

ISLAMIC ECONOMICS METHODOLOGY PATTERNS OF REASONING AND THE STRUCTURE OF THEORIES

Dr. Abul Bashar Bhuiyan

Associate Professor

Faculty of Business and Accountancy

University of Selangor, Malaysia

E-mail: bashariuk@gmail.com

Dr. Abdul Ghafar Ismail

Professor of Islamic Financial Economics

Universiti Sains Islam Malaysia

E-mail: agibab62@gmail.com

Dr. Abd Halim Mohd Noor

Professor of Economics

Universiti Technology Mara (UiTM) Malaysia, Melaka, Malaysia

E-mail: drabdhalim@bdrmelaka.uitm.edu.my

Md. Jafor Ali

Lecturer

Faculty of Business Administration

Islamic University, Kusthia, Bangladesh

E-mail: jaforkb@gmail.com

Dr. Mohammad Solaiman

Associate Professor

Department of Marketing

Comilla University, Cumilla, Bangladesh

E-mail: solaimanmktgcou@yahoo.com

ABSTRACT

In fact, the Islamic economy is a framework that has been extracted from the axiomatic scripture revealed by Allah Almighty S.W.T (The Holy Quran) and religious practices established by Muhammad SAW (Sunnah) to study contemporary economic phenomenon as per Islamic commercial jurisprudence confronting issues like employment, treatment of property, money, production and distribution, taxes, loans, interest (Riba) stability of prices, equitable distribution, growth rate, productivity, consumption of goods and services etc. that make sure maximum benefit (Falah) in a society or at large to the humanity (Ummah). The Islamic economy is not really a new discourse on whether its roots have evolved since the early days of Islamic civilization. Discussions on economic issues from an Islamic perspective started early and have flourished in the Islamic golden age since. However, economic issues are mainly

solved by different branches and schools of economics. This raises a wide variety of methodological issues and several problems have been central to methodological reflection concerning economics. However, not much research attempts have been done to survey the origin of Islamic economic thought and portray its evolution towards becoming a discipline in contemporary times with its own body of knowledge and methodology. Therefore, this study is likely to fill this gap and chart the future direction of the discipline will also be highlighted with some evaluations of the current state of the arts.

Keywords: Islamic Economics, Islamic Economics Methodological & Islamic civilization.

JEL Classification Codes: B29; B30; B49.

INTRODUCTION

In recent years the attention given to methodological issues within economics has been grown considerably. The Islamic economics discipline broadly depends on methodological development that provides a clear direction on how to appraise economic theories and provide evidence of its reliability (Furqani & Haneef, 2011). It refers to a certain structure of reasoning such as induction or deduction or research techniques or tools used to gather data such as observation, case studies, or surveys. A method is a mode, a procedure or a way of investigation according to a defined and regular plan (Rahman & Moosa, 1999; M.Y. Saleem, 2010; H . Simon, 1997). Furthermore, it teaches us how to arrange thoughts, propositions, and arguments for the investigation or exposition of truth. A methodology, on the other hand, is the philosophy of research. It determines the approach taken by a researcher towards understanding certain phenomena. It also sets standards for the acceptability of evidence and determines the role of reason in the investigation. Methodology as a science deals with the methods and their application in a particular field. It is concerned with the suitability of the methods and techniques of reasoning employed in a certain investigation (M.Y. Saleem, 2010).

The most popular explanation argues that economics is experiencing a period of crisis. It is felt that during such periods, economists tend to reflect more about what they are doing. Many western industrialized countries experienced unprecedented growth and prosperity in the years following the Second World War and Keynesian demand management policies were often regarded as being primarily responsible for this economic success. This helped to foster the impression that economists had a certain degree of control over the running of the economy. Indeed, budgetary policies seemingly took on the guise of “engineering” a modest fall in unemployment or inflation.

Regrettably, those peaceful days are now behind us. The growing economic malaise of the late 1960s gave way to crises that have gripped many countries though much of the 1970s, 1980s, 1990s, and 2000s. As a result, the Keynesian consensus that existed to a considerable extent during the 1950s and 1960s was shattered and this has contributed to the current situation where several alternative theories compete for our critical attention. Against this background, it is not surprising that many economists have turned to the methodology for assistance. Because, if economists obtain the ‘right’ methodology then economics is more likely to arrive at results that are less ambiguous and therefore a new consensus could emerge. This hope is unlikely to be fulfilled by studying one methodology. It will become apparent that no one methodology will rescue us from all economic problems.

So there is a need for a methodology which not only provides a basis for valuable, empirical and examined sources of knowledge rather eliminates the confusion of contradictory theories by laying down a criterion for judging the contending theories. These days, the world at large and the Muslim Ummah, in particular, are suffering from a few obstinate and insoluble economic problems such as poverty, unemployment, unequal distribution of wealth and income, inflation, debt overburden, international exploitation. To these problems, Islamic economics might be used as a panacea to the world at large and the Muslim Ummah that will ensure the ultimate Falah to humanity. If Islamic economics can provide a plausible solution to these problems within the boundary of Sariah determined basically by the Quran and Sunnah of the prophet (P.S.W). So it should devote greater attention to develop axiomatic methodologies (ilm-ul-usul) in Islamic Economics that brings economic solution or falah to the humanity ultimately to achieve falah in the akhira (Muhammad Akram Khan, 1987).

In such circumstances, this paper aims to identify the major issues of challenges are in Islamic Economics Methodology for Reasoning and the Structure of Theories. The study has provided the descriptive boundary that may develop Islamic Economics Methodology over the world to face the existing challenges for the smooth future.

THEORITICAL BACKGROUND OF ISLAMIC ECONOMICES DEVELOPMENT

Prior Studies

Although the different branches and schools of economics raise a wide variety of methodological issues, six problems have been central to methodological reflection concerning economics:

Positive versus normative economics

Policymakers look to economics to guide policy, and it seems inevitable that even the most esoteric issues in theoretical economics may bear on some people's material interests. The extent to which economics bears on and may be influenced by normative concerns raises methodological questions about the relationships between a positive science concerning "facts" and a normative inquiry into what ought to be. Most economists and methodologists believe that there is a reasonably clear distinction between facts and values, between what is and what ought to be, and they believe that most of the economics should be regarded as a positive science that helps policymakers choose means to accomplish their ends, though it does not bear on the choice of ends itself. This view is questionable for several reasons. First economists have to interpret and articulate the incomplete specifications of goals and constraints provided by policymakers (Machlup, 1969b). Second, economic "science" is a human activity, and like all human activities, it is governed by values. Those values need not be the same as the values that influence economic policy, but it is questionable whether the values that govern the activity of economists can be sharply distinguished from the values that govern policymakers.

Third, much of economics is built around a normative theory of rationality. One can question whether the values implicit in such theories are sharply distinguishable from the values that govern policies. For example, it may be difficult to hold a maximizing view of individual rationality, while at the same time insisting that social policy should resist maximizing growth, wealth, or welfare in the name of freedom, rights, or equality. Fourth, people's views of what is right and wrong are, as a matter of fact, influenced by their beliefs about how people in fact behave. There is evidence that studying theories that depict individuals as self-interested leads people to regard self-interested behavior more favorably and to become more self-interested

(Frank, 1988; Marwell & Ames, 1981). Finally, people's judgments are clouded by their interests. Since economic theories bear so centrally on people's interests, there are bound to be ideological biases at work in the discipline (Marx, 1867).

Reasons versus causes

Orthodox theoretical microeconomics is as much a theory of rational choices as it is a theory that explains and predicts economic outcomes. Since virtually all economic theories that discuss individual choices take individuals as acting for reasons, and thus in some way rational, questions about the role that views of rationality and reasons should play in economics are of general importance. Economists are typically concerned with the aggregate results of individual choices rather than with particular individuals, but their theories, in fact, offer both causal explanations for why individuals choose as they do and account for the reasons for their choices.

Explanations in terms of reasons have several features that distinguish them from explanations in terms of causes. Reasons justify the actions they explain. Reasons can be evaluated, and they are responsive to criticism. Reasons, unlike causes, must be intelligible to those for whom they are reasons. On grounds such as these, many philosophers have questioned whether explanations of human action can be causal explanations. Yet merely giving a reason even an extremely good reason fails to explain an agent's action if the reason was not in fact "effective." Someone might, as mentioned by both authors, for example, start attending church regularly and give as his reason a concern with salvation. But others might suspect that this agent is deceiving himself and that the minister's attractive daughter is, in fact, responsible for his renewed interest in religion. But, (H. Simon, 1963) argued that what distinguishes the reasons that explain an action from the reasons that fail to explain it are that the former are also causes of the action. Although, the account of rationality within economics differs in some ways from the "folk psychology" people tacitly invoke in everyday explanations of actions, many of the same questions carry over (Rosenberg, 1976). An additional difference between explanations in terms of reasons and explanations in terms of causes, which some economists have emphasized, is that the beliefs and preferences that explain actions may depend on mistakes and ignorance (Knight, Marwell, & Ames., 1981). As a first approximation, economists can abstract from such difficulties. They thus often assume that people have perfect information about all the relevant facts. In that way, theorists need not worry about what people's beliefs are. By assumption, people believe and expect whatever the facts are.

But once one goes beyond this first approximation, difficulties arise which have no parallel in the natural sciences. The choice depends on how things look "from the inside", which may be very different from the actual state of affairs. Consider for example the stock market. The "true" value of a stock depends on the future profits of the company, which are of course uncertain. Sometimes, the stock prices are far above any plausible estimate of their true value. But what matters, at least in the short run, is what people believe. No matter how overpriced shares might be, they were excellent investments if tomorrow or next month somebody could be willing to pay even more for them. Economists disagree about how significant this subjectivity is. Members of the Austrian school argue that these differences are of great importance and sharply distinguish theorizing about economics from theorizing about any of the natural sciences (Buchanan & Vanberg, 1979; Mises, 1981).

Social scientific naturalism

The Economic theory has been made axiomatic and articles and books on economics are full of proposition. Of all the social sciences, economics has only the Nobel Prize. Thus, economics is a test for those who address the level of equality between natural and social sciences. Those who wonder whether social science should be different from natural science seem to be paying attention to three questions:

(a) Is there a fundamental difference between the structure or concept of theory and explanation in natural and social sciences? Some of these issues have been mentioned in the discussion above for reasons and reasons.

(b) Are there fundamental differences in goals? Philosophers and economists argue that social science, with or without the goals of prediction and natural science, must give us insight. Weber and others argue that social science should give us an "inside out" understanding, that we should be able to reinforce agents' reactions and look for what is "understood" (Knight, Marwell, and Ames, 1981; Machlup, 1969a) This (and its close acknowledgment that the explanation of the causes of the call is not just a cause) seems to introduce an element of subjectivity into social science that is not in the natural sciences.

(c) Is the social phenomenon, in view of the importance of human choice (or perhaps free will), too "irregular" to be explained in the framework of law and theory? With human free will, human behavior may be unpredictable and not subject to law. But in fact, there is a lot of commonality in human action, and given the enormous complexity that resembles some of the natural systems, natural science must also process many distortions.

Abstraction, idealization, and ceteris paribus clauses in economics

The economy raises questions about the legitimacy of abstraction and its idealization. For example, standard economic models often assume that everyone is perfectly rational and has perfect information or that resources are inseparable. Such claims are outrageous and they are clearly wrong. Other economic schools cannot use this extreme of idealization, but there is no way to do it economically if one is unable to drastically and abstractly simplify many of the complications. Moreover, because economists try to study economic phenomena as separate domains that are only influenced by a few causal factors, economic claims are only true, *ceteris paribus*, that is, they are only true without interference or disruptive reasons. The questions about the *ceteris paribus* clause are closely related to the questions of moderation and idealization, because a way to simplify is to assume that the different causes of disturbance or disturbance are not active and to investigate the causes of various causal factors. These issues and issues related to the extent to which evidence is supported by economics have become central questions in economic methodology.

Causation in economics and econometrics

Many important announcements in the economy are causal claims. For example, the law of demand maintains that a price increase (*ceteris paribus*) reduces the requested quantity. Economists are also concerned with the possibility of determining causal relationships on the basis of statistical evidence and by relating causal relationships to possible estimates of consistent parameter values. Because concerns about the effects of alternative policies are so important for the economy, causal investigations are inevitable. Before the 1930s, economists were generally ready to use language explicitly and literally, although there was some concern that there could be a conflict between the causal analysis of economic change and the

"comparative statistics" of equilibrium treatment. Some economists are also concerned that reasoning is incompatible with recognizing diversity and mutual determinations in economic equilibrium. In the anti-metaphysical intellectual environment of the 1930s and 1940s (where at least symptomatic positivism was atypical), every mention of the cause was very suspicious and economists often demanded the avoidance of causality. The result is that they no longer have a clear idea of the concept of causality that is constantly being applied (Hausman, 1983, 1990; Helm, 1984; Runde, 1998). For example, instead of formulating demand laws in terms of price change for the requested quantity, economists try to limit themselves to discussing mathematical functions with regard to the requested price and quantity. There have been important exceptions (Hausman, 1983, 1990; Helm, 1984; Runde, 1998; Simon, 1959; Worland, 1972) and this has changed dramatically lately.

Structure and strategy of economics

In the wake of the work of Kuhn (Khan, 1987, 1994; Kuran, 1995; Latsis, 1976) philosophers are much more aware of and interested in the larger theoretical structures that unify and guide research within particular research traditions. Since many theoretical projects or approaches in economics are systematically unified, they pose questions about what guides research, and many economists have applied the work of Kuhn or Lakatos to shed light on the overall structure of economics (Baumberger, 1977; Blaug, 1976, 1992; Bronfenbrenner, 1971; Coats, 1969., 1982; Dillard, 1978; Hahn & Hollis, 1979; Helm, 1984; Hutchison, 1978, 2000; Machlup, 1969a.; Stanfield, 1974; Weintraub, 1991, 1993; Worland, 1972). Whether these applications have been successful is controversial, but the comparison of the structure of economics to Kuhn's and Lakatos' schema has at least served to highlight distinctive features of economics. For example, asking what the "positive heuristic" of mainstream economics consists in permits one to see that mainstream models typically attempt to demonstrate that an economic equilibrium will obtain, and thus that mainstream models are unified in more than just their common assumptions. Since the success of research projects in economics is controversial, understanding their global structure and strategy may clarify their drawbacks as well as their advantages.

ISLAMIC ECONOMY METHODOLOGIES

The sustainable development of Islamic economics as a discipline depends also on methodological development that provides a clear direction on how to appraise economic theories and provide evidence of its reliability (Furqani & Haneef, 2011). It refers to a certain structure of reasoning such as induction or deduction or research techniques or tools used to gather data such as observation, case studies, or surveys. A method is a mode, a procedure or a way of investigation according to a defined and regular plan. It teaches us how to arrange thoughts, propositions, and arguments for the investigation or exposition of a truth. A methodology, on the other hand, is the philosophy of a research. It determines the approach taken by a researcher towards understanding certain phenomena. It also sets standards for the acceptability of evidence and determines the role of reason in the investigation. Methodology as a science deals with the methods and their application in a particular field. It is concerned with the suitability of the methods and techniques of reasoning employed in a certain investigation (M.Y. Saleem, 2010).

Sources for Islamic Economy Methodologies

Shariah is the main sources for Islamic economy methodologies. It is come from the Arabic word as meaning of Islamic law which has been given from Allah (sw). Sharia covers not only religious rituals, but many aspects of day-to-day life, politics, economics, banking, business or contract law, and social issues. The main sources of Islamic law are the Quran, the Hadith or directions of the Islamic prophet Muhammad, the unanimity of Muhammad's disciples on a certain issue, and Qiyas (drawing analogy from the essence of divine principles). Qiyas — various forms of reasoning, including by analogy — are used by the law scholars to deal with situations where the sources provided no concrete rules. The consensus of the community or people, public interest, and others were also accepted as secondary sources where the first four primary sources allow.

The Holly Qur'an

the *Quran is the root based* of Islamic. Muslims believe the Qur'an to be the direct words of Allah, as revealed to and transmitted by the Prophet Muhammad. All sources of Islamic law must be in essential agreement with the Qur'an, the most fundamental source of Islamic knowledge. When the Qur'an itself does not speak directly or in detail about a certain subject, Muslims only then turn to alternative sources of Islamic law. Islamic economics may focus on those verses that contain descriptive statements on human nature, especially on economic phenomena and verses concerning groups or collectivities fall within the ambit of Islamic economics (M.Y. Saleem, 2010). The Quran has many verses on human nature. Particularly, Verses 33: 72 which states that man “has always been prone to be most wicked, most foolish”, verses 42:27 which links human transgression to affluence and richness, verses 4: 32, 20: 131 that explains the covetous nature of man which desires what others have and thereby his vulnerability to be influenced by external social and economic factors. Moreover, Verses 3: 14-15 describes man’s love of wealth and verse 100: 8 states that “verily, to the love of wealth is he most ardently devoted”. Islam therefore, does not condemn seeking wealth but instead introduced certain guidelines within which wealth can be earned and spent. In the same way, verse 2: 30 where the angels while referring to man’s *khilafah* on earth said that men would “spread corruption thereon (*mai ufsidu feeha*) and shed blood”.

On the other hand, verses 43: 32 states: “But is it they who distribute thy Sustainer’s grace? [Nay, as] it is We who distribute their means of livelihood among them in the life of this world, and raise some of them by degrees above others, to the end that they might avail themselves of one another’s help”. This verses describes the differences in wealth, talents, physical and mental capacities and other potentials among people. It also explains the reason for the existence of these differences as they enable humans to make use of each other and in the process meet each other’s economic needs The *Quran* also has descriptive statements on groups or collectivities. These statements are wider in scope and application than the normative statements of the Quran or *Sunnah*. While the latter are only applicable to Muslim individuals the former are equally applicable to both Muslim and non-Muslim collectivities (M.Y. Saleem, 2010). Furthermore, verses 2; 251 and 22: 40 states: “were it not that God repels (*daf’a*) some people by means of others, corruption (*fasad*) would surely overwhelm the earth”. The word *daf’a* used in both verses literally means repelling and convey the meaning of checking and defending.²⁵ This, it is argued, is a descriptive statement concerning human groups and not its individual members(M.Y. Saleem, 2010). The *Quran* in these verses describes that in order to

restrain groups of people from doing injustice to each other the law of mutual check and balance applies (M.Y. Saleem, 2010).

The Sunnah

The second source for the knowledge of Islamic economics is the hadith of the Prophet (pbuh). Sunnah is the traditions or known practices of the Prophet Muhammad, many of which have been recorded in the volumes of Hadith literature. The resources include many things that he said, did, or agreed to in the specific issues and he lived his life according to the Qur'an, putting the Qur'an into practice in his own life. During his lifetime, the Prophet's family and companions observed him and shared with others exactly what they had seen in his words and behaviors -- i.e. how he performed ablutions, how he prayed, and how he performed many other acts of worship. People also asked the Prophet directly for rulings on various matters, and he would pronounce his judgment. All of these details were passed on and recorded, to be referred to in future legal rulings. Many issues concerning personal conduct, community and family relations, political matters, etc. were addressed during the time of the Prophet, decided by him, and recorded.

Ijma (Consensus)

In situations when Muslims have not been able to find a specific legal ruling in the Qur'an or Sunnah, the consensus of the community is sought (or at least the consensus of the legal scholars within the community). The Prophet Muhammad once said that his community (i.e. the Muslim community) would never agree on an error.

Qiyas (Analogy)

In cases when something needs a legal ruling, but has not been clearly addressed in the other sources, judges may use analogy, reasoning, and legal precedent to decide new case law. This is often the case when a general principle can be applied to new situations. Since the late 1940s the methodology of economics as a discourse received wide attention among economists in the 1970's and reaches a dramatic growth in the 1980's whereby it had become a recognizable sub discipline within economics (Backhouse, 1994: 4). The central features of Islamic economic literature have been summarized as the following: "behavioral norms" derived from the Quran and Sunnah is as the basis of Islamic fiscal policy, and prohibition of interest. It brought new debates on how economics was to be approached and how its theories and later on body of knowledge was to be constructed.

The History of Islamic Economic Methodologies

The history of Islamic Economic Methodologies has expanded as like as other branches of Islam based on summarizes of behavioral norms derived from the Quran and Sunnah (Rahman & Moosa, 1999). Some argue early Islamic theory and practice formed a "coherent" economic system with "a blueprint for a new order in society, in which all participants would be treated more fairly" Michael Bonner, for example, has written that an "economy of poverty" prevailed in Islam until 13th and 14th century. Under this system God's guidance made sure the flow of money and goods was "purified" by being channeled from those who had much of it to those who had little by encouraging zakat (tax) and discouraging riba or interest on loans. Bonner maintains Muhammad also helped poor traders by allowing only tents (not permanent buildings) in the market of Medina, and by not charging fees and rents there (Bonner, 2005).

In the middle aged the most well-known Islamic scholar who wrote about economics was Ibn Khaldun, who is considered a father of modern economics. Ibn Khaldun wrote on economic and political theory in the introduction of his *History of the World* (Khaldun, 1981). In the book, he discussed what he called *asabiyya* (social cohesion), which he sourced as the cause of some civilizations becoming great and others not. Ibn Khaldun felt that many social forces are cyclic, although there can be sudden sharp turns that break the pattern (Dion, 2007). His idea about the benefits of the division of labour also relate to *asabiyya*, the greater the social cohesion, the more complex the successful division may be, the greater the economic growth. He noted that growth and development positively stimulates both supply and demand, and that the forces of supply and demand are what determines the prices of goods. He also noted macroeconomic forces of population growth, human capital development, and technological developments effects on development. In fact, Ibn Khaldun thought that population growth was directly a function of wealth (Dion, 2007; Khaldun, 1981).

During the modern post – colonial era, as Western ideas (including Western economics) began to influence the Muslim world, some Muslim writers sought to produce an Islamic discipline of economics (Abu-Saud, 1993; Dillard, 1978; Dion, 2007; Khaldun, 1981; Khan, 1987). Because some Islamic scholars consider Islam to be more than a spiritual formula but rather a complete system of life in all its aspects, these writers believed that it should logically follow that Islam also had its own economic system, unique from and superior to non-Islamic systems. To date, however, there has been no agreement as to the methodological definition and scope of Islamic economics. But in other parts of the Muslim world the term lived on, shifting form to the less ambitious goal of interest-free banking. Some Muslim bankers and religious leaders suggested ways to integrate Islamic law on usage of money with modern concepts of ethical investing. In banking this was done through the use of sales transactions (focusing on the fixed rate return modes) to achieve similar results concerning interest. Many modern writers have strongly criticized this approach as a means of covering conventional banking with an Islamic facade (Abu-Saud, 1993; Dillard, 1978; Dion, 2007; Khaldun, 1981; Khan, 1987).

Studies in Islamic Economy Methodologies

Muhammad Anas Zarqa in 1994 explained about the Islamic economics methodology framework that Islamic economics methodology framework consists of three wings of methodologies. He concludes that the Islamic economy is built through thesis three methodological approaches. First one is the presumptions and ideas, or which called the basic principles of Islamic economics. The Qur'an, Sunnah, and Fiqih Al Maqasid are the main based of these parts. This idea can be revealed later to be a scientific approach in building a framework of economic thinking in Islam itself. Second is the nature of value judgment, or approach to the Islamic values in economic conditions occur. This approach is related to the utility concept in Islam. The third is a positive science of economics. This section explains about the economic realities of Islam and how the concept can be derived in real conditions and real (A. Zarqa, 1994).

Furthermore, Masudul Alam Choudhury in 1998 explained about the issues of Islamic economics methodologies. He mentioned that the economic approach to Islam that need to use shuratic process, or approach syura. Syura is not a democracy. Shuratic individual process methodology is replaced by a consensus of experts and market actors to create a balance in economic and market behavior. Individualism which is the basic idea of conventional economics cannot survive, because they do not respect the right of distribution, so that terciptalah a gulf between the rich and the poor (Choudhury, 1998). Umar Chapra in 2000 emphasized that there

are two flows in the economy, namely the flow of positive and normative. Normative flow is always looked something of a problem should occur, and so impressed perfeksionis idealist. While the flow of positive regard the problems of reality and the facts that occurred. The flow of this positive result is then a rational human behavior. Behavior that always see the problem from the economic point of view and the ratio nalarnya(Chapra, 2000). Furthermore, Furqani & Haneef in 2011 explained methodology of Islamic economics in two ways: (1) by examining the works by scholars in their specific writings on this subject, and (2) by observing the writings on Islamic economics, banking and finance to see how Islamic economists develop their discipline. The paper found three categories of writings, namely: (1) the *usul al-fiqh* methodology applied in economics, (2) methodological pluralism that tries to utilize various methodologies developed in both western and Islamic tradition, and (3) conventional mainstream positive economic methodology applied in Islamic cases. These are evaluated thoroughly and suggestions are made as to what needs to be done to assist Islamic economics develop (Furqani & Haneef, 2011).

Rustam & Kohsari in 2010 mentioned that the methodology of Islamic economy is of those significant spheres in the Islamic economic-studies drawing attention of the intellectuals much more than the past. This topic though enjoys some foregoing backgrounds but is still counted of those new and latest debates. To deal with the methodology while paying less attention to the basic principles and foundations of Islamic economic-studies, it would be a void and infertile effort that suffers profundity and sufficient attention. It is inevitable that we have to pay heed to the principles namely “the necessity of harmony between methods and goals, principles and standards of Islamic economy, the necessity of suitability of legitimate goal with the legitimate method, the characteristic of multi-manner in Islamic economy”. Considering the above-mentioned principles, the foundations such as “the existence of stable and fluctuating affairs in Islamic economy, the existence of two kinds of orders Mowlavi and Irshadi, the effectiveness of time and place in economy, the impressive influence of religious realm on economy, the weight intellect have in deduction of economical laws and finally the being of universal or local elements” should also necessarily be taken into account. Having all these foundations and principles into consideration, the key methods of Islamic economic-studies with emphasis on Quranic economy can be counted as following: induction, the outwardly interpretation based on subjects, utilizing the Islamic reported economic quotations, signature, exposure, systematic and establishment. It should be noted that each of these terms enjoy exclusive meaning in Islamic jurisprudence (Rustam & Kohsari, 2010).

Michel Dion has analyzed Khaldûn’s concept of history and thus the way historical development can be explained. He also mentioned what extent the Qur’anic concept of economic justice is revealing deep concerns for temporality as such. Insofar as historical development is the result of the flow of time, and thus of earthly temporality, He also analyze how we relate such temporality to given human behaviours. He chooses here to express the basic link between (earthly) temporality/(divine) eternity, on one hand, and economic justice on the other hand (Dion, 2007). Muhammad Yusuf Saleem in 2010 examine the methods of reasoning that are employed in *Fiqh* and critically discuss their adoption in Islamic economics. The paper argues that the methods used in *Fiqh* are mainly designed to find out whether or not a certain act is permissible or prohibited. Islamic economics, on the other hand, is a social science. Like any other social science its proper unit of analysis is the society itself. Methodologies of *Fiqh* and Islamic economics also differ as the former focuses on prescriptions. It prescribes what an individual should do or avoid. In contrast, Islamic economics is more concerned with describing economic phenomena. While *Fiqh*, especially worship (*Ibadat*) type, prescriptions are permanent

in nature and for all individuals, economic descriptions may change from time to time and from society to another. He argues that the methods of reasoning for discovering the truth in *fiqh* and Islamic economics are not necessarily identical. While *fiqh* has a well developed methodology in the form of *usul al-fiqh*, Islamic economics in its search for finding the truth should rely on a methodology that suits its social and descriptive nature (Muhammad Yusuf Saleem, 2010).

Three aspects of Islamic Economy Methodologies

In general, the studies observed there are three types of approaches to methodology of Islamic Economics : (1) *usul al-fiqh* Islamic Jurisprudence (2) methodological plurality, and (3) the mainstream conventional common economic methodology applied in Islamic cases (Furqani & Haneef, 2011; M.Y. Saleem, 2010).

Usul Al-Fiqh Or Islamic Jurisprudence

Shariah is the main sources for Islamic economy methodologies. It covers not only religious rituals, but many aspects of day-to-day life, politics, economics, banking, business or contract law, and social issues. The main sources of Islamic law are the Quran, the Hadith or directions of the Islamic prophet Muhammad, the unanimity of Muhammad's disciples on a certain issue. This comes from the understanding that the nature of Islamic economics is similar to *fiqh al-mu'amalah*. 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 to separate the permissible from the non-permissible, as well as to ascertain the position of the *shari'ah* on economic acts and current business events (Addas, 2008).

The usul al-fiqh used as the best suits methods interms of nature and requirements of *fiqh* as a legal system of the methodology that was subsequently developed through the efforts of Muslim jurists (Addas, 2008; Furqani & Haneef, 2011; M.Y. Saleem, 2010). It denoted a joint venture between revelation and reason where the latter is always subservient to the former. The role of human reason is to extend the normative statements of the *Quran* and the *Sunnah* to new legal issues or to provide answers to new legal problems through the process of *ijtihad*. *Usul al-fiqh* is concerned with the sources of the *Shari'ah*, the rules of interpretation and the methods of reasoning. These methods of reasoning include analogy (*qiyas*), consensus of opinions (*ijma'*), juristic preference (*istihsan*), undefined interest (*maslaha al-mursalah*), blocking the means (*sadd al-dharai'*), presumption of continuity (*istishab*) and customs (*'urf*). The exercise of *ijtihad* through these various methods of reasoning produced immense wealth of legal rules (Addas, 2008; Furqani & Haneef, 2011; M.Y. Saleem, 2010). A certain rule that does not fall within the ambit of *fiqh* cannot be extended to new issues through *qiyas*. *Istihsan* as a method of reasoning relies on *qiyas* which was initially introduced by the *Hanafi* School and later adopted by the other Schools of *fiqh*. *Istihsan* was applied to cases where a decision based on *qiyas* would produce hardship to the people. As a result a Muslim jurist will set aside *qiyas* and give preference to another evidence that may remove hardships (M.Y. Saleem, 2010).

The usul al-fiqh is divine ordinance or proofs of *shari'ah* that mainly refers to the Qur'an and *Sunnah* as well as from *'aql* (reason) in solving cases which are not explicitly indicated by the primary sources. While the experience, customs and the public interest are also well-taken in juristic formulation, a rigorous approach in dealing with them is not well-elaborated in *usul al-fiqh* as it is done in the social sciences. The methodology of Islamic economic, on the other hand, will deal with those three sources of knowledge; doctrinal-revelation, intellectual-reasoning and factual-observation thoroughly (Furqani & Haneef, 2011; M.Y. Saleem, 2010).

Pluralism Methods in Islamic Economics

Islamic methodological plurality comes from the fact that Islamic epistemology recognizes multiple sources of knowledge from where theories can be appraised. The Islamic tradition in economics has always been free of formalism, focusing on meaning and purpose with a *flexible methodology* and must be open to contributions to realize in economic affairs, the Islamic vision of good life (Matthews, Tlemsani, & Siddiqui, 2003). In addition, Islamic economics task is much greater and harder than conventional economics as it aims at furthering of human well-being, rather than just explaining, predicting or persuading (Chapra, 1996). Furthermore, this approach in Islamic economics coming from the common practice in the *interaction* and *integration* of conventional economics and Islamic heritage. Rather than just being dependent on one mainstream view, methodological sources are developed from both conventional and Islamic scientific tradition (Furqani & Haneef, 2011).

Adaptation of Conventional Economics Methodology

Islamization of conventional economics methodology is attempted to interact and integrate the mainstream economics with Islamic principles/heritage in economics and vice versa. Islamic economics methodology considered the traditional conventional theories might be accepted as long as they are not in conflict with the logical structure of the Islamic worldview (Chapra, 1992, 1996). They are not against the explicit or implicit injunctions of Islam (Mannān, 1983), or they do not contradict with the principles of Islamic teachings, and should be evaluated within an Islamic framework and using Islamic criteria (Furqani & Haneef, 2011; M.Y. Saleem, 2010).

Furthermore, (Anwar, 1992) proposes to *contrast* the components of conventional economic theories with components of an Islamic corpus and nucleus in order to *classify* the components of conventional economic theories into Islamic and neutral elements and to then *accept* the Islamic economic theories while *rejecting* the un-Islamic theories. That simplistic approach in the Islamization of economics program puts Islamic economics within the fold of Western modernist discourse in terms of theoretical concerns and methodology, and has therefore been unable to develop itself as a new and better alternative. At most, the current development of Islamic economics is working within the boundaries of neoclassical theory, with some adjustments to incorporate teachings/norms/values that reflected certain requirements of Islam (Anwar, 1992; Faridi, 1991; Furqani & Haneef, 2011; Haque, 1992)

Moreover, (M. A. Zarqa, 2003) on the other hand argues that if we *replace* those values on which the science of economics should be based by Islamic values, and if we *add* to the secular statements, then Islamic economic theories can be produced. (Hasan, 1998) states that conventional economics can be sifted, pruned, and modified, where possible, to conform to the *Sharī'ah* tenets. In general, the interaction and integration, will generally take place in two areas of the discipline; (1) the *substantive dimension of the discipline*, which includes economic concepts, principles and theories in modern economics and economic teachings or views on economic matters in the Islamic heritage, and (2) the *formal (technical) dimension of the discipline*, which includes methodology of modern economics and '*usūl*' studies in the Islamic heritage (Abu-Saud, 1993; Chapra, 2000; Choudhury & Ghosh, 1998; Furqani & Haneef, 2011; Hasan, 1998).

CONCLUSION

As the aim of this paper is to identify major's issues of challenges are in *Islamic Economics Methodology for Reasoning and the Structure of Theories*. The study has provided the

descriptive boundary that may develop *Islamic Economics Methodology* over the world to face the existing challenges for the smooth future. The study identified that Islamic economics is actually not a new discourse in Muslim society and its roots have been evolved since the earlier period of Islamic civilization emerged. The discussion on economic issues from an Islamic perspective had started earlier and flourished when Muslim scholars dominated the world scientific tradition. However, the economic issues are mainly solved by different branches and schools of economics. This raises wide variety of methodological issues and several problems have been central to methodological reflection concerning economics. The study also revealed that there are three types of approaches to methodology of Islamic Economics: (1) *usul al-fiqh* Islamic Jurisprudence (2) methodological plurality, and (3) the mainstream conventional common economic methodology applied in Islamic cases. These are evaluated thoroughly and suggestions are made as to what needs to be done to assist Islamic economics develop.

Furthermore, the study also examined the methods of reasoning that are employed in *Fiqh* and critically discuss their adoption in Islamic economics. The paper argues that the methods used in *Fiqh* are mainly designed to find out whether or not a certain act is permissible or prohibited. Islamic economics, on the other hand, is a social science. Like any other social science its proper unit of analysis is the society itself. Methodologies of *Fiqh* and Islamic economics also differ as the former focuses on prescriptions. It prescribes what an individual should do or avoid. In contrast, Islamic economics is more concerned with describing economic phenomena. While *Fiqh*, especially worship (*Ibadat*) type, prescriptions are permanent in nature and for all individuals, economic descriptions may change from time to time and from society to another. He argues that the methods of reasoning for discovering the truth in *fiqh* and Islamic economics are not necessarily identical. While *fiqh* has a well developed methodology in the form of *usul al-fiqh*, Islamic economics in its search for finding the truth should rely on a methodology that suits its social and descriptive nature. As such, the facts of economics generating from mainstream sources must be scrutinized and passed through the Islamic filter for acceptance which are well befitting to the Islamic commercial jurisprudence for ensuring maximum *falah* to the *Ummah* in the world as well as in the *akhira*. Finally, the study also observed that there is not much research has been done to survey the origin of Islamic economic thought and portray its evolution towards becoming a discipline in contemporary times with its own body of knowledge and methodology.

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