Islamisation is performed simply through takhliyah (taking out the incorrect) and tahliyah (adding in the good) (Kahf, 2008). Al-Faruqi states that Islamised knowledge is “The (pouring of) new knowledge into the corpus of the Islamic legacy by elimination, amending, reinterpreting and adapting its component as the worldview of Islam and its values dictate” (Al-Faruqi, 1988).

Rising disintegration between the subjects of Economics and the Shariah in the recent century has led to independent development in both fields. Hence, lack of expertise, both in the disciplines of Economics and the Shariah, caused economists to produce knowledge based on Western modernist discourse in mainstream economics while Shariah scholars have been tasked with testing knowledge’s compliance with Shariah.

Contemporary economics is based on a post-enlightenment materialistic worldview rather than being a value-free and unbiased discipline based on science as it is claimed (Butt, 1989). Although Islamization of Economics is a method of applying Islamic rules and injunctions to secular economics through eliminating western values to make it compatible with Fiqh, applying conventional methodology can still limit Islamic economics into being little more than the worldview and epistemology of conventional economics and hence, induces Islamic economics to become a sub-branch of neo-classical economics rather than being a distinctly pure Islamic model (that might serve) as a better alternative (Zaman, 2012).

Although the *Methodology of the Islamisation of Economics* fills the gap to restore the advancement of the discipline after its previous ongoing stagnation, it has certain limitations as regard the lack of established distinct theories and practices inspired by Islamic epistemological principles and the heritage of Islamic Civilizations. Additionally, Maqasid al Shariah is in general overlooked due to its narrow focus on fiqh-adjusted secular economics. Similarly, it ignores in taking a spiritual and normative position due to methodological concerns of mainstream economy that tries to explain “what is” rather than “what ought to be”. Therefore, scholars have attempted more comprehensive approaches to broaden the scope of Islamic

economics with the goal of to altering its future direction and by bringing it in-line with an Islamic vision and associated values.

Maqasid Al-Shariah and Tawhidic Methodology

Maqasid Al-Shariah refers to the purpose and the wisdom behind the enactment of all or most of the Shariah ruling. Utilizing Fiqh only as a filter for measuring the Shariah compliance of Islamic economics might lead to the failure in achieving the fundamental goals of Shariah. That is because Fiqh in general is a tool to rule certain actions or circumstances related to an individual rather than prioritizing existence of certain circumstances in society for the benefit of the masses.

Applying *Maqasid al-Shariah* could prove to be a solution for developing the normative aspects of Islamic economics, yet taking *Maqasid al-Shariah* into account as the only determinant factor may lead to several pitfalls during the reshaping of the field of Islamic economics. First of all, as is also valid for *Usul al-Fiqh* Methodology, applying *Maqasid al-Shariah* Methodology might again disconnect the link between the doctrine and the reality. Secondly, Maqasid al Shariah and its tools to achieve its objectives should be dynamic by reinterpreting ever-changing circumstances in contemporary life rather than being static by attempting to achieve same objectives with same means in all Muslim communities with no regard to the necessities of the time and locale. Thirdly, Maqasid al-Shariah is not referring to objectives of Islam, but the objectives of Islamic Jurisprudence (Addas, 2008). Hence, concentrating only on the objectives of Shariah could undermine the achievement of the spiritual objectives of Islam through its exclusion from the methodology of Islamic economics.

Many scholars in Islamic economics have suggested the integration of both positive and normative statements in Islamic economics based on Islamic epistemological principles (Choudhury, 1995). In that context, Tawhidic Methodology attempts to unify economic realities, doctrine and practical experiences, ideals and facts, normative and positive aspects in Islamic economics. It suggests the establishment of axioms of Islamic economics on Islamic principles, determining its social, spiritual and material objectives and applying suitable Islamic policy instruments (Furqani & Haneef, 2012). Although Tawhidic Methodology highlights obstacles in the methodologies of both Islamization of Economics and pure Fiqh related methodologies, it does not explain explicitly how to integrate positive and normative dimensions of Islamic economics.

Economics of Islam Methodology

Economics of Islam Methodology deals with how religiosity in Islam affects the behaviors of individuals, society and economic attitudes as well as measuring what impact economic activities have on the religiosity of Muslims. In other words, *Economics of Islam Methodology* consists of the religious consequences of economic attitudes and the economic results of religious attitudes, which is an analysis of the interaction between religious and economic indicators.

Islam itself puts huge emphasis in both the Quran and Sunnah on impacts of belief on a person's behaviours as well as the impacts of behaviour on his or her religiosity. To illustrate such a relation, "doing good deeds" has been mentioned just after "to believe" in a large number of verses in the Quran. The same may be said for "praying" and "giving zakah" to emphasize the necessary concomitance between belief and actions. In addition, about measuring religiosity with certain behaviors, it is narrated in a hadith;

"Faith has over seventy branches or over sixty branches, the most excellent of which is the declaration that there is no god but Allah, and the humblest of which is the removal of what is injurious from the path: and modesty is the branch of faith." (Muslim, Faith 58)

More specifically, economic attitudes can be considered as sub-branch of overall behaviors of an individual and such attitudes are also supposed to have strong relations with religiosity according to Islam. For instance, to indicate the interlink between religiosity and economic attitudes of a person, it is mentioned in a verse in Quran;

"And why do you not spend in the cause of Allah, while to Allah belongs the heritage of the heavens and the earth? Not equal among you are those who spent before the conquest [of Makkah] and fought [and those who did so after it]. Those are greater in degree than they who spent afterwards and fought. But to all Allah has promised the best [reward]. And Allah, with what you do, is Acquainted." (Al-Hadid 10)

What is more, one group of people deserving zakah mentioned in the 60th verse of Surah Al-Tawbah is Al-Mu'allafatu Qulūbuhum which

refers to non-Muslims who are sympathetic to embracing Islam. For instance, the Prophet of Allah gave something to Safwan bin Umayyah from the war spoils of Hunayn, even though he attended it while being a Mushrik. Safwan said, "He kept giving to me until he became the dearest person to me after he had been the most hated person to me." (Ibn Kather, 2000). As instructed through a descriptive statement in Holy Quran, this event also provides practical evidence that economic attitudes might influence the religiosity of a person.

Although many descriptive statements in Quran and Sunnah suggest the existence of an observable relation between religiosity and economic attitudes; religiosity as a term should not be directly defined only by attitudes of a person but also by other metaphysical indicators such as trust, justice, prudence and altruism. However, those indicators might again be attempted to be measured by observations of related human behaviors (Tan & Vodel, 2005). After evaluating behaviors to measure metaphysical variables, such variables again might be utilized for investigating their economic consequences. (Dearmon & Grier, 2011). However, measuring the relation between religiosity and economic attitudes 'precisely' by quantitative researches might run into difficulties because explaining metaphysical realities is not completely confined to behaviors of individuals. Moreover, religiosity and economic indicators cannot be always considered as interlinked since the Quran mentions that the distribution of wealth has nothing to do with religiosity;

"Allah extends provision for whom He wills and restricts [it]." (Ar-Rad 26)

To summarize, there are descriptive statements in Quran and Sunnah about the interlinking between religious and economic attitudes. Although it is usual to have strong relations between religiosity and economic attitudes, it is also highlighted that having such a relation is not necessary.

Additionally, religiosity can be redefined in differently ways among various madhab sects, groups or Islamic revivalists. As an example, while Malāmatīyya ūfi understanding in ūfism supports striving in commercial activities without getting distracted from the remembrance of Allah, Batīniyya interpretation of ūfism suggests staying away from doing business in order not to be involved in worldliness which may end up with neglecting spiritual needs (Ülgener, 2006). Therefore, correlation between religiosity and economic activities may indicate a noteworthy gap between communities embracing different interpretations of Islam.

Conclusion

Attempts to rectify methodological underdevelopment in Islamic economics have resulted in several distinct discourses such as Usul al-Fiqh, Islamization of Economics, Maqasid al-Shariah and Tawhidic Methodology.

The theoretical framework and practical applications of each methodology has been discussed in detail through the evolutionary development of methodological debates in Islamic economics. Each methodology has certain limitations on account of a lack of linkages between positive and normative statements, inappropriate epistemological roots, and narrow legal approaches. Therefore, proposing a more holistic methodology renders itself necessary for the development of Islamic economics in a more productive direction.

The *Economics of Islam Methodology* attempts to interlink positive and normative aspects by explaining *the* relation between religiosity and economic attitudes based on epistemological principles of Islam. Such a methodological approach may explain the economic consequences of some metaphysical determinants, and in turn help scholars to understand economic realities in a more comprehensive way. More importantly, taking spiritual variables into account has been so far overlooked in *Methodology of Islamic economics*. Therefore, economics of Islam methodology can assist in the proper integration of spiritual objectives into daily economic activities. This practical implementation may direct each individual, the society as a whole and the state to proper economic attitudes and policies, hence achieve the spiritual objectives set forth by Islamic principles.

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