



CERTIFICATE IN ISLAMIC ECONOMICS
WEEK 1

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METHODOLOGY OF
ISLAMIC ECONOMICS

PRESENTATION OUTLINE

PART 1: INTRODUCTION

PART 2: ISLAMIC ECONOMICS & THEORY OF KNOWLEDGE

PART 3: ECONOMICS, *SHARI'AH*, *FIQH* & *USUL AL-FIQH*

PART 4: DEVELOPING ISLAMIC ECONOMICS

PART 5: CONCLUSION



PART 1:
INTRODUCTION

LEARNING OBJECTIVES

Increase	Increase awareness on epistemology (theory of knowledge)
Know	Know nature of economics, <i>shari'ah</i> , <i>fiqh</i> and <i>usul al-fiqh</i>
Understand	Understand broad steps in developing Islamic economics (IE)

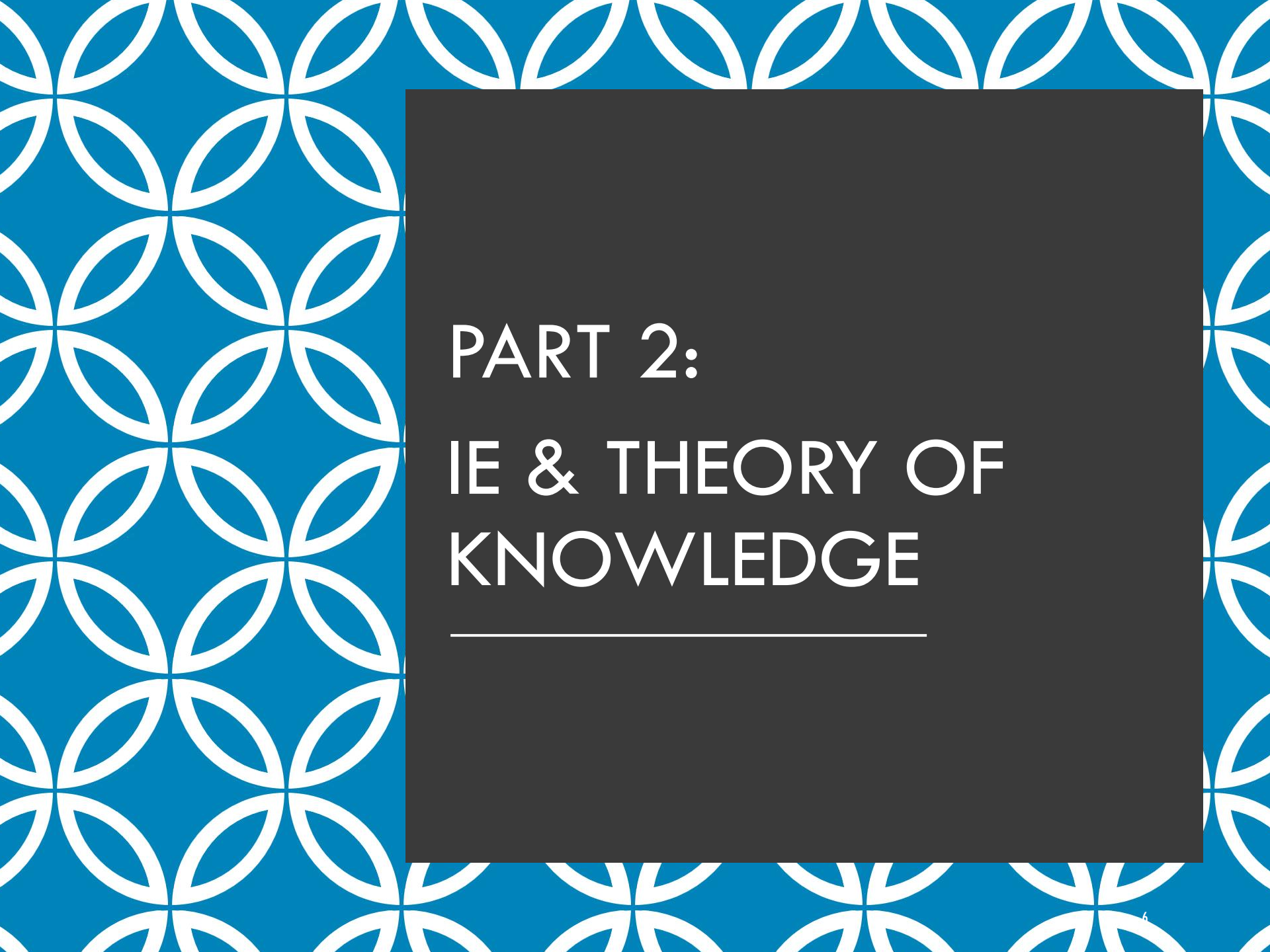
METHOD VS. METHODOLOGY

METHOD

- ❖ Systematic arrangement and ordering of thoughts in a way appropriate to investigation
- ❖ Mode, procedure or way of investigation according to a defined and regular plan
- ❖ Research technique, structured reasoning and tools used to gather data

METHODOLOGY

- ❖ Science that deals with methods and their application in a particular field
- ❖ Determines sources from which a particular knowledge can be derived and the approach taken by a research to understand certain phenomena
- ❖ Set standards for acceptability of evidence and reasoning



PART 2:
**IE & THEORY OF
KNOWLEDGE**

WHAT IS ISLAMIC ECONOMICS? AN EPISTEMOLOGICAL EMPHASIS

An approach to interpreting and solving man's economic problems based on the values, norms, laws and institutions found in, and derived from, the sources of knowledge in Islam (Mohamed Aslam, 1997)

Islamic economics is the application of the Qur'ānic framework in the study of any individual's and society's effort in welfare improvement (Mahyudi & Abdul Aziz, 2017)

IDENTITY & MOTIVE OF ANALYSIS

- To sum up, an economics can be considered Islamic provided that it relies upon ontological and epistemological foundations which are consistent with the Islamic worldview, and so long as it is able to help guide to transform their economy toward the realization of welfare as the Islamic worldview dictates (Susamto, 2020)

DEFINITION OF KNOWLEDGE

Conventional/western – Justified true belief (Plato's version)

Islamic – The confirmed belief that conforms to reality [Ali ibn Muhammad al-Jurjani (1339-1414), *Kitab al-Ta'rifat* (the Book of Definitions)]

So, a statement/proposition/claim is knowledge when it can be proven to be true

Therefore, the criteria to establish the truth is vital in building knowledge in a particular science

WESTERN THEORY OF KNOWLEDGE

Channels of knowledge

- Senses – primary
 - sight, sound & smell – info. from a distance
 - taste & touch – info. from immediate vicinity
- Reason – derived from logic; both inductive and deductive
- Authority – secondary information gathered from reliable and credible person or organization

WESTERN THEORY OF KNOWLEDGE

- **Standard of truth: Empiricism & secular rationalism**
- Empiricism
 - The belief that information should be proven by real sense experience and past observation
- Secular rationalism
 - The belief that information should be proven by the power of reasoning based purely on worldly facts and not revelation from God

ISLAMIC THEORY OF KNOWLEDGE

- Knowledge channels are:

1] *Hissi* (Senses)

2] *'Aql* (Reason)

3] *Khabar* (Testimony)

Khabar sadiq (True narrative):

- brought by Prophet (Quran & *Hadith*): absolute in nature
- established by reliable past scholars: reviewable

4] *Ilham* (intuition) via purity of *qalb* (heart)

=> Standard of truth: Reason aided and guided by Quran & Sunnah

WESTERN VS. ISLAMIC

- **Two major points of difference:**
 - Prominence and centrality of revelation
 - Standard of truth: Secular vs. *Tawhidic* paradigm

KNOWLEDGE & IE

- IE is comparatively a new area of study with a promising future provided it is developed via proper methodology
 - 1976 is usually referred as the birth year of IE when the 1st International Islamic Economics Conference was held in Makkah.
 - IE is 2 centuries behind conventional economics when compared to 1776; the birth year of conventional economics, which was the year Adam Smith wrote 'The Wealth of Nations'.



PART 3:
ECONOMICS,
SHARI'AH, FIQH &
USUL AL-FIQH

ECONOMICS AS DESCRIPTIVE & SOCIAL SCIENCE

- Economic theories and principles are descriptive hypotheses and assumption that **explain economic realities**
- A descriptive statement is a statement of what is that describes a specific reality or a certain relationship between variables
- ✓ Studies **aggregate collective behaviour** that reflects **human nature**; as they are and not as they ought to be, in any given economic scenario
- ✓ Concerns with policy issues that affect groups
- ✓ These policy issues involve numerous variable that **defy permanence** and always demand revision
- ✓ Not legal rulings to establish *hukum shar'i*

UNIT OF ANALYSIS

Enables the economists to study certain economic phenomena and discover the relationships between variables

Tools or methods for reading economic phenomena:

- i. Observation
- ii. Experiences
- iii. Inductive reasoning
- iv. Survey
- v. Questionnaires
- vi. Interviews
- vii. Market research
- viii. Statistical method
- ix. Quantitative research



SHARI'AH

- Literal meaning: Path to watering place; path to guidance
- Technical meaning: Path to tread for divine guidance; commands, prohibitions; values in order to achieve success in this world and the hereafter
- Deep understanding on context (*waqi'*) and priorities (*awlawiyyat*) would further guide us on how to express the true meaning of *shari'ah* (i.e., the way; not simply the law)
 - Caliph Umar's temporary suspension of *hudud* (Islamic law) during famine
- Wider than *fiqh* (*ahkam 'amaliyyah* or sanctions on personal conduct) since *shari'ah* includes *ahkam i'tiqadiyyah* (belief) and *akhlaqiyyah* (moral and ethics) too

***FIQH* AS PRESCRIPTIVE ISLAMIC SCIENCE**

FIQH => (literally): understand and have knowledge of something

=> (technically): refers to knowledge of the practical legal rules as derived from the particular sources

- Basic unit of analysis for *fiqh*
 - *The primary sources (Qur'an and Sunnah)*
 - *provide normative statements on what an individual Muslim ought to do or avoid*

- Final product of *fiqh*
 - *A shari'ah ruling (hukum shar'i)*
 - *An interpreted communication from the Lawgiver concerning the conduct of mukallaf (an individual able to understand and carry an obligation)*

FIQH AS PRESCRIPTIVE ISLAMIC SCIENCE

Implication of *fiqh*

Prescribes normative actions, rights
and obligations of an **individual**
Muslim

Obligatory (*wajib*)

Recommended (*mandub*)

Permissible (*mubah*)

Abominable (*makruh*)

Prohibited (*haram*)

USUL AL-FIQH

Methodology that aims to arrive at normative rulings made by jurists through *ijtihad* (independent reasoning) and bind each and every member of the society

The methodologies adopted by all *fiqh* schools have a common characteristic

- reason subservient to revelation

Role of human reason is to extend the normative statement of Quran and Sunnah to new legal issues **or** to provide answers to new legal problems through certain well-developed methods of reasoning

These methods include:

1. Analogy (*qiyas*)
2. Consensus (*ijma'*)
3. Juristic Preference (*istihsan*)
4. General Public Interest (*maslaha al-mursalah*)
5. Blocking the Means (*sadd al-dharai'*)
6. Presumption of Continuity (*istishab*)
7. Custom (*'urf*)

IE & USUL AL-FIQH

- ❖ Some methods (*qiyas*, *ijma'* and *istihsan*) may not suit the social and descriptive aspects of IE
- ❖ But public interest (*maslahah al-mursalah*) and blocking the means (*sadd al-dharai'*) can usefully be employed to guide IE policies
- ❖ Another *fiqh*-related source for IE is *maqasid al-shari'ah* (objectives of *shari'ah*)
 - “*al-Maslahah* is the only prime objective of the *shari'ah*” (Imam *al-Shatibi*, 1320-1388)
 - *al-Maslahah* = Providing benefits and preventing harms
 - Broad enough to be valuable as guiding principles for designing *shari'ah*-oriented economic policies



PART 4:
DEVELOPING IE

ISLAMIC ECONOMISTS' THINKING FRAMEWORK

- Operational question:
 - How do we use the sources of knowledge in Islam to develop Islamic economics and finance?



- Ongoing search for solutions:
 - Continuous process of translating worldview into economic vision, then to economic theory and system

TASKS FOR ISLAMIC ECONOMISTS

❖ Four distinct fields of work:

1] Proposing ideal economic behaviour of individuals, firms, markets, and governments, and its possible impacts on economy and society

2] Evaluating actual behaviour and impacts of these economic actors

3] Comparing the ideal and actual behaviour, and explaining any gap

4] Formulating strategies to bring actual economic behaviour closer to the ideal

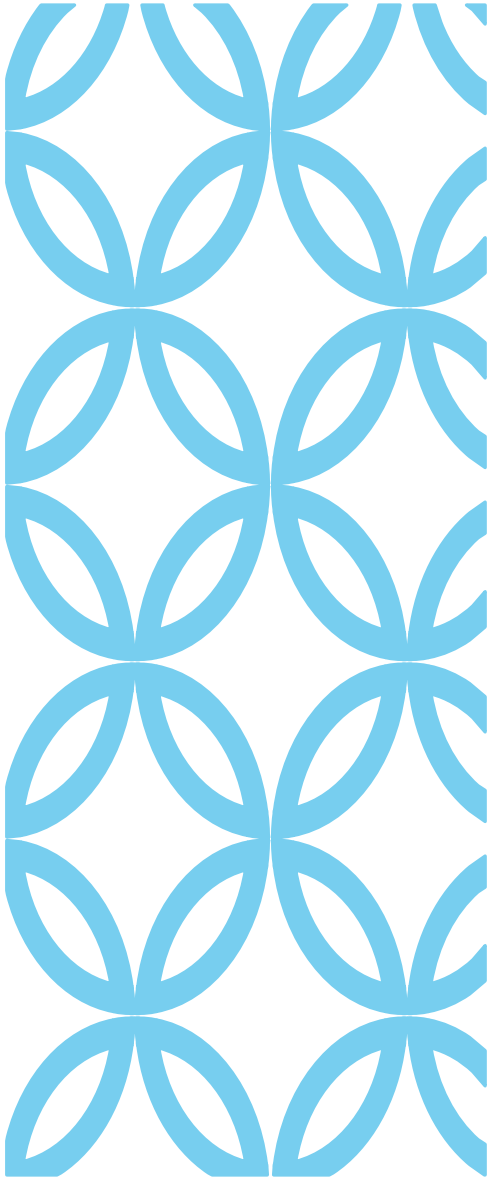
❖ Methods used depend on the end sought within each separate field



PART 5:
CONCLUSION

CONCLUDING REMARK

- IE is part of practical sciences and human acquired knowledge
- *Fiqh-inspired* IE theory and policy could assist evolution of *homo Islamicus* (Islamic man) and the Islamic economic system
- Unlike other economists, Islamic economists dedicate their efforts to achieve the objectives of *shari'ah* while gradually promoting comprehensive compliance to Islamic ethical values in economic practices



THE END

THANK YOU