

THREE DECADES of ISLAMIC ECONOMICS: ACHIEVEMENTS, SHORTCOMINGS & FUTURE AGENDAS¹

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ABSTRAK

Ekonomi Islam telah hidup kembali selama tiga dekade terakhir. Konferensi OKI yang diselenggarakan di Makkah pada tahun 1976 menandai titik awal yang penting perkembangannya. Pemerintah di banyak negara, universitas di seluruh dunia dan orang-orang pada umumnya telah merespon dengan sangat positif pada kedatangan sistem baru ini. Makalah ini memberikan deskripsi singkat tentang latar belakang sejarah, dan kemajuan munculnya Ekonomi Islam. Selama waktu itu, prestasi dan kekurangan akan dibahas dan dianalisis. Pada akhir makalah ini, penulis memberikan beberapa pendekatan dan agenda masa depan pada beberapa hal untuk memastikan pembangunan masa depan ekonomi Islam. Para penulis percaya bahwa meskipun ekonomi Islam belum mencapai tingkat terkenal sebagaimana ekonomi konvensional, suatu hari akan mampu menjadi sistem ekonomi unggul dan membawa kita ke masa keemasan Islam seperti sebelumnya.

Keywords: Ekonomi Islam, Ekonomi Konvensional, Prestasi, Kekurangan, Pendekatan Masa Depan, Agenda

ABSTRACT

Islamic Economics has been reviving for the last three decades. OIC conference which was held in Makkah in 1976 marked the important starting point of its development. Governments in many countries, university around the world and people in general have responded very positively on the coming of this new system. This paper gives the short description of the historical background, and progress of the emergence of Islamic Economics. During that time, achievements and shortcomings will be discussed and analyzed. At the end of this paper, the authors provide some possible future approaches and agendas on several things in order to ensure the future development of Islamic economics. The authors believe that although Islamic economics has not reached the level of prominence as conventional economics yet, one day it would be able to be the superior economics system and bring us to the golden period of Islam as it was before.

Keywords: Islamic Economics, Conventional Economics, Achievements, Shortcomings, Future Approaches, Agendas

1. INTRODUCTION

Islamic economic has been having revival for the last three decades. One of the indicators could be seen from the resurgence of Islamic banking & finance sector. The emergence of Islamic economics started on 1976 when the 1st Islamic economics conference was held in Mecca Organized by IDB. as a result, we can see the rapid Proliferation of Islamic Banking & Finance industry. Many scholars from Muslim countries participated in the conference. One of the main agendas of the conference was to make the Islamic Economics as an alternative to contemporary economics which are Socialism and Capitalism at that time. In addition, the petrol dollar in the Middle East area was also the contributing factor in the resurgence of Islamic economics system.

Currently Islamic economics is trying to develop a distinct economics based on two important sources which is Qur'an and Sunnah. According to Yusuf Qardhawi², the characteristic of the two contemporary economics namely Socialism & Capitalism are post in two extreme points which are counter productive. Socialism allows government intervention in order to control the economy and as the consequences, it will constrain an individual freedom and right in economic activities. Whereas in Capitalism, individual freedom has become the heart of the economy whereby there is the possibility that exploitation might happen among the economic agents. However, Islamic Economy stands in the middle between Socialism and Capitalism. Islamic Economy also allows the individual freedom and protects the human rights from injustice and exploitation. In its interaction, government intervention plays an important role whereby the policy made should be in line with the Islamic Shariah. As long as economics activities and market mechanism run justly and does not threaten other people rights the role of government will be minimum, however if there is unjust activities done by several groups of economics agents in the market,

government can interfere to ensure justice in the production, distribution and redistribution mechanism. In Appendix I authors have provided the comparison of salient features of those three economics system and how those three systems decide the economics activities on what to produce, how to produce and for whom to produce.

After the collapse of Socialism, even though the Capitalism becomes dominant in governing the world economy, the Capitalism has not yet contributed to make the well established and sustainable economy. It can be seen from the high level of poverty, criminal, unemployment, prostitution, and other negative indications which are popular among the Capitalist Economic phenomena (Sakti, 2007). As a result of the above situations, Islamic Economics can be the solution to contemporary economy. Islamic Economics is supported by the Divine Guidance (*wahy*) before the intellect (*aql*) (Rosly, 2005), compared to Mainstream Economy which solely based on the intellect (*aql*). Islamic Economy is actually a part of ibadah of human beings to Allah in the form of economic activities. Meaning, every Economic activities that human beings involve with should have the social value and in line with Islamic laws and Shariah.

Some people argue that Islamic Economics is a new paradigm which came up to the surface to become an alternative to current economics paradigm. However, according to Presley & Sessions (1994), Islamic Economic is not a new paradigm, it is indeed that "Islamic economics has come to the fore in recent years in certain Muslim states is indisputable, but it has been in the background of the Islamic economy since the publication of the Holy Quran, and, in this sense, it is much older than the theoretical foundations of most Western economic paradigms" (p.585). Furthermore, authors believe that Islamic economics is not an alternative to the contemporary economics system, but it is a solution whereby the

¹ The authors would like to thank to bro Irfan Syaouqi Beik for his comments on this paper

² Yusuf Qardhawi, Peran Nilai dan Moral dalam Perekonomian Islam, Rabbani Press, Jakarta, 1995.

theory and the practice of it is derived from divine sources such as Holy Quran, Hadith and Sunnah.

One of important aspects that differentiate between Islamic Economic and Conventional Economics (Capitalism) is the prohibition of interest (*riba*). The payment of *riba* is clearly prohibited by Quran and the investors must instead be compensated by other means. Investors in Islamic Economics should be compensated by profit & loss sharing (*mudaraba*) contract whereby the return given to the lenders must be accordance with an agreed ratio in the profit/loss (outcome of the project) in which they have invested. *Mudaraba* is one of the Islamic banking products in which Islamic banking & finance is

a specialization or sub knowledge of Islamic economics (Rosly, 2005). Furthermore, transactions in Islamic economics must free not only from elements of *riba*, but as well from *Gharar*, Gambling and transactions that involve a prohibited property (Saleem 2009).

This paper will set out as follows: Section I Introduction whilst section II will discuss the Definitions of Islamic Economics from several scholars. The Achievement and the shortcoming of Islamic economics for the last 30 years will be discussed in section III and Section IV will discuss on the Future Approaches & Agendas. Some final comments and conclusion are collected in section V.

2. ISLAMIC ECONOMICS DEFINED

So far as Islamic economic in general is concerned, there are a lot of scholars that have written the literature on Islamic economics and supported its development such as, *Muhammad Umar Chapra, S.M Hasanuzzaman, M.A Mannan, Khursid Ahmad, Muhammad Nejatullah Siddiqi, S.N. Haider Naqvi, Mohamed Aslam Haneef* and many more. Nevertheless, they are in different opinion in defining the definition on Islamic economics. According to Muqorobin (2004), every definition carries subjective perception of the person or people behind. Therefore the truth of such definition is certainly interpretative, dependant upon the understanding of the person upon the subject matter defined. Due to this reason, Haneef (1995) notified that some economist avoid using clear-cut definition in their works. In this paper, authors have chosen several definitions of Islamic Economics from prominent scholars mentioned above. These definitions are elaborated by Chapra (2000) in his books and they are arranged chronologically as follows:

1. According to Muhammad Umar Chapra, "Islamic economics is defined as branch of knowledge which helps realize human well-being through an allocation and distribution of scarce resources that is in conformity with Islamic teachings without unduly curbing

individual freedom or creating continued macroeconomic and ecological imbalances." (Chapra, 2000. p.146).

2. S. M. Hasanuzzaman, "Islamic economics is the knowledge and application of injunctions and rules of the Shariat 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." (Hasanuzzaman, 1984. p.52).
3. M.A. Mannan, "Islamic economics is a social science which studies the economic problems of a people imbued with the values of Islam." (Mannan, 1986. p.18).
4. Khursid Ahmad, Islamic economics is "a systematic effort to try to understand the economic problem and man's behaviour in relation to that problem from an Islamic perspective." (Ahmad, 1992. p.19).
5. M.N. Siddiqi, Islamic economics is "the Muslim thinkers' response to the economic challenges of their times. In this Endeavour they were aided by the Qur'an and the Sunnah as well as by reason and experience." (Siddiqi, 1992. p.69).
6. M. Akram Khan, "Islamic economics aims at the study of human *falah* {well-being} achieved

by organizing the resources of the earth on the basis of cooperation and participation." (Khan 1987. p.33).

7. S.N. Haider Naqvi, "Islamic economics is the representative Muslim's behaviour in a typical Muslim society." (Naqvi, 1994. p.13)
8. Another definition from Mohamed Aslam Haneef, An Professor in International Islamic University Malaysia, defined that "Islamic economics is a study of economic behaviour of human being based on values, norms, laws and

institutions derived from the Islamic Shariah". (Haneef ,1997. p.15)³

We can see based on the scholarly definitions above, they tend to describe the Islamic economics as social science that study economics behaviour of human being. In addition, some scholars said that Islamic Economics is used to study and solve the problem of economics (one of which is problem of scarcity) which uses divine sources derived from Islamic Shariah.

3. ACHIEVEMENTS & SHORTCOMINGS FOR THE LAST THREE DECADES

Achievements

Since the emergence of Islamic economic last three decades, there are a lot of achievements that has been carried out. In this section we will investigate the achievements of Islamic Economics as follows:

Firstly, the achievement of the Islamic Economics nowadays can be indicated from the *rapid growth of its literature*. There are many literatures about Islamic Economics and its sub knowledge, such as Islamic banking & finance, Islamic insurance and the like, which had been written by the current Islamic scholars. Muhammad Nejatullah Siddiqi in his book *Muslim Economic Thinking – A Survey of Contemporary Literature* (Siddiqi, 1981), on 1981 had done a survey on Islamic Economics literature which developed at that time. He enumerated about 700 books and articles published on the issues of Islamic economics in the second half of 20th century covering three languages - Arabic, English & Urdu. According to siddiqi (1981), the literature on Islamic economics can be categorized in to five groups as follows:

- Economics philosophy of Islam
- Economics system of Islam including comparative studies between Islam and other 'ism'
- Islamic critique of contemporary economics systems

- Economics analysis from an Islamic framework
- History of Islamic economic thought

We believe that the amount of literatures in Islamic Economics have grown more than double nowadays. In *Appendix II*, authors provide some information of the recent books and Journal related to Islamic Economics and its sub knowledge that can be referred to gain some of the knowledge of the subjects. The books that authors propose are easier to be understood since it has simple language and clearer elaboration and concept and ease the readers to learn and understand the topic.

Secondly, the achievement of Islamic Economics can be perceived from *many Islamic Economics subjects and thoughts offered in several institutions*. Furthermore, there are many institutions as well that offer bachelor, master and Phd degree specialization in Islamic economics science and its sub knowledge. A number of higher learning and research institutions have played a crucial role in the development of Islamic economics. In addition, not only Muslim countries offer the study on Islamic Economics and its Sub Knowledge but also from Non-Muslim Countries. In the following table shows some of the details.

³Please see Haneef (1997)

Table 1

Institution	Established	Country
The Association of Muslim Social Scientists	1972	USA
The Islamic Foundation	1973	Leicester, UK
Islamic Economics Research Bureau	1976	Dhaka, Bangladesh
The Centre for Research in Islamic Economics (King Abdul Aziz University)	1977	Jeddah, Saudi Arabia
The International Institute of Islamic Thought	1981	USA
The Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IDB)	1983	Jeddah, Saudi Arabia
The International Institute of Islamic Economics	1983	Islamabad, Pakistan
The College of Economics at the International Islamic University (Now has become International Islamic University Malaysia)	1983	Kuala Lumpur, Malaysia

Out of the institutions stated from the above table, the Centre for Research in Islamic Economics at King Abdul Aziz University and The Islamic Research and Training Institute at the IDB deserve a special credit for their outstanding contributions. The Centre's contribution has been already recognized by the IDB award in Islamic economics in 1993 (Chapra, 1996). In addition to that, there are also several most recent educational institutions that offered Islamic Economics study such as Universiti Darul Iman Malaysia (Trengganu), State Islamic University of Indonesia (Jakarta), Airlangga University Indonesia (Surabaya) and Muamalat Institute of Bank Muamalat Indonesia. Constraint by its limitations, Authors have no intentions to explore all the institutions. However, it has been enough evidences that Islamic Economics has been thought in many institutions around the world.

Thirdly, the achievement can also be seen from the progressions of Islamic banking & finance. After the establishment of Islamic Development Bank in Jeddah, one third of the century after the introduction of the first Islamic bank which was Mitgamar in Egypt in 1965, the Islamic banks sprang up in many countries in the world. The achievement in all these countries were remarkable in the sense that it started from the scratch amidst so much misconceptions and doubts with regard to its potentials to compete and coexist with the much established interest-based conventional banking systems (Pramanik, 2006). The success story of

Islamic banks can be seen from many studies that have proven that the performance of Islamic bank is better than conventional bank. Even in this recent crisis 2008, our Islamic financial institutions have successfully survived and pass through the severe impacts of the crisis affecting many conventional financial institutions worldwide.

In case of financial performance, we can refer to the success of Bank Islam Malaysia Bhd (BIMB) in which there is a study by Samad & Hassan (1999) whereby they have empirically demonstrated the superiority of BIMB over the much established conventional banks. Another study attempted by Iqbal (2000), the evaluation of the performance of 12 Islamic banks all over the Muslim world based on a number of key indicators clearly shows a better performance of Islamic banking over conventional banking although the analysis points to a general and gradual slow down in the growth of the Islamic banking in 1990s compared to 1980s.

Additionally, the Islamic bank in Bangladesh Ltd (IBBL) has also participated in government's effort in alleviating poverty through its micro-finance programmes. Within 2 years of operation, the suburban & rural area became the concentration of the financing. Rural Development Scheme (RDS), IBBL has mobilized 1215 members in 48 villages (Pramanik, 2006). 80 percent of the members are women. The success of this unique scheme also becomes evident from its high recovery rate of 96

percent. Lastly, Islamic Banks operating in many other countries also have success story being measured by the criteria applied by Iqbal (2000). The success story of Islamic bank is not only being recognized in Muslim countries but also included the development of Islamic bank which has shown a significant increased in several non-Muslim countries all around the world such as United Kingdom, United State of America, Singapore etc. Islamic banks are acceptable in the western countries. This is one of the indicators of the achievements of Islamic economics for the last 30 years in which the acceptability of non-Muslim countries toward its sub knowledge (Islamic Banking & Finance) can be the measure on how successful Islamic economics has gone.

Shortcomings

Discussion on Islamic economics which recently come on the surface can be considered as new compare to its counterpart which is conventional economics (Capitalist). Actually, the concept of Islamic economics has been in the background since the publication of the Quran. The main objective of Islamic economics is not only to be the alternative economics system to conventional economics system but to be the solution. As far as Islamic economics is concerned, it has experienced many criticisms from Muslim prominent scholars, for instance *Timur Kuran, El-Gamal, Umar Fadhilo* etc. In this session, the authors will be discussing on the shortcomings of Islamic economics since it has been developed for the last three decades. They are as follows:

Firstly, *Islamic Economics is relatively new to the society who lives in the conventional economics environment*. Despite the great effort to promote the Islamic economics, the understanding of the people on this issue is still negligible. This has been the shortcoming, that is effectiveness on the promoting Islamic economics publicly. People may have heard about Islamic banking & finance, and think that Islamic economics and Islamic banking & finance are the same (Rosly, 2005). There are similarities between them since Islamic economics

is the mother knowledge of Islamic banking & finance. However, discussion on Islamic economics as a discipline is still an infant which relied on the discussion on Islamic commercial law (*fiqh muamallat*) by focusing more on the prohibition of *riba* & implementation of zakat system. That is why many people as explained by Rosly (2005), emphasized that Islamic economics is labeled as *capitalism minus riba plus zakat* (Islamic Economics = Capitalist – Riba + Zakat). It also can be seen from the conferences organized by IDB starting from 1976, whereby the topic of the conferences is conical or narrower from Islamic Economics in the initial period to more on Islamic banking & finance recently (please see appendix III).

Nowadays, it is common to have a discussion on Islamic economics which is more towards financial issues by focusing on Islamic banking and its products. The discussion on Islamic banking have overtaken other important areas of Islamic economics such as economics methodology, the problem of consumer & firm, market structures, public finance, poverty and economic development. But if we want to talk about Islamic economics, it should not only talk about financial institutions alone, it has to cover all the important areas of Islamic economics mentioned above in which Rosly (2005) said that Islamic economics is not about financial institutions only, it seeks to examine the behavior of men in the marketplace, their likes and dislikes and how their behavior affect their way of doing economic activities.

Secondly, *Islamic economic as a discipline still lives in the shadow of its secular counterpart which is recognized as conventional economics*. Islamic economics must be accepted by scientific procedure to get recognition as a means for achieving the truth under dominant secular scientific paradigm (Muqorobin, 2004). However, scientific methodology in conventional economics is based on empirical work only (secularist), in contrast, scientific methodology in Islamic economics should be based on both empirical work and divine guidance.

In order to get the recognition from the conventional economics, Islamic economics sometimes use the methodology which is used by conventional economics. We are only focusing more on empirical work not on divine sources such as Quran & Sunnah. Due to the influence from conventional economics, many people will argue that Islamic economics is just the subdivision of conventional economics. Hence, as Kuran (1995) criticized when Islamic economics put into practices, the outcome is the Islamic sub economy in numerous forms such as; Islamic banking, Islamic insurance which are thought to be alternatives to those of conventional, but to a greater extent they are just Islam-imbued imitation whereby in substance they are the same with conventional one. The critics given by Kuran is reasonable because it can be seen from the current practice of Islamic bank which is not really Islamic in the sense that it still involves the prohibited elements in its practices such as *Riba*, *Gharar* and *Gambling*.

Thirdly, Another shortcoming of Islamic Economics is *lack of socialization on non-bank Islamic economics instruments* such as *Microfinance*, *Zakat* & *Waqaf* institutions as well as *Takaful* (Islamic Insurance) and *sukuk* (Islamic capital market). All of these instruments are very crucial in building sustainable and strong Islamic Economics. Islamic Bank and *Sukuk* are the profit sector instruments which deal with big investment whereby they are in line with Islamic Muamalah. In contrast *Microfinance*, *Zakat*, *Waqaf*, and *Takaful* are supposed to be the non profit sector instruments whereby they are used for social purpose and helping the poor or people in difficulties. These instruments can be used in solving the current problems that still can not be solved by conventional economics system.

Islamic banking as we know it provides the investment and business transactions for Muslim that in line with shariah law. Problem of *riba* or Interest rate is solved by Islamic banking through its innovative interest free products. Another Islamic Financial market that provides halal transactions is *sukuk* or Islamic bond. The work mechanism of Islamic bond is the same with conventional one,

however the contract used is based on the Shariah such as *Mudharaba* and *Ijarah*.

Microfinance, *Zakat* and *Waqaf* are the instruments of Islamic economics that conventional economics does not possess. It can be the strong weapon to eliminate the problem of poverty and unjust distribution of wealth whereby it is the common phenomena of conventional economics (capitalist) as many studies done by *patmawati* (2006) and *Beik* (2009) have shown the potential of *zakat* in poverty alleviation program. Even though not many studies that prove *waqf* can reduce poverty, but authors believe it has a big potential as *zakat*. For Islamic microfinance, the prove from Islamic Bank of Bangladesh limited that help government of Bangladesh in poverty alleviation program through its Islamic microfinancing products can be the basis to say that Islamic microfinance is somewhat successful to reduce the poverty rate.

The next question is How can the function of *zakat* & *waqaf* be realizable and optimize to reduce the poverty rate in Muslim countries? It needs the support (political will) and should be developed by the government. As discussed earlier *zakat* is the social instrument to help the poor and needy who are eligible to receive it. Its function is to ensure justice distribution of wealth by dispensing the wealth from the rich to the poor hence the gap between them can be reduced. It is government role to socialize and maximize the functions of *zakat* institutions. This institution should be independent institution that operates side by side with government.

Same goes with *waqaf*, this instrument is used to distribute the wealth justly and the *waqaf* asset is used for the *maslahah* of *ummah*. It is the government role to socialize the function of *waqaf* because many people are illiterate about it. *Waqaf* is different with *sadaqah*. The *waqaf* asset value may not be reducing but *sadaqah* the asset is allowed to reduce. If a person *waqaf* a building or money, the value of these *waqaf* assets may not reduce, for instance the building may not be demolished or used for individual benefit by others or the *waqaf* money may not reduce in the principal

value. Let say *Ali waqaf* his money RM 10,000, the principal value or the RM 10,000 may not be reducing. In contrast, if *Ali sadaqah* RM 10,000 the principal value can reduce to RM 9,000 after used by the parties receiving the *sadaqah* money. The question is how to make the *waqaf* money (RM 10,000) not decrease? The role of government is to appoint the *waqaf* agency whereby the RM 10,000 can be invested in halal investment. The person who manages and invests the *waqaf* money is called *Nazir* or *Mutawalli* (Fund manager). The return from RM 10,000 is distributed for charitable purposes in areas like education, health, emergency relief, helping the poor & needy and for economics development at the less developed districts. In this case *Ali* does not expect any return because he has given his money as a *waqaf*. Furthermore, to enhance the development speed of cash *waqf* institutions, government have to give decentralize authority for each *mutawalli* to manage and run the management and administration of the cash *waqf*. Government, through national religious body, is only to monitor and supervise the operations.

The last non profit instrument is *Takaful*. It provides an Islamic insurance concept which is grounded in Islamic Muamalah, observing the rules and regulations of Islamic law. The concept of *Takaful* has been practiced in various forms for over 1400 years. It originates from Arabic word *kafalah*, which means "guaranteeing each other" or "joint guarantee". In principle, the *takaful* system is based on mutual co-operation, responsibility, assurance, protection and assistance among the members.

4. FUTURE APPROACHES & AGENDAS

Nobody precisely knows about the future of Islamic economics in the long run. The future of a certain things is on the hand of Allah, and absolutely little is known, or even unknown, in human perspective (*Muqorobin*, 2004). Allah SWT says in the Holy Quran as follows:

"Verily the knowledge of the hour is with Allah (alone), it is He who sends down rain, and He who knows what is in the wombs,

The basic intention to pay *takaful* premium is to help others in difficulties or struck by disaster. The *takaful* money should be invested in halal business, profit or lose should be the shared accordingly among the *takaful* members.

It is not enough to build the strong and sustainable Islamic Economics system by focusing too much on Islamic banking & finance alone which is in nature as the profit making sectors. However, we also should balance the development of social sectors or non profit instruments of Islamic economics system such as *microfinance*, *zakat*, *waqaf* and *Takaful*.

From the above discussion, there are only some achievements and shortcomings of Islamic economics which are investigated and analyzed. Based on the discussion above we are able to indicate where Islamic Economics stands. It still has several shortcomings and is needed to be solved, such as Islamic economics in reality still lives behind the shadow of conventional economics whereby the scientific methodology used in conventional economics is used in Islamic economics. To add to the problem, many people are illiterate about what Islamic Economics is. They tend to make perception that Islamic Economics is about Islamic banking and finance. However Islamic economics has other non bank instruments that are crucial to be developed such as *microfinance*, *zakat*, *waqaf*, *takaful* and *sukuk*. Thus, it is necessary to discuss agendas to ensure the future development of Islamic economics.

Nor does any one know what it is that he will earn on the morrow. Nor does any one know in what land he is to die. Verily with Allah is full knowledge and He is acquainted (with all things). " (Q.S Luqman 31:34)

However, we can not judge that based on the above verse every prediction about future which is based on past experience is not permissible. Islam absolutely urges the believers to make any

prediction in order for the better future. Hence, in another verse Allah says:

“O ye who believe! Fear Allah, and let every soul look to what (position) he has sent forth for the morrow. Yes fear Allah: for Allah is well-acquainted with all that ye do.”

(Al-Hujurat 59:18)

By referring to the second verse, it is thus necessary to predict some future agendas needed to be done for the betterment of future Islamic economics. But before we go further on the agendas which are more on technical aspects, we need to look first to the approaches to develop Islamic Economics in the future which are more philosophical. Future Approaches and agendas will be elaborated separately in the next session.

Approaches

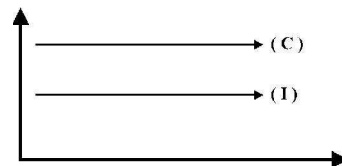
Islamic economics has not yet developed into the prominent economics system due to lack of knowledge on the appropriate approach needed to be used. Authors proposed 2 approaches needed to be discussed for the development of future Islamic economics which are the *Separatism* and *Convergence* Approaches. These two approaches are similar with the future approaches proposed by Muqorobin (2004) which are *competition* and *convergence* approaches. However, authors would rather see that competition approach should be named by separatism approach. The later approach, convergence approach, based on Muqorobin (2004) is the idea of Islamization of existing economy. The Approaches are discussed in the following session.

Separatism Approach

Separatism is the approach where the Islamic economics (I)⁴ competes with the conventional economics (C)⁵. Separatism here means that (I) and (C) may bargain to take the leadership position where (I) is developed purely without taking into account the tools of analysis developed in (C) and

secular intervention is minimal. Even though in Muqorobin (2004), this strategy is called competition approach, in our opinion, competition approach still takes into account the tools of analysis developed in conventional economics. Furthermore, there is still secular intervention in competition approach. For example in business world, when there is a competition, logically the best strategy of one party will be absorbed or benchmarked by other counter parties to compete and win the competition. Same goes to Islamic economics whereby it also absorbs the positive aspects of conventional economics in order to compete to become the best. Hence, authors would call the competition approach as separatism approach whereby Islamic economics would separately coexist with the conventional one, or alternatively only one economics universally acceptable.

However, this approach, in authors' perspective, is not favorable due to lack of modern economics tools whereby Islamic economics try to not to combine or modify the positive aspects of (C) and assimilate to (I). This approach is very difficult to be materialized since Islamic economics is not that prominent and well developed compared to conventional economics. Such a case is possible to persist, whenever Muslim economists have a big tendency and commitment towards developing a pure economics without absorbing the positive aspects of conventional economics. Figure 2 shows the Separatism approach.

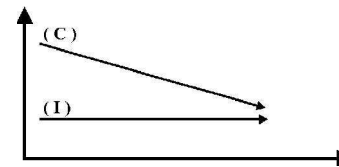


Source: Authors' own

Figure 1, Separatism Approach

Convergence Approach

As a recommendation, authors would like to suggest convergence approach scenario whereby the Conventional economics (C) is assimilated to Islamic economics (I) or we can say it is a process of *Islamization of conventional economics*. The appropriate strategy is that (C) must be assimilated into (I) not (I) which is assimilated into (C). If the later is done, (I) only becomes the subdivision of (C) as criticized by Kuran (1995). The former is the recommended one whereby it can be realized through the methods of *Accepting, Augmenting and Rejecting*. These methods are supported with the method of Islamization of conventional economics proposed by Suharto (2004) which are *Integration, Value Addition and Negation*. Figure 2 explains the convergence approach. The three methods (*Accepting, Augmenting and Rejecting*) in convergence approach will be discussed separately in the next session.



Source: Authors' own

Figure 2, Convergence Approach

Accepting Method

Accepting method used here resembles with the method of Integration proposed by Suharto (2004). We can accept all positive and contemporary concepts in (C) or modified them to fit the contemporary (I) system. The concepts of (C) can be accepted as long as it is not contradictive with Islamic Shariah. Therefore, Islamic economists have to be able to master the conventional economics thoughts as well. This is to ensure that Islamic economists will know which positive aspects of conventional economics can be valued and appreciated and which one is not. There are many theories and concepts of (C) that could be adopted in Islamic perspective. A simple example is supply and demand laws,

Augmenting Method

This method is similar in value addition method proposed by Suharto (2004). (I) can also give something new which is better and useful for (C) where (C) does not possess these values that (I) does. For example *Zakat* concept, (C) does not recognize this concept. It is indeed we recognize the concept of tax but it exists because there is a government. If no government, there will be no tax. However, in (I) zakat will always exist. Zakat can be the useful weapon to reduce the poverty because it is effective distribution system whereby the payers can directly pay zakat to those who are eligible to receive it. In contrast, even though tax can also be distributed to the society but it is not as effective as zakat as it has to be collected first through government agency then distributed to society. In addition, tax money is usually not to be distributed for those who are eligible, tax money usually to be used for government spending and country's development. Hence it is not an effective weapon to eliminate poverty.

Another contribution of (I) is *Mudharaba* or it is known as sleeping partnership. *Mudharaba* has been the prominent partnership method used in Europe in middle age which was known at that time as *commenda* and it was adopted from Islamic civilization (Suharto, 2004).

Rejecting Method

There are several concepts of (C) should be rejected namely secularism, value free, materialistic, income from *gambling*, and *riba* (usury or interest). All paradigm of (C) which are not in accordance with Islamic paradigm should be filtered through rejecting or elimination. This method is also the same with negation method of Suharto (2004). *Riba*, for instance, should be rejected because it is prohibited in Quran prominently in Al-Baqarah 275. The logic behind this prohibition is that it causes the unjust distribution of wealth whereby the rich is getting richer and the poor is getting poorer as well as it is a form of exploitation towards the small people. Society will be more materialistic and greedy because *riba* has no value of helping others who are in difficulties. These phenomena are

⁴I = Islamic economics

⁵C = Conventional economics

common in the conventional economics atmosphere.

If the convergence approach or Islamization of conventional economics is done successfully through three methods discussed above (*Accepting, Adding, Rejecting*), the possible outcome would be stronger and powerful Islamic Economics, and it would become dominant, hence in the future, the prominent Islamic economics system can be realizable to take over the position of conventional economics. Furthermore, authors believe that all the problems in conventional economics such as poverty, big gap between the rich and the poor, criminality, prostitution etc can be solved by implementing this convergence approach in the future development of Islamic economics system.

Agendas

After we discussed the philosophical aspects on how to develop Islamic economics in the future, in this section we will be discussing on the agendas which are more technical and actionable. Following are the agendas:

Firstly, Strategic planning for socialization. This agenda is basically to solve the problem of lack awareness of society towards Islamic economics system. Furthermore, it is also as the solution to expand more the discussion on Islamic economics whereby all this while the discussion depends much on its sub knowledge which is Islamic banking & finance. There are many ways to socialize or introduce Islamic Economics to the public which are through *Education, training and research*. These ways are of the significant aspects that must be taken into consideration in order to gain a better future economics and more Islamic than ever before without violating the Shariah (Muqorobin, 2004, p.31).

Education can be done from the level of secondary school in which the curriculum of study of religious knowledge is not restricted to fardhu ain (ibadah) only but also involves the study on fiqh muamalah or Islamic rules & regulation on the commercial transaction as well as Islamic economics. One of the example, we can teach to the young Muslim

generation from the earlier age about issues of halal and haram not only in the food such as eating pork is haram but also in the issues of Muamalah such as getting earning from riba means is more dangerous than eating pork and the punishment in hereafter will be more severe than punishment of eating pork. If this kind of curriculum can be realizable, the development of Islamic economics is able to move fast because the economics actors which are the human itself have been given the wide knowledge of Islam covering many aspects at the very beginning.

Training about current issues in Islamic economics and its sub knowledge such as Islamic banking, Islamic insurance, should be given to the society at large. Workshop and seminar conducted by many institutions is one example of training given to society. In addition, at the university level, the research on Islamic economics should be encouraged to expand the scope and find the directions of Islamic economics in the future. The research can be done by students, lecturer or even practitioner.

As discussed earlier, the knowledge of Islamic economics is still the infant compared to its sub knowledge which is Islamic banking and finance. By encouraging a research done on Islamic economics at university level will enrich the discussion of economy in which the area of discussion of economy currently is more toward banking and finance. Authors do not deny that Islamic banking is more common to society rather than its mother knowledge. However, if the sub knowledge does not have strong foundation from the mother knowledge, authors afraid that the sub knowledge which is Islamic banking & finance will just follow the conventional knowledge as Kuran (1995) said that the sub knowledge will be just Islam-imbued imitation.

Secondly, Government role will be needed to provide more available empirical evidence that Islamic economics is not just as an alternative but as a solution. Rules & regulations made should support the development of Islamic economics. If government is not committed and supportive

towards the development of Islamic economics it is very difficult to build the sustainable and strong Islamic economics system in the future. Socialization strategy proposed before, will not be achievable if the government does not show its political will to socialize Islamic economics system through education, training and research. Government can issue policies on the betterment of education in Islamic Economics. This includes facilitating materials in the forms of physical and non-physical as well, curricula and syllabuses and also literatures. In addition, government agency can provide free training, workshop or conference for

the people who are interested in Islamic economics topic. In research area, government can subsidize or allocate its spending to institutions which develop research on the field of Islamic economics and its sub knowledge. Furthermore, regulation and law regarding Islamic economics instruments such as zakat, waqf, Islamic banking, sukuk, takaful, microfinance etc, should be made and clearly defined in constitution of the country. This to ensure that the development of Islamic economics and its other instruments can be materialized in the near future to become an alternative system which is more sustainable.

5. CONCLUSION

Islamic economics has been on the discussion for the last three decades. The emergence of Islamic economics is to be the solution to conventional economics system which is believed that it can not solve the contemporary problems in many countries all over the world. Even though there are some achievements that have been carried out, it still faces many criticism and challenges. As far as this paper is concerned, authors argued that Islamic economics has not become a prominent economics system. However, this can be achieved if some appropriate approaches and agendas are taken into account to be done to ensure the betterment of Islamic economics in the future. As discussed above, authors recommended implementing in the **long run convergence approach** or Islamization of existing economics system, instead of separatism as well as proposing some agendas such as preparing strategic planning for socialization of Islamic economics and formulating supportive government policies towards the development of Islamic economics system.

However, the future plan above should be supported by the Muslim individuals themselves. Hence, it is also crucial to create the real Islamic man in order that the proposed strategy can be materialized successfully. Where to start? To create the real Islamic man, we need to have social reform. This social reform can be started from smaller units of societies which are individual and family and after that society as a whole. The vision of this social reform is to build the real and pure Islamic Man in order that the development of sustainable Islamic economics in the future will be realized fastly. In addition, political reform should also be done so that the vision of social reform to create pure Islamic man will be easily materialized.

The authors believe that although Islamic economics is not as prominent as conventional economics, one day it would be able to be the superior economics system and bring Muslim to the golden period of Islam as it was before. *Wallahu a'lam bishawab.*

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APPENDIX I

Economic System

Economic system is the set of economic institution that determine a country's important decisions. It is expected to produce goods that people want in an efficient way and to distribute those goods- it is expected to decide:

- What to produce
- How to produce
- For whom to produce

There are three major economic systems:

- Capitalism
- Socialism
- Islamic

Answers to the central questions by major economic systems

Central Economic Questions	Capitalism's Answer	Socialism's Answer	Islamic Economics
What to produce?	What business firms believe people want and firms will make profit	What is permissible in Islamic shariah and need. No extravagance is allowed	What control planners believe socially beneficial
How to produce?	Producer decides how to produce efficiently keeping in view desire to make profit	Producers decide how to produce efficiently keeping in view their profit motive.	Central planners decide keeping in view the greater benefits of the society
For whom to produce?	Distribution according to ability and inherited wealth.	Everyone in the society is provided with the basic necessities by the Islamic state.	Distribution according to individual need determined by the central planners.

Comparing Salient Features of Different Economic Systems

Salient Features	Capitalism	Socialism	Islamic Economic System
Institution of property ownership	Private property	State owned property	Both private and public properties are acknowledge
Motivational factor	Material gain in this world	Collective welfare of the society	Attain 'falah' in this world and in hereafter.
Organization of Decision Making	Market mechanism	Central Planning	Market mechanism with a positive role of the state
Coordination Mechanism	Market Mechanism	Central Planning	Market mechanism with a positive role of the state

APPENDIX II

Few Books on Islamic Economics Subjects (Published after 2000)

Book Title	Authors	Published	Field
Future of Economics: An Islamic Perspective	Umar Chapra ⁶	2000	Islamic Economics
Bunga Bank Haram	Yusuf Qaradhawi ⁷	2001	Muamalat
Critical Issues on Islamic Banking & Financial Market	Saiful Azhar Rosly ⁸	2005	Islamic Banking
Islamic Banking : How far Have We Gone	Edited by: Ataul Huq Pramanik ⁹	2006	Islamic Banking
Ekonomi Islam: Jawaban Atas Kekacauan Ekonomi Modern	Ali Sakti ¹⁰	Maret 2007	Islamic Economics

Journal on Islamic Economics & Finance

Journal

Al Shajarah Journal of the International Institute of Islamic Economics Thought and Civilization (ISTEC)

IIUM Journal of Economics and Management

International Journal of Islamic Economics

International Journal of Islamic financial Services

International Journal of Middle East Studies

Journal for Research in Islamic Economics

Journal of Islamic Economics

Journal of Islamic Studies

Journal of the Islamic Economic Forum for Indonesian Development

⁶ Please see Chapra (2000)

⁷ Please see Qaradhawi (2003)

⁸ Please see Rosly (2005)

⁹ Please see Pramanik (2006)

¹⁰ Please see Sakti (2007)

APPENDIX III

IDB Conference Topic

Serial	Venue	Date	Topic
1 st Conference	King Abdul Aziz University, Jeddah Saudi Arabia	21 - 26 February 1976	Islamic Economics
2 nd Conference	Islamabad Pakistan	1983	Studies in Islamic Economics
3 rd Conference	Kuala Lumpur, Malaysia	1986	Islamic Finance
4 th Conference	Loughborough University, UK	August 13 - 15, 2000	Challenges & Opportunities In the 21 st Century
5 th Conference	Bahrain University, Bahrain	October 7 - 9, 2003	Sustainable Development and Islamic Finance in Muslim Countries
6 th Conference	Hilton International Hotel Jakarta, Indonesia	November 21 - 24, 2005	Islamic Economics & Banking In the 21 st Century
7 th Conference	King Abdul Aziz University, Jeddah Saudi Arabia	1 - 3 April 2008	30 Years of Research in Islamic Economics