

Why Do We Study Islamic Economic Development?

Growth in Islamic Finance

Islamic economics has been emerging very fast in the last four decades. However, the progress is still limited to the financial sector, the so-called Islamic Finance. There has been a great increase in demand for Islamic finance, even among conventional financial institutions. Islamic finance and banking institution have flourished, but social and economic features of Islamic moral economy have not progressed as well. The real (“production”) sector has not been given sufficient attention in the literature and performance of Islamic economics. (SASE, 2017)

Indeed, Islamic economics is more than the prohibition of interest and “profit-and-loss-sharing”. Islamic economics provides more attention to the real sector and asset based economy, rather than on debt and speculation. Islamic economics focuses on people-centred and sustainable development. (SASE, 2017)

The purpose of this short note is to show that Islamic economic development is concerned with the economic and social features of the Islamic moral economy. In particular, it is an economic development based on Maqasid Al-Shariah. The performance of economic development is Islamic when its performance is in accordance with Maqasid al-Shariah.

What is economic development?

There is no one definition of economic development. It is an interdisciplinary issue, though dominated by economic ones. In this course we concentrate on the broad economic issues, not limited to those with “money” and “income”. Development is broader than money and income. Economic development is beyond economic growth. It is often seen as a process of improving economic and non-economic aspects of people, within the limited resources. There are many ways to increase welfare in economic development. See more discussions, for example, in Todaro and Smith (2011), Chapter 1.

What is Maqasid Al-Shariah?

As described in Chapra (2008), the final objective of all Islamic teaching is blessing for all people. The Quran mentions Rahmatun lil-Alamin (رحمة للعالمين). The interpretation of "Alamin" may cover everything created by God or limit to everything on earth only: all human being, animals, birds, plantation, and all physical environments. The Qur'an promotes the falah (فلاح) or real well-being of all people, regardless of race, colour, age, and nationality. See for example Ibrahim (14):1, Al-Anbiya' (21): 107, Al-Ma'idah (5): 6, and Al Baqarah (2): 179.

Income and wealth are recognized in Islam as an important element of fulfilling basic needs. Nevertheless, Islamic economic development is beyond income and wealth. It focuses on a comprehensive vision of people, to include both spiritual and non-material needs, and to ensure the existence of welfare of future generations. The fulfilment of these needs is a basic human right. In Islamic literature, it is addressed as Maqasid al-Shariah, the goals of the Shariah.

What are the maqasid (goals)? Imam Abu Hamid al-Ghazali, a well known and respected Islamic reformer in 12th century, mentioned that there are five categories of maqasid: faith (din), self (nafs), intellect-reasoning (aql), posterity (nasl), and wealth (mal). With the Al-Ghazali categories, economic development should be performed through safeguarding the five goals. However, Chapra also mentioned that the five categories are not the only ones for Maqasid. Other scholars have different opinions.

On the other hand, Chapra also argued that the five categories by al-Ghazali are the primary ones. Others are corollaries. Both are equally important in creating the blessing for all people, the goal in Islamic economic development.

Askari, Iqbal and Mirakhor (2015) summarized that Maqasid A-shariah is meant as the overall goal of Islamic laws. The goal is to raise the welfare of people through the preservation of faith (din), self (nafs), intellect (aql), posterity (nasl), and wealth (maal). Chapra (2008) put Nafs as the first maqasid, followed by din, aql, nasl, and maal.

Islamic economic and self-interest

Askari, Iqbal and Mirakhor also argue that Islamic economics believes that self-interest is the main factor in the performance of the economy; that individuals maximize his/ her utility. However, in Islamic economics, self interest includes norms/ principles as told in Quran, to include the spiritual features of Islam, both eternal and temporary. The “preference” includes spiritual needs, guided by Qur’an and Sunnah. The Quran frequently gives rewards and retribution for people’s behaviour, both for the current life and life after death. In Islamic economics, the people’s preference is toward behaviour which results in, for example, justice for all human kinds and the rest of the creation, no extravagance, honesty, not wasting goods/ resources, love and forgiveness for everybody and all creations, for current and future generation.

In the language of household economics, the commodities consumed are “household commodities”. The household commodities are produced within the households or individuals, combining market goods and non-market goods. The non market goods include Islamic norms, such as the five categories of the maqasid al-shariah. Read Becker (1965) for a discussion on theory of household economics.

Concluding Remarks

An economic development is said to be Islamic, if its performance is able to increase the welfare of all people and all creations on earth, including current and future generations. The development is performed following the five categories of maqasid al-shariah: the self (nafs), faith (din), the reasoning (intellectual- aql), the posterity (nasl), and the wealth (maal). See Chapra (2008), especially Figure 2.

References

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