

THE ISLAMIC ECONOMICS PHILOSOPHY AND APPLICATION REALITY IN THE EXISTING ISLAMIC ECONOMIC ACTIVITIES IN THE WORLD

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. Mohd Zakhiri Bin Nor

Senior Lecturer at School of Law

Universiti Utara Malaysia, 06010, Sintok, Kedah

E-mail: Malaysia.zakhiri@uum.edu.my/mohdzakhiri@gmail.com

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

Islam offers the complete code of human life. It is applicable in every sphere of life, whether business, service or any other occupations. Islamic Economic philosophy simply expounds or refers to philosophical activity within the Islamic paradigm. The main direction of Islamic philosophy provides a complete way of life based on al-Adl and al-Ihsan. The discussion on Islamic economic philosophy issues had started earlier and flourished when Muslim scholars dominated the world scientific development tradition. However, the economic issues are mainly solved by different branches and schools of economics thoughts. Therefore, this paper has an attempt look into the philosophical issues in the area Islamic economics and its comprehensive application in the existing economy all over the world. It is a purely descriptive presentation on

the issues of Islamic economic philosophy. The study findings revealed that Islamic economic has a strong philosophical foundation where socioeconomic development can be done based on al-Adl and al-Ihsan. The study also concluded that al-Adl and al-Ihsan would be establish while economic life is directed by not only material motives but also consent of Allah and craving for happy eternal life in the hereafter.

Keywords: Islamic Economics, Islamic Economics Philosophy, Al-Adl, Al-Ihsan.

JEL Classification Codes: B29; B30; B49.

INTRODUCTION

In modern times, conventional economics is experiencing a epoch of crisis for sustainable development for the human being in the society properly. Due to these circumstances, new issues are raising within unsolved existing problem. The scholars and economists are trying to find the route of recovery for sustainable economic system in the way of social wellbeing righteously. The big gap has revealed that theory of traditional economy and reality. That's why questions have raised to rethink about existing economic philosophy to build up new paradigm of social development. On the other hand, Islam offers the complete code of human life. it is applicable in every sphere of life whether business, service or any other occupations. Islamic economic philosophy simply expounds to philosophical activity within the Islamic paradigm. The main direction from Islamic philosophy provides complete way of life based on al-Adl and al-Ihsan. Specifically, al-Adl means 'justice' and al-Ihsan means 'goodness'(Afzal-ur-Rahman, 1980). As the Holy Quran stated, "Verily God has enjoined justice (Adl) and goodness (Ihsan) (Al-Quran, Surat An-Nahl, Verse No. 90)." Together, therefore, al-Adl wa'l Ihsan stand for a state of social justice in equilibrium. Explaining this further, S.N.H.Navqi states, "as a social ideal, the principle of Equilibrium provides for a complete description of all the virtues of the basic set of social institutions, legal, political and economic"(Naqvi, 1994).

Islamic economy philosophy is just a part human daily life among whole part of activities where Islam want to provide complete and sustainable way of human life through establishing justice and goodness in the all virtues of the basic set of social and economic institutions which should be through the ultimate satisfaction of Allah (SWT). Allah (SWT) has clearly communicated in the Quran to assist each other in righteous deeds (Al-Quran, Surah Al Maida, Verse no.2), where the agreement should be written having witnesses with faithfulness between parties where any future transaction is involved (Al-Quran, Sura Baqarah, Verse No.282). Furthermore, But Allah promises you His forgiveness and bounties (Al-Quran, 2:268). This paper has a look on Islamic economic philosophy evolutions and its implications in the present modern economic activities. The study also recommended about the core philosophical issues of Islamic Economies where it can be cope with existing challenges for the smooth future.

ISLAMIC PHILOSOPHY

As Islam is a complete code of life where there are complete directions for every human based on its own and unique philosophy. Generally, philosophy is the continuous search for Hekma (Wisdom) in the light of Islamic view of life, universe, ethics, society, and so on. Islamic philosophy, understood as a "project of independent philosophical inquiry" began in Baghdad in the middle of the eighth century(Nasr, 1987). Furthermore, Islamic philosophy as the name implies refers to philosophical activity within the Islamic milieu. The main sources of classical

or early Islamic philosophy are the religion of Islam itself (especially ideas derived and interpreted from the Quran), Greek philosophy which the early Muslims inherited as a result of conquests when Alexandria, Syria and Jundishapur came under Muslim rule, along with pre-Islamic Indian philosophy and Iranian philosophy. Many of the early philosophical debates centered around reconciling religion and reason, the latter exemplified by Greek philosophy. One aspect which stands out in Islamic philosophy is that, the philosophy in Islam travels wide but comes back to conform it to the Quran and Sunna.

The Islamic Way of Life

Islam is the complete code of human life; it is applicable in every sphere of life, whether business, service or any other occupations. It has also placed central focus on poverty alleviation to establish a society free from all kinds of vices, prejudications (Munkarat) in the social, economic, spiritual, moral, ethical, intellectual and physical through a consciously participatory development agenda as well as give importance to the hereafter equally. According to Al- Quran “The Satan threatens you with poverty and bids you to do indecent things. But Allah promises you His forgiveness and bounties (Al-Quran, 2:268). Islam provides complete way of life based on al-Adl and al-Ihsan. Specifically, al-Adl means ‘justice’ and al-Ihsan means ‘goodness’ (Afzal-ur-Rahman, 1980). As the Holy Quran stated, “Verily God has enjoined justice (Adl) and goodness (Ihsan)” (Al-Quran, Surat An-Nahl, Verse No. 90). Together, therefore, al-Adl wa’l Ihsan stand for a state of social justice/equilibrium (15) Explaining this further, S.N.H.Navqi states, “as a social ideal, the principle of Equilibrium provides for a complete description of all the virtues of the basic set of social institutions – legal, political and economic” (Naqvi, 1994). Finally, an ideal Islamic society strives to abolish all forms of discrimination, prejudice, class differentiation and provide equal opportunity to all members of the society although, according to some reputed Islamic idealists, Islam does not envision absolute equality insofar as distribution of economic resources among individuals is concerned because, operationally speaking, this simply would not be feasible (Afzal-ur-Rahman, 1980).

Foundation of Islamic Economy Directions

Forasmuch, Islam is the complete code of human life. It has complete directions for human and socio-economic development, which should be through the ultimate satisfaction of Allah (SWT). Allah (SWT) has clearly communicated in the Quran to assist each other in righteous deeds (Al-Quran, Surah Al Maida, Verse no.2), where the agreement should be written having witnesses with faithfulness between parties where any future transaction is involved (Al-Quran, Sura Baqarah, Verse No.282). Shariah is the main sources of principles for Islamic economy. 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 Quran

The holly Quran is the provenance of all Islamic practice. 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 have 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 keep faith on alternative sources of Islamic law as explanation of verses of holly quaran. 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 (Saleem, 2010). The Quran has many verses on human nature. Particularly, (Al-Quran, Sura Al-'Ahzab, Verse no 72) which states that man "has always been prone to be most wicked, most foolish", verses (Al-Quran, Surat Ash Shuraa, Verse No 27) which links human transgression to affluence and richness, verses (Al-Quran, Sura An Nisa, Verse No.32, Sura Toha, Verse No.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 (Al-Quran, Sura An Nisa, Verse No.14-15) describes man's love of wealth and verse (Al-Quran, Sura Al Adiyat, Verse No.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 (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 (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 (Saleem, 2010).

The Sunnah

The second source of the knowledge of Islamic economics is the hadith of the Prophet (pbuh). Sunnah is the glorious deeds 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.

ISLAMIC ECONOMIC PHILOSOPHY AND ITS EVOLUTION

The philosophy of economics is the branch of philosophy which studies philosophical issues relating to economics. Islamic economic philosophy simply implies refers to philosophical activity within the Islamic paradigm. The main sources of classical or early Islamic philosophy are the religion of Islam itself (especially ideas derived and interpreted from the Quran). The beauty which stands behind in Islamic philosophy is that, the philosophy in Islam travels wide but comes back to conform it to the Quran and Sunna. In 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. To some degree, the early Muslims based their economic analyses on the Qur'an (such as opposition to *riba*, meaning usury/interest), and from sunnah, the sayings and doings of Muhammad (PHB). Islam permits trade and forbid *riba*. The holly Quran mentions about trade and commerce for the wellbeing of humanity to ensure *falah* in the *Akirah*. As per Islamic Economic philosophy, the whole trade and commerce must have to be adhered to all the Islamic rules and ethical justice. Trade and commerce are basically involves trading of goods and services in real economy. The effect of sale, trade and commerce is complete transfer of ownership by the seller to the buyer. In other to justify the profit, one need to make an effort and taking the risk. This is in line with Islamic principle of *al ghurmu bi al ghurmi* and *al haraj bi al dhaman*.

Later on prominent scholar *Ibn Khaldun* radically changed the concept economics and link with Islam, economics, social and political issues within wide ranged. His idea about the benefits of the division of labor also relate to shariah, 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.

Later on Islamic Economics and socialist economic policies are found in similarities within some context. According to the hadith of the Prophet of Islam “*Ibn Abbas* reported that Muhammad said: "All Muslims are partners in three things—in water, herbage and fire." (Narrated in Abu Daud, & Ibn Majah) Anas added to the above hadith, "Its price is Haram (forbidden)" Islamic jurists have argued that privatization of resources of oil, gas, and other fire-producing fuels, agricultural land, and water is forbidden. The principle of public or joint ownership has been drawn by Muslim jurists from the following hadith of the Prophet of Islam. While a common currency (Diner) circulation in wide form then a vigorous monetary economy developed and the integration of previously independent monetary areas. Business techniques and forms of business organization employed during this time included early contracts, bills of exchange, long-distance international trade, early forms of partnership (mufawada) such as limited partnerships (mudaraba), and early forms of credit, debt, profit, loss, capital (al-mal), capital accumulation (nama al-mal) etc. Finally 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 support investing without interest-bearing debt. Many modern writers have strongly criticized this approach as a means of covering conventional banking with an Islamic shariya.

Al Ghazali explained the reason of prohibition of riba al fadl on account of the fact it violate the function of money and condem of hoarding of money because this practice obstruct the process and function of money as medium of exchange (*Tubagus Thresna Irijanjo, Mohd Azlan Shah Zaidi, Abdul Ghafar Ismail and Noraziah Che Arshad, 2015*)

ISSUES WITHIN ISLAMIC ECONOMIC PHILOSOPHY

Islamic Economics

Islamic Economy is just a part human daily life among whole part of activities where Islam want to provide complete and sustainable way of human life through establishing justice and goodness in the all virtues of the basic set of social and economic institutions which should be through the ultimate satisfaction of Allah (SWT). Allah (SWT) has clearly communicated in the Quran to assist each other in righteous deeds (Al-Quran, Surah Al Maida, Verse no.2), where the agreement should be written having witnesses with faithfulness between parties where any future transaction is involved (Al-Quran, Sura Baqarah, Verse No.282). Furthermore, But Allah promises you His forgiveness and bounties (Al-Quran, 2:268). Islam provides complete way of life based on al-Adl and al-Ihsan. Specifically, al-Adl means ‘justice’ and al-Ihsan means ‘goodness’ (Afzal-ur-Rahman, 1980). As the Holy Quran stated, “Verily God has enjoined justice (Adl) and goodness (Ihsan) (Al-Quran, Surat An-Nahl, Verse No. 90).” (16:90). Together, therefore, al-Adl wa’l Ihsan stand for a state of social justice/equilibrium (15) Explaining this further, S.N.H.Navqi states, “as a social ideal, the principle of Equilibrium provides for a complete description of all the virtues of the basic set of social institutions—legal, political and economic”. Moreover, it is based in the form of balance in economic and social life where rejecting extremism, eliminating it in both opposite sides and it has also considered what is the most suitable for human nature by representing the moderate way through revealed sources. Some of few specific definitions have drawn out in the following section.

“Islamic economics is a social science which studies the economic problems of a people imbued with the values of Islam”-- *M.A. Mannan* (Mannan, 1980)

“Islamic economics as the study of “the human falah achieved by organising the resources of the earth on the basis of co-operation and participation” (Khan, 1982)

S.M Hasanuz Zaman stated that Islamic economics is the knowledge and application of injunctions and rules of the Shari'ah that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society” (Hasan-uz-Zaman, 1991).

As Islam came with to establish social justice with peace and rights of each other, therefore, the main goals of Islamic Economics are to provide maximum economic welfare for everybody in society by solving all problems.

Islamic economics solved the problem of production by giving vast economic freedoms to individuals such as private property and enterprise, by encouraging working, earning and then sharing, by taking measures to prevent economic resources from remaining idle and by removing all barriers blocking national and international trade. Thus, Islamic economics has aimed an ideal community with high level of production crowned with just income distribution. Moreover, Islamic Economics and other secular economic systems can be said to be the same as the difference between the ‘limited bodily satisfaction and pleasure’ and the ‘unlimited spiritual satisfaction and pleasure added to the limited bodily satisfaction and pleasure’ with a question in mind if man composed of spirit and body can be happy only with the limited bodily satisfaction by neglecting the spiritual satisfaction.

Concept of Human Being

According to Islam all the system has created for the accommodation of human being the best creature of Allah (SW). Allah (SW) created human being for testing in a certain nature in their life to rewards in the hereafter. Moreover, human being is a candidate for the life in the hereafter; they should have the aim of gaining the hereafter in this world. The testing question of human, who is being tested to gain the hereafter, will not be only about whether he has fulfilled his duties of worshipping; he will also be questioned about his economic decisions and actions about production and consumption. According to Islam, human being’s economic life is directed by not only material motives but also consent of Allah and craving for happy eternal life in the hereafter, all stronger than, and dominate, material motives. Being the vicegerent of Allah on the earth makes him to live in accordance with the orders of Allah who has appointed him in this world and who represents Allah on the earth. Holly Quran notes (21:16). On the contrary, he was deliberately created and fashioned in the best of moulds by the Lord of the Universe, Almighty God, for a specific purpose and mission. The specific purpose and mission has answered from almighty that “I have only created *Jinn* and *Insan*, that they may serve and worship Me.” (51:56) Thus God created human being for his worship and servitude alone. For more explanation, the Arabic word *Ibadah* as employed in the above verse denotes more than just worship and servitude to God. According to Islam human being are the true representatives or *khalifah* of Allah (SW) and they indeed will do accomplish their mission in life and hereafter on for satisfaction of al-mighty. Furthermore, Allah said in his another word that “It is He (God) who hath made you (His) agents, inheritors of the earth: He hath raised you in ranks, some above others: that He may try you in the gifts He hath given you; for thy Lord is quick in punishment: yet He is indeed oft-forgiving, most merciful” (61:65)

Islamic economic resolute ultimate aims towards off balance economic development within Islamic ethics, realization of just income distribution and social justice, and maintaining individual freedom. The verses of the Quran encourage economic development indirectly by

leading people to acts and behaviors like eating, drinking and well-dressing, which are both causes and effects of economic activities but it brings some ethical and spiritual limitations like not doing evil or mischief in the economic activities, not going extreme and not wasting. Moreover, Islam also given clear direction on the economic development for human would be only for satisfaction of almighty rather Islam does not accept any barrier to the material development of the community. Islam even sees material welfare as a virtue. Their value is measured through their positive and impartial contribution to the material and spiritual existence of human being.

Establishment of ethical and spiritual structures for Social Justices merely

Islam is not merely a name of religion as like as other existing religion but it has complete directions for human life towards hereafter. Islam gives great importance to establish *adl* and *Ih'san* in the society for equal opportunity for all human. In concerned, above issues Islamic economics provide way for distribution of the income earned –or the loss incurred- as a result of the economic activities carried out by the combination of the factors of labor, capital and land in various rates among those factors. It has stated very straighter way about the matter if owner of any right is rich or poor, a man or an animal, a Muslim or a non-Muslim. Moreover, the right must be given to its owner, and the violation of rights must certainly be prevented. If a poor person suffers a loss in a transaction between a rich and poor person, it is certainly very bad. However, if a rich person suffers a loss in the same transaction, it cannot be accepted, either. Similarly, if the person receiving interest income suffers a loss like the person who pays it (a negative interest), it is also bad. It does not matter to whom the right belongs, and who experiences a financial loss. Equal distribution of income and social justice are the basic theme of the Islamic economic system. Islam aims to realize these theme in two phases that are regulatory and corrective. Mainly Islamic economics is based on the principles of the prohibition of interest and the obligation of *zakat*.

Roles of state

The world runs within a boundary of specific state based on certain rules and regulations. As we mentioned earlier Islam provides a comprehensive socio-economic restructuring designed to help in actualization of the desired goals and minimizing existing imbalances which may not be possible without state that plays an active role in the economy. The Islamic state is the prime priority to establish complete islam in the everywhere in the society where it could be play an effective role in the economy(Chapra, 1981; Naqvi, 1994; Nasr, 1987; Saleem, 2010; Warde, 2000). The state would be determined about the social priorities in the use of resources and to educate, motivate and help the private sector to play a role which is consistent with goal realization. The role of the state in Islam has been developed by the *Prophet Muhammad* and the early companions implemented the affairs of state. After that the same general pattern was practiced by all the righteous *khalifahs*. Departures from this pattern under the early *Umayyads* were condemned and largely reversed under the great reformer *Umar ibn Abdul Aziz*(Nasr, 1987).

On the other hand, The Islamic state take the responsibility for performing the desired role effectively in a way that allows maximum possible freedom and initiative for the private sector. For the implementing of Islamic values, and the more effective socio-economic institutions and financial intermediation, state is only way of proper environment for a just equilibrium between resources and claims. Moreover, the greater the accountability of the

political leadership before the people, and the greater the freedom of expression and the success of the news media and the courts in exposing and penalizing inequities and corruption, the more effective the Islamic state may be in fulfilling its obligations. In short, it is a duty of executive governmental functionaries to enhance Islamic economy system (Mohd Zakhiri, 2017)

Income Distribution and Social Justices

According to Islam Economic philosophy “poverty is not only social evil but ideological evil also”. As, poverty degrades societal status of the vicegerents of Allah, it also create too many social problems out of the poor nations as a disadvantaged position in the world society. Humans dislike poverty and hence it is the obligation of the rich to help the needy, that the neglect of this obligation resembles denial of Islam itself. In sequence of that sense, the Islamic approach to poverty alleviation is more inclusive than the conventional one (Afzal-ur-Rahman, 1980; Akhter, Akhtar, & Jaffri, 2009; Arif, 1985; Chapra, 1979). It provides the basic and methodical settings of sustainable and successful microfinance, blending wealth and creating sources of Income Generating Activities (IGAs) for the poorest of the poor. It has been formed uniquely on the basis of certain holistic approach; these are described as follows.

- A) Full Access to the poorest of the poor to the program
- B) Carefully assesses the financial health of the poor; enquiry blended with empathy; insistence on contribution and beneficiary stake;
- C) The giving of priority on the basis of meeting the basic needs and investment of the surplus in a productive asset
- D) The program participant must be involved in capacity building activities for income generation and technical assistance to the beneficiary; Commitment of top management to the program;
- E) MFIs must take care about the technical assistance in the form of imparting requisite training to the beneficiary for carrying out the income-generating projects.
- F) Finally, MFIs should emphasize on spiritual, moral, ethical, and intellectual development of the participants.

Ownership and Property

Zakat is the one of five fundamental pillars Islam. It is denoted about the rights of poor to the rich people because of Allah (SW) stated in Holly Quran that he is the only owner of all the property “To Allah belongs the dominion of the heavens and the earth, and all that is between them” (Sura Maida, 17). In the same way, “Allah bestoweth His Sovereignty on whom He will” (Sura Baqara, 247). Furthermore, “Allah, who is the owner of the property, gave man the right to use it on behalf of Him because man, for whom everything was created, is the caliph of Allah on the earth that is His vicegerent” (Sura Baqara, 29). It is his mercy to use the property for the individual righteous way. Where Allah (SW) mentioned in the holly Quran “To men is allotted what they earn, and to women what they earn” (Sura Nisa, 32.). That’s why Islam considered individual the right to private property. Man needs to be given that right as a requirement of individual freedom so that he will be freely and justly tested in this world. The property also could be acquired through hibah (Alias Azhar, Mohd Zakhiri, 2019). Hibah is basically a unilateral contract which does not require the acceptance from the receiver of the hibah,

It is also interesting to compare the concept of ownership rights between western and Islamic jurisprudence. From Islamic perspective, ownership is discussion on the origin of a subject matter. Allah owns everything in this world as every came from Him.” They say: Allah has taken a son (to himself)! Glory be to him. He is Self-sufficient, His is what is in the heavens and what is in the earth, you have no authority for this. do you say against Allah what you do not know?”(10:68). Ownership also known as *milkiyyah* or *milki* which the words adopted from Arabic word that meant as possession over the asset and has the ability of using it. This shows that the right to property is an “exclusive” right. Thus, the owner has control over his or her asset to the exclusion of others. Other person has no rights to use someone’s property without the owner’s permission. As far as western perspective is concerned, ownership and possession at first don’t have any distinction but it is change later on when the Roman give clear distinction between them. A few jurist have made an attempt in explaining ownership. John Austin describes ownership as “right which avails against everyone who is subject to the law conferring right to put things to user if infinite nature”, According to Holland, “ownership is a plenary control over object”. While Salmond stated that ownership entrust the complex rights which he exercises to the exclusive of all others”. Based on Salmond’s definition, it is understood that there are two attributes of ownership which is the first one would be it is a relation between a person and right that is vested in him, and the second one would be ownership is incorporeal body or form.

Besides, the source of economic development, innovation and dynamism is private property and private enterprise based on it. Islam proves to have a dynamic socio-economic system open to development and innovations by giving the individual the right to private property and enterprise. Islam does not make any discrimination between man and woman regarding private property. Islam also pointed out about the right of private property to a person is limited with, and conditional on, the public interest. Some of those conditions and limitations are determined by some material and spiritual sanctions. In this issues, Prophet (pbuh) said, “Nobody has ever eaten a better meal than that which one has earned by working with one’s own hands” (Bukhari Hadith No.15).

Islam is acknowledged right of property in conditionally, in order to harmoniously compromise public and private interests. Because without of seeking of public purpose social justice would not be possible. Furthermore, voluntary ones are intended to be fulfilled through spiritual sanctions so that individual freedom can be ensured and so that the enabled individual abilities can emerge in the economic field, thus testing man in this worldly life through his free will.

Islamic Financing

Islam has made clear its goal for human being and socio-economic development, which should be through the ultimate satisfaction of Allah (SWT). Allah (SWT) has clearly communicated in the Quran to assist each other in righteous deeds (Al-Quran, Surah Al Maida, Verse no.2), where the agreement should be written having witnesses with faithfulness between parties where any future transaction is involved (Al-Quran, Sura Baqarah, Verse No.282). The prophet Mohammad (PBUH) has also stressed on cooperation and assistance, as it appears in *Al-Bukhari and Muslim* as: “Believers are to other believers like parts of a structure that tighten and reinforce each other.” Another Hadith narrated by *Annas ibn Malik* notes how the prophet put more emphasis on solving poverty with trade, where the prophet suggested a poor man to sell some articles from his house and buy an axe to cut wood from the jungle and sell it in the market for earning money.

Narrated by *Ubaydullah ibn Adl ibn al-Khiyar*, it appeared in *Abu Dawood*, another Hadith which says: "If you wish, I shall give you something, but there is nothing spare in it for a rich man or for one who is strong and able to earn a living". *Aub Dawood* also reported that Allah's apostle reported that begging is a negative sign that would come on the face of the beggar. These Hadiths and Quranic verses clearly provide evidences of how Islam looks at poverty and what are its solutions. Primarily, it can be concluded that Islam looks into working hard and trading for solving poverty, where patience with belief upon Allah (SWT) play a leading role.

There is definite direction in the Holy Quran and Hadith about the successful system of Islamic financing to remove poverty from the society. Allah (SW) says that "who is it that will lend Allah a qard hasan which He will multiply for him (the lender) many times and for him shall be a generous recompense" (Al-Quran, Sura Hud, Verse No. 57). On the other hand, "Verily, those who give sadaqa, men and women, and lend to Allah a qard hasan, it shall be increased manifold (to their credit), and theirs shall be an honourable good reward (Al-Quran, Sura Hadith Verse no. 18)" in the same way, "If you lend Allah a qard hasan, He will multiply it for you. Allah is the most appreciating, the most forbearing (Al-Quran, Sura Bani Israiel, Verse No. 64)." Furthermore, "Oh yes who believe! When you deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing" and "Let a scribe write down faithfully as between the parties" (Al-Quran, Sura Baqarah, Verse No.282). Moreover, "Assist one another in the doing of good and righteousness. Assist not one another in sin and transgression, but keep your duty to Allah" (Al-Quran, Surah Al Maida, Verse no.2)

The Prophet (pbuh) also reinforces this principle of cooperation and mutual assistance. "Believers are to other believers like parts of a structure that tighten and reinforce each other" (Al-Bukhari and Muslim). Narrated by *Ubaydullah ibn Adl ibn al-Khiyar*: Two men informed me that they went to the Prophet (peace be upon him) when he was at the Farewell Pilgrimage while he was distributing the sadaqah and asked him for some of it. He looked us up and down, and seeing that we were robust, he said: If you wish, I shall give you something, but there is nothing spare in it for a rich man or for one who is strong and able to earn a living (Dawood, 1637 Kitab al-Zakah, Book 9).

Another famous Hadith not only underscores the essence of the above Hadith, but also demonstrates how to design and implement a strategy of poverty alleviation. The Hadith is broken down into numbered statements so as to highlight the key principles of such a strategy from them. Narrated by *Anas ibn Malik*: "A man of the Ansar came to the Prophet (peace be upon him) and begged from him. He (the Prophet) asked: Have you nothing in your house? He replied: Yes, a piece of cloth, a part of which we wear and a part of which we spread (on the ground), and a wooden bowl from which we drink water. He said: Bring them to me. He then brought these articles to him and he (the Prophet) took them in his hands and asked: Who will buy these? A man said: I shall buy them for one dirham. He said twice or thrice: Who will offer more than one dirham? A man said: I shall buy them for two dirhams. He gave these to him and took the two dirhams and, giving them to the Ansari, he said: Buy food with one of them and hand it to your family, and buy an axe and bring it to me.

He then brought it to him. The Apostle of Allah (peace be upon him) fixed a handle on it with his own hands and said: Go, gather firewood and sell it, and do not let me see you for a fortnight. The man went away and gathered firewood and sold it. When he had earned ten dirhams, he came to him and bought a garment with some of them and food with the others. The Apostle of Allah (peace be upon him) then said: This is better for you than that begging should

come as a spot on your face on the Day of Judgment. Begging is right only for three people: one who is in grinding poverty, one who is seriously in debt, or one who is responsible for compensation and finds it difficult to pay.

It is important to note the roles of money in Islam are medium of exchange, unit of account, store of value and standard of deferred payment (ISRA, 2011, Mausudul Alam Choudhury, 1997). Money cannot be treated as commodity of trade because the essence of money is merely as medium of exchange.

Islamic Mode of Financing

Islam prohibits *riba* but encourages trade for profit. According to Al-Quran “Allah will deprive *riba* of all blessing, but will give increase for deeds of charity: and Allah does not love the ungrateful and unjust (Al-Quran, Sura Baqarah, Verse No.276). In the same way holy Quran depicts “Oh believers, fear Allah and forgo the interest that is owing, if you really believe (Al-Quran, Sura Baqarah, Verse No.278). The holy Quran declares trade to be lawful means of livelihood as opposed to *riba*, which is forbidden for being oppressive and exploitative. The essence of financial intermediary under conventional finance is money borrowing and lending with interest. Unlike under Islamic finance the essence of financial intermediary is in difference footings via *mudarabah*, *musharakah* and *wakalah*.

The Islamic Micro Credit Models has been formed through the concept of Islamic “Shariah” in finance i.e. *Mudaraba*, *Bai-Muajjal*, *Murabah*, *Ijara* and *Bai-Salam*. The most useful and popular Islamic microcredit model are as described below (Kaleem & Ahmed, 2010; Obaidullah, 2008a).

Mudaraba mode of financing

Mudaraba is one of the most popular ways of Islamic financing where a whereby the entrepreneur can mobilize funds for its business activity. The institution provides expertise and management and is referred to as the *Mudarib*. Normally financiers (called *rabb al-mal*) for conducting business on the basis of predetermined profit sharing. In this partnership, *rabb al-mal* will invest capital and *mudarib* will invest labor. The *mudarib* will be rewarded by shares in the profit without loss but the *rabb al-mal* will have shares in both profit and loss. In effect, the microfinance program takes “equity” in the enterprise through the loan. Initially, the program may own 100 percent of the shares and would hence be entitled to its predetermined share of all the profit. But as each loan installment is repaid, the micro entrepreneur “buys back” the shares. As a result, the finance program earns less profit with each repayment received (Alam, 2003; Kaleem & Ahmed, 2010; Obaidullah, 2008a)

Musaraka mode of financing

Musaraka is also equity partnership contract between two partners just like the *mudaraba* contract, but the basic difference being that in the former both the partners participate in the management and the provision of capital, and share in the profit and loss. Profits are distributed between the partners in accordance with the ratios initially set, whereas loss is distributed in proportion to each one’s share in the capital (Alam, 2003; Kaleem & Ahmed, 2010; Obaidullah, 2008a, 2008b; Obaidullah & Khan, 2008). Islamic financial institution offers *musharakah mutanaqisah* as mode of financing. However, there are legal issues and challenges in implementing this product in Islamic finance market (Mohd Zakhiri Md Nor, Ani Munirah Mohamad, 2019)

Murabah mode of financing

The murabaha contract is similar to trade finance in the context of working capital loans and to leasing in the context of fixed capital loans. Under such a contract, the finance program literally buys goods and resells them to the enterprises for the cost of the goods plus a mark-up for administrative costs. The borrower often pays for the goods in equal installments. This model is easier for borrowers to understand and simplifies loan administration and monitoring. The finance program owns the goods until the last installment is paid (Ahmed, 2002; Akhter, et al., 2009; Kaleem & Ahmed, 2010; Obaidullah, 2008a, 2008b; Obaidullah & Khan, 2008).

Bai-muajjal mode of financing

Bai-Muajjal is another product of Islamic financing where enterprises sells goods on credit to the members i.e. sales in which goods are delivered immediately but payment will be deferred. (Ahmed, 2002; Kaleem & Ahmed, 2010; Obaidullah, 2008a; Obaidullah & Khan, 2008).

Bai-salam microcredit model

Bai-Salam is also a contact of sale in which payment is made in advance by the buyer and the delivery of the goods is deferred in time in the future by the seller. Here the price is paid at the time of the contract but the delivery takes place at a future date. This mode enables entrepreneurs to sell their output to the bank at a determined price in advance. (Ahmed, 2002; Kaleem & Ahmed, 2010; Obaidullah, 2008a; Obaidullah & Khan, 2008).

Micro-leasing (Ijara)

The term Ijara means leasing or hiring of a physical asset. Ijara is also a contact between Financial Institutions and their members where Financial Institutions lease their assets to the borrowers to use within a certain time on the basis of rental mode. It is a popular debt-based product in which the FIs assume the role of a leaser and allow their clients to use a particular asset that they own (Ahmed, 2002; Kaleem & Ahmed, 2010; Obaidullah, 2008a; Obaidullah & Khan, 2008).

SUMMARY AND CONCLUSION

As the aim of this paper is to identify majors issues of challenges are in *Islamic Economics philosophy for Reasoning and the Structure of Theories*. The study has provided the descriptive boundary that may develop *Islamic Economics philosophy*. *The study concluded that* Islamic economy philosophy is just a part human daily life among whole part of activities where Islam want to provide complete and sustainable way of human life through establishing justice and goodness in the all virtues of the basic set of social and economic institutions which should be through the ultimate satisfaction of Allah (SWT). This paper has a look on Islamic economic philosophy evolutions and its implications in the present modern economic activities. The study also identified that the main direction from Islamic philosophy provides complete way of life based on al-Adl and al-Ihsan. The discussion on Islamic economic philosophy issues had started earlier and flourished when Muslim scholars dominated the world scientific tradition and practice.

The study mainly stated that Islamic economic has strong philosophical hold where socioeconomic development can be done based on al-Adl and al-Ihsan. The study also concluded that al-Adl and al-Ihsan would be establish while economic life is directed by not only material motives but also consent of Allah and craving for happy eternal life in the hereafter. The study

also recommended about the core philosophical issues of Islamic economies where it can be cope with existing challenges for the smooth future. Finally, the study also observed that there are not much research has been done to survey for analysing of core issues of Islamic economic philosophy in compare other islamic economic decipline as well.

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