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**Mohammad Tawfiq Noorzai**

<https://orcid.org/0009-0008-0646-0581>

*Department of Economics, Faculty of Economics, Kabul University, Kabul, Afghanistan & PhD Candidate at Department of Economics, Faculty of Political Sciences, Sakarya University, Esentepe Campus, Turkey, tawfiq\_noorzai@yahoo.com*

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## **Why a Distinct Islamic Economic Development Model is Necessary: Foundations and Framework of Islamic Moral Economy in Light of Islamic Ontology**

### **Abstract**

*This study examines the need for a distinct Islamic economic development model based on Islamic principles. The current global economic system faces significant income inequality and wealth distribution issues, prompting a search for alternative models. Many Muslim countries, having experienced both capitalism and socialism, struggle with high unemployment, poverty, and economic instability. The Islamic ethical economy offers a value-based approach that aims to reduce inequality and promote balanced growth through human-centered development. Key concepts such as Tawheed-ullah recognize Allah as the Creator and Owner, addressing resource imbalances and unjust allocation. Al'Adle Well Ehsan emphasizes social stability and participative development, while Tazkiyah focuses on purification, linking self-reliance to economic development. Furthermore, Ikhtiyar and Khalifa highlight the ethical responsibilities in the Islamic Moral Economy, and Maqasid Al Shari'ah outlines the objectives of Islamic law, emphasizing individual well-being. This study proposes a new Islamic Economic Development Model, drawing on Imam Al Ghazali's ethical framework and integrating*



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*Amartya Sen's Theory of Capabilities. The model considers both physical and psychological aspects of human development, aiming for success and happiness in this life and the afterlife. It aligns with Islamic goals, balancing material and intellectual development. By linking developmental goals in Islam with spiritual uplift, the study uses the Ghazalian ethical framework to achieve self and social development, ultimately attaining falah (success in the afterlife). This comprehensive approach ensures that worldly development aligns with spiritual objectives, promoting justice and equity in society.*

**Keywords:** *Islamic Moral Economy (IME), Economic Development, Islamic Ontology, Tazkiyah, Falah*

## **Farklı Bir İslami Ekonomik Kalkınma Modeli Neden Gereklidir? İslam Ontolojisi Işığında İslam Ahlak Ekonomisinin Temelleri ve Çerçevesi** **Öz**

*Bu çalışma, İslami ilkelere dayalı farklı bir İslami ekonomik kalkınma modeline duyulan ihtiyacı incelemektedir. Mevcut küresel ekonomik sistemin önemli gelir eşitsizliği ve servet dağılımı sorunlarıyla karşı karşıya olması, alternatif model arayışlarını da beraberinde getirmektedir. Hem kapitalizmi hem de sosyalizmi tecrübe etmiş olan birçok Müslüman ülke yüksek işsizlik, yoksulluk ve ekonomik istikrarsızlıkla mücadele etmektedir. İslami etik ekonomi, insan merkezli kalkınma yoluyla eşitsizliği azaltmayı ve dengeli büyümeyi teşvik etmeyi amaçlayan değer temelli bir yaklaşım sunmaktadır. Tevhid-ullah gibi anahtar kavramlar Allah'ı Yaratıcı ve Sahip olarak tanır, kaynak dengesizliklerini ve adaletsiz tahsisi ele alır. Al'Adle Well Ehsan sosyal istikrarı ve katılımcı kalkınmayı vurgularken, Tazkiyah arınmaya odaklanarak kendine güveni ekonomik kalkınmayla ilişkilendirir. Ayrıca, Ikhtiyar ve Khalifa İslami Ahlaki Ekonomi'deki etik sorumlulukları vurgularken, Maqasid Al Shari'ah bireysel refahı vurgulayarak İslam hukukunun amaçlarını ana hatlarıyla belirtir. Bu çalışma, İmam Gazali'nin etik çerçevesinden yola çıkarak ve Amartya Sen'in Yetenekler Teorisini entegre ederek yeni bir İslami Ekonomik Kalkınma Modeli önermektedir. Model, insan gelişiminin hem fiziksel hem de psikolojik yönlerini dikkate almakta, bu hayatta ve öbür dünyada başarı ve mutluluğu hedeflemektedir. Maddi ve entelektüel gelişimi dengeleyen İslami hedeflerle uyumludur. İslam'daki gelişim hedeflerini manevi yükselişle ilişkilendiren çalışma, kişisel ve sosyal gelişimi sağlamak ve nihayetinde felaha (öbür dünyada başarı) ulaşmak için Gazali'nin etik çerçevesini kullanmaktadır. Bu kapsamlı yaklaşım, dünyevi gelişimin manevi hedeflerle uyumlu olmasını sağlayarak toplumda adalet ve eşitliği teşvik etmektedir.*

**Anahtar Kelimeler:** *İslami Ahlak Ekonomisi (İME), Ekonomik Kalkınma, İslami Ontoloji, Tazkiye, Felah*

### **Introduction**

Why should there be a particular Islamic economic development model? The current global economic system reveals profound inequities, as highlighted by the United Nations Human Development Report (1995), which states that while 75% of the global population lives

in developing nations, they receive only 16% of the world's income, whereas 85% of global wealth is concentrated in the hands of just 20%. These statistics underscore the inadequacies of the dominant capitalist system in addressing the needs of the majority. While industrial advancement remains a primary objective for most nations, achieving equitable economic development in the 21st century remains a complex challenge. Economic development, as Harningtyas and Asutay (2015) assert, is a multifaceted concept encompassing standards of living, happiness, prosperity, and welfare. Amartya Sen (1988) further emphasizes that economic development is not merely about ownership of goods and services but about enhancing freedoms, capabilities, and well-being, encapsulated in the idea of “doings and beings”. Many Muslim countries have attempted to blend capitalist and socialist development models, yet these strategies have resulted in persistent challenges such as high unemployment, poverty, inequality, and economic instability (Jan & Asutay, 2019). These consequences stem from the materialistic and individualistic nature of these models, which are in direct opposition to the communal, spiritual, and moral values integral to Islamic societies. Moreover, Western development strategies, largely devoid of a moral foundation, have failed to uplift the living standards of Muslim communities. Ironically, while Islamic principles historically contributed to the prosperity of Western economies, Muslim-majority nations have diverged from their own values in recent decades. Following political independence, Islamic scholars (Ulama) recognized that Western economic models were incompatible with Islamic principles and sought to develop systems rooted in Islamic ethics and values (Jan & Asutay, 2019). This value-based approach is known as the Islamic Moral Economy, a framework that distinguishes itself from both capitalism and socialism. The primary aim of the Islamic Moral Economy is to establish a human-centered developmental model that prioritizes ethical and communal well-being over material gain (Jan & Asutay, 2019). Given the persistent global economic disparities and the shortcomings of Western rehabilitation models, the introduction of an alternative economic system based on Islamic ontology is justified. After four decades of adhering to Western approaches, 75% of the global population continues to suffer from poverty, inequality, and underdevelopment. This research seeks to explore the emergence of a distinctive Islamic economic development model by identifying its foundations and framework. It presents the Islamic Moral Economy as a viable alternative for the developing world, offering a value-based system aimed at achieving sustainable and equitable development.

## 1. Literature

The Foundations of the Islamic Moral Economy (IME) approach to development highlight the Islamic economic development model, which emphasizes human development as a core objective for achieving FALAAH (success) by providing a distinctive environment where individuals become agents of change. In Islam, individuals are accountable for their AMAL (actions) in both this world and the AKHIRA (hereafter). The main principles define the conceptual model of the Islamic Moral Economy, offering guidelines that assist individuals in their livelihoods as Khalifa (stewards) of Allah on this planet. This is achieved by integrating the responsibilities derived from the Qur'an and Sunnah into daily life, thereby fulfilling the objectives of success and happiness, or Falah (Asutay & Mohd Sidek, 2021). While the following principles are not exhaustive, they provide a foundational framework for developing the IME methodology in Islam: TAWHEEDULLAH, the foremost foundation for moral-based Islamic economic development is TAWHEEDULLAH, which asserts that human beings must recognize Allah as the ultimate creator and owner of the universe, including the resources owned by individuals. Humans are viewed as Khalifa of Allah, with assigned authority and responsibility (Asutay, 2013). This accountable role curtails disparities and inequitable resource allocation within communities. Engaging in economic activities based on TAWHEED mitigates issues such as poverty, injustice, and inequality perpetuated by capitalism. An essential component of TAWHEEDULLAH is TAWHEEDIRUBUAIYA; under the Islamic Moral Economy framework, individuals must acknowledge that all resources are divinely ordained. Consequently, sustainable development becomes a collective responsibility, addressing challenges such as climate change and resource depletion (Jan & Asutay, 2019). AL'ADLE WA' EHSAN, the second philosophical foundation within the Islamic Moral Economy Model is AL'ADLE WA' EHSAN, which emphasizes that individuals are Khalifa of Allah tasked with promoting ADEL (justice) and EHSAN (excellence). This Islamic norm fosters social stability by facilitating equitable access to resources and participatory development, thereby reducing income inequality. Such a paradigm is crucial for alleviating poverty and providing balanced growth opportunities (Asutay, 2001). TAZKIYAH, Tazkiyah refers to the process of purification and spiritual development, drawing individuals closer to Allah and their community. It emphasizes the purification of the NAFS (self), which encompasses three stages, with NAFS MATMA'ENAH being the highest level. Before assuming the responsibilities of Khalifa, it is essential for individuals to purify their NAFS. Within the Islamic Moral Economy, Tazkiyah contributes to self-resilience and economic development, while simultaneously

fostering Ad'lah and Ehsan to ensure social stability. IKHTIYAR & KHALIFA, In Islamic literature, IKHTIYAR refers to the divine gift of choice and the moral capacity to act ethically. It posits that individuals are born capable of both good and vice. Within the framework of the Islamic Moral Economy, Ikhtiyar encourages social justice and individual accountability, making ethics an integral part of economic activities. These concepts are not merely theoretical; they represent a comprehensive mode of thinking that should manifest in daily life (Asutay, 2021). MAQASID AL-SHARIA, every legal framework has specific objectives. The goals of Islamic Shari'a, known as Maqasid al-Shari'a, aim to safeguard the well-being of individuals. According to Imam Al-Ghazali, the objectives of Shari'a encompass the protection of Di'n (faith), the human self (nafs), intellect (aql), posterity (nasl), and wealth. Imam Ibn Qayyim expands on this by including economic activities aligned with the Maqasid al-Shari'a, such as the promotion of halal products and the establishment of an interest-free economy (Asutay, 2001).

## **2. Conceptualizing a New Islamic Economic Development Model**

This paper draws on the ethical framework established by Imam Al Ghazali, a prominent Sufi thinker, to propose a new model of Islamic economic development. Central to this model is the Maqasid al-Shari'ah, which, from Imam Al Ghazali's perspective, serves as the goal of Islamic economic development (El-Ghazali & Series, 1994). The model incorporates both micro- and macro-level factors that influence development, drawing on Sen's Theory of Capabilities, which has been a cornerstone in development economics. Imam Al Ghazali emphasizes that success (Falah)—both in this world (*Dunia*) and in the afterlife (*Akhira*)—is the aim of human life. His ethical approach highlights the importance of balancing both physical and psychological well-being for human flourishing. He argues that Shari'ah objectives are designed to support this dual pursuit of happiness, where achieving success in the afterlife is intrinsically linked to success in this world (Asutay & Zaman, 2009). Islamic development frameworks, therefore, aim to maintain an equilibrium between material and intellectual progress (Platonova et al., 2018). Imam Al Ghazali distinguishes between two levels of happiness: lower happiness, which is derived from material possessions such as food, clothing, and social status, and higher happiness, which is achieved through spiritual purification and a strong relationship with Allah. This higher happiness is associated with a virtuous class of people, referred to in the Qur'an as Muttaqeen, Asabul al-Yamin, Abrar, and Salihun (Mehmet, 2007). According to Imam Al Ghazali, only by striving for these higher spiritual values can one

achieve the ultimate success, or Falah, in both this world and the hereafter. To guide individuals toward this goal, Imam Al Ghazali identifies three essential categories of goods or excellences:

\*Excellence of the Soul, which involves improving one's character and faith (Ahsanul Khulq and Iman) through good deeds and knowledge of Allah.

\*Excellence of the Body, which focuses on maintaining physical well-being through proper nutrition, exercise, and health.

\*Excellence of the Environment, which includes nurturing positive relationships with family, friends, and one's social surroundings (Asutay & Yilmaz, 2020).

These three dimensions—spiritual, physical, and social—are fundamental to achieving Falah in both this life and the hereafter, providing a holistic framework for Islamic economic development.

### 3. Proposing the Islamic Economic Model

In this section, the proposed Islamic Economic Model integrates the worldly goals of development in Islam, formulated using Maqasid al-Shari'ah and the basic axioms of Islamic Moral Economy (IME), as a path to achieving Falah in the afterlife (*Akhirah*). This model emphasizes a balance between spiritual and material development, utilizing the Ghazalian ethical framework discussed earlier to formulate a comprehensive approach, as illustrated in Figure 1. The model adopts a broad interpretation of Maqasid al-Shari'ah, which can evolve over time to meet emerging developmental needs. This flexibility ensures that all human rights are respected and that the diverse needs of individuals are met adequately. The Ghazalian framework, by linking the vertical dimension of Islamic ethics (spiritual connection with Allah) with the horizontal dimension of equality (social responsibility), underscores the importance of four types of actions (*'amal*) in the journey toward spiritual upliftment. These actions reflect an interactive dynamic process of development. According to Ghazalian ethics, human actions are categorized into two broad types:

\*Actions of the outward self (Al-a'māl az-zāhira), which are further divided into:

\*Devotional acts (*'ibādāt*) directed towards Allah, also known as Haququllah, representing one's obligations toward God.

\*Good deeds towards family and society (*'ādāt*), referred to as haququl-ibad, representing responsibilities toward others.

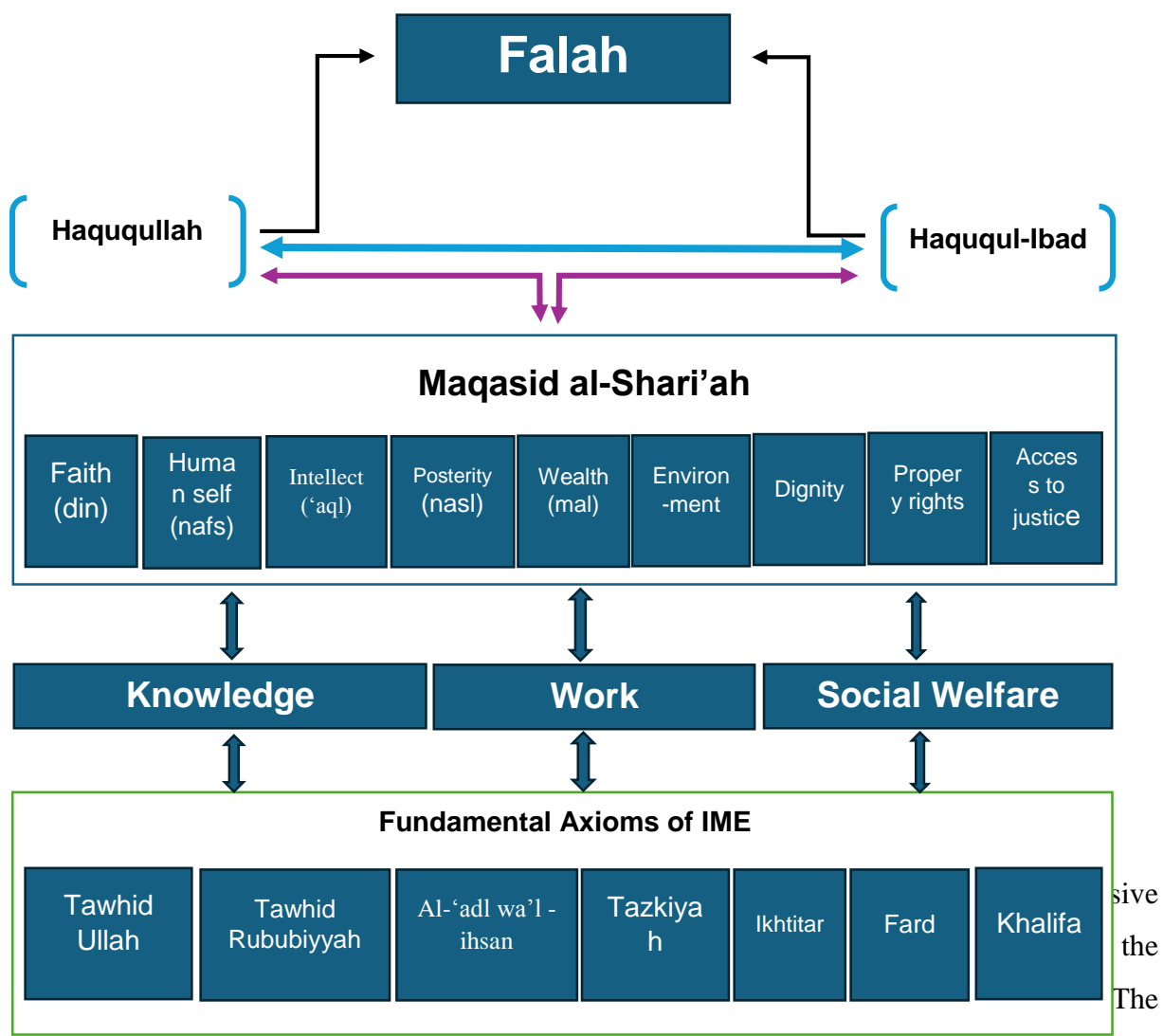
\*Actions of the inward self (Al-a'māl al-bātina), which include:

\*Purifying the soul (Tazkiyyat al-qalb) from evil traits.

\*Beautifying the soul (Tahliyat al-qalb) with virtuous qualities.

These inner and outer dimensions of action align with the micro-dynamics of development, which are further explored in the next section. The model contextualizes human development as a continuous, dynamic process in which spiritual, social, and economic aspects are interwoven, with material progress serving as a means to achieve *Falah* in the afterlife (*Akhirah*) (Jan, 2013). This framework captures the essence of Islamic development as an interactive journey that seeks to harmonize human, spiritual, and socio-economic progress, ensuring that development is not merely materialistic but also spiritually fulfilling and ethically grounded.

Figure1. Islamic Development Model- Proposed



*Falah*, a state of holistic success both in this world and the Hereafter. This model emphasizes the harmonious relationship between human development and social responsibility, ensuring that the actions of individuals and society are aligned with Islamic ethical principles.

#### 4. Breakdown of the Model:

##### 4.1. Falah as the Ultimate Goal

At the heart of the Islamic Development Model is the pursuit of *Falah*—success that encompasses both material well-being in this life and spiritual fulfillment in the Akhirah (the Hereafter). The concept of *Falah*, derived from the Qur’anic term *muflehun* (Qur’an, 3,104), signifies the ultimate success that Muslims strive to achieve. This success is not limited to individual prosperity but extends to the well-being of society, ensuring that development is rooted in ethical and spiritual foundations. This pursuit of *Falah* is supported by two primary domains: *Haququllah* (rights and obligations towards Allah) and *Haququl-Ibad* (rights and obligations towards fellow humans), as reflected in the Ghazalian ethics of outward actions (*Al-a’māl az-zāhira*). These dual domains emphasize that true success is contingent on fulfilling both vertical obligations (spiritual and religious duties) and horizontal responsibilities (social and moral obligations towards others). The balanced fulfillment of these rights leads to the realization of *Falah*, ensuring that individual and societal progress is not only materially successful but also ethically sound.

##### 4.2. The Role of Maqasid al-Shari’ah

Maqasid al-Shari’ah, or the objectives of Islamic law, forms the next layer of the Islamic Development Model. These objectives ensure that development is morally grounded and encompasses various dimensions of human life. The key elements of *Maqasid al-Shari’ah* include:

- \*Faith (Din): Preserving and nurturing one’s relationship with Allah.
- \*Human Self (Nafs): Protecting life, human dignity, and individual integrity.
- \*Intellect (‘Aql): Promoting knowledge, intellectual growth, and the ability to discern right from wrong.
- \*Posterity (Nasl): Ensuring the welfare of future generations through care for the family and responsible procreation.
- \*Wealth (Mal): Preserving and utilizing material resources in a manner that contributes to social welfare.
- \*Environment: Maintaining ecological balance and protecting natural resources.
- \*Dignity: Ensuring the well-being and respect of individuals within society.
- \*Property Rights: Safeguarding ownership and promoting economic justice.
- \*Access to Justice: Ensuring fairness and equitable treatment in societal interactions.



Each of these objectives plays a critical role in ensuring that human development is holistic, addressing both material and spiritual needs while fostering a just and harmonious society.

#### **4.3. Development Components: Knowledge, Work, and Social Welfare**

The model identifies three key components essential for the material and spiritual development of individuals and society: knowledge, work, and social welfare. These components are interdependent and mutually reinforcing, as illustrated by the double arrows in the diagrams, which highlight the dynamic relationships between these aspects.

**Knowledge:** Both spiritual and worldly knowledge are crucial for understanding the ethical dimensions of actions and contributing to the overall good of society.

**Work:** Meaningful labor, aligned with Islamic ethics, is necessary for personal development and social prosperity.

**Social Welfare:** A system of equitable wealth distribution and social support ensures that the benefits of development reach all members of society, promoting collective well-being and justice.

These components are operationalized through the fulfillment of *Haququl-Ibad* and *Haququllah*, ensuring that both spiritual and material goals are achieved in a balanced and ethical manner.

#### **4.4. Axioms of Islamic Moral Economy**

The foundation of this development model is rooted in the axioms of Islamic Moral Economy (IME), which provide the ethical and moral guidelines for human actions. These principles ensure that economic and social activities are aligned with Islamic values:

\*Tawhid Ullah: The oneness of God, acknowledging that all sovereignty belongs to Allah.

\*Tawhid Rububiyah: The belief in Allah's role as the Creator, Sustainer, and Nurturer, which fosters a sense of unity and social harmony.

\*Al-'Adl wa'l-Ihsan: Justice and benevolence, ensuring fairness and compassion in all social and economic interactions.

\*Tazkiyah: Spiritual purification and ethical development, guiding individuals to pursue righteous actions.

\*Ikhtiyar: Human free will and responsibility within the boundaries of Islamic law.

\*Fard: Obligatory duties that every Muslim must fulfill, ensuring individual and collective accountability.

\*Khalifa: The concept of stewardship, where humans are entrusted with the responsibility of managing Earth's resources in accordance with Allah's will.

These axioms provide the moral compass for the development process, ensuring that knowledge, work, and social welfare are pursued in alignment with Islamic ethics.

#### **4.5. Integration of Vertical and Horizontal Dimensions**

The Islamic Development Model uniquely integrates the vertical dimension of Islam (relationship with Allah) with the horizontal dimension (social responsibility toward others). This dual focus creates a balanced approach to development, where material success is inextricably linked with spiritual fulfillment. The model underscores that the fulfillment of *Haququllah* inherently includes fulfilling *Haququl-Ibad*, as the responsibilities toward Allah and fellow humans are interconnected and essential for achieving true success. By fostering a society that prioritizes ethical knowledge, just work, and equitable social welfare, individuals can achieve both worldly prosperity and spiritual success, leading to *Falah* in the Hereafter.

#### **Conclusion**

In this paper, we explored the primary aim of development as the realization of *Maqasid al-Shari'ah*, which places the well-being of both individuals and society at its core. This approach guides human development in both worldly matters and the pursuit of *falah* in the afterlife (*Akhirah*). We highlighted the necessity and importance of an Islamic economic model that encompasses the benefits of this world while also ensuring spiritual fulfillment in the Hereafter. The proposed Islamic economic model is valuable as it prioritizes not only individual self-interest but also the welfare of society and humanity at large. By integrating theories that draw upon both worldly benefits and ultimate spiritual rewards, this model fosters a holistic approach to development that aligns with the ethical principles of Islam. Moreover, this model emphasizes the interconnectedness of *Haququllah* (rights towards Allah) and *Haququl-Ibad* (rights towards fellow humans), highlighting that true success is achieved through the balanced fulfillment of both dimensions. Ultimately, an effective Islamic economic system is essential for achieving physical and spiritual peace, justice, fairness, and cooperation. By embracing this comprehensive framework, we can ensure the salvation of humanity in both this world and the Hereafter.

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