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Comparative and Integrative Approach of Conventional and Islamic Economic Theories in Islamic Economic Law Development

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Abstract

Conventional economic theory, which began with Adam Smith's seminal work on the free market and the 'invisible hand,' evolved through the contributions of Keynesianism and monetarism, focusing on government intervention and money supply control, respectively. In contrast, Islamic economic thought is deeply rooted in the Qur'an and Sunnah, with early Islamic scholars like Ibn Khaldun emphasizing justice, balance, and social welfare as core economic principles. After a period of dormancy, Islamic economics was revived in the 20th century, presenting an alternative that integrates moral and ethical values within the economic system. This research examines the integration of conventional and Islamic economic principles, particularly their role in the development of Islamic law (Sharia) and its economic applications. By adopting a comparative and integrative approach, the study analyzes both systems' concepts, principles, and practices, relying on data from books, journals, articles, and other scholarly references. The findings highlight both the similarities and differences between conventional and Islamic economics and identify complementary elements that facilitate the creation of a more just and sustainable hybrid economic model. Integrating core Islamic economic values, such as the prohibition of usury (riba) and wealth redistribution (zakat), with conventional economic frameworks can promote a more equitable and sustainable economic system. This research concludes that the synthesis of conventional and Islamic economics, underpinned by Sharia principles, can lead to the development of a more efficient, ethical, and socially just economic model..

Keywords: *Conventional Economics; Islamic Economics; Comparison; Economic Integration; Economic Sustainability*

Abstrak

Teori ekonomi konvensional, yang dimulai dengan karya seminal Adam Smith tentang pasar bebas dan 'tangan tak terlihat,' berkembang melalui kontribusi Keynesianisme dan monetarisme, yang berfokus pada intervensi pemerintah dan pengendalian suplai uang, masing-masing. Sebaliknya, pemikiran ekonomi Islam sangat berakar pada Al-Qur'an dan Sunnah, dengan para ulama Islam awal seperti Ibn Khaldun menekankan keadilan, keseimbangan, dan kesejahteraan sosial sebagai prinsip ekonomi inti. Setelah periode ketidakaktifan, ekonomi Islam dihidupkan kembali pada abad ke-20, menawarkan alternatif yang mengintegrasikan nilai-nilai moral dan etika dalam sistem ekonomi. Penelitian ini mengkaji integrasi prinsip ekonomi konvensional dan ekonomi Islam, khususnya perannya dalam pengembangan hukum Islam (Syariah) dan penerapannya dalam bidang ekonomi. Dengan pendekatan komparatif dan integratif, studi ini menganalisis konsep, prinsip, dan praktik kedua sistem tersebut, berdasarkan data dari buku, jurnal, artikel, dan referensi ilmiah

lainnya. Temuan penelitian ini menyoroti kesamaan dan perbedaan antara ekonomi konvensional dan ekonomi Islam serta mengidentifikasi elemen-elemen yang saling melengkapi yang memfasilitasi terciptanya model ekonomi hibrida yang lebih adil dan berkelanjutan. Mengintegrasikan nilai-nilai inti ekonomi Islam, seperti larangan riba dan redistribusi kekayaan (zakat), dengan kerangka ekonomi konvensional dapat mempromosikan sistem ekonomi yang lebih adil dan berkelanjutan. Penelitian ini menyimpulkan bahwa sintesis ekonomi konvensional dan ekonomi Islam, yang didasarkan pada prinsip-prinsip Syariah, dapat menghasilkan model ekonomi yang lebih efisien, etis, dan sosial yang lebih adil.
***Kata Kunci**: Ekonomi Konvensional; Ekonomi Syariah; Komparasi; Integrasi Ekonomi; Keberlanjutan Ekonomi*

Introduction

Conventional economics and sharia economics as sciences, arts, and processes, each provide a framework for understanding and managing economic activities, albeit with different approaches and principles. Global economic challenges need to be faced by enriching economic policies, as well as encouraging dialogue and intercultural cooperation. The integration of conventional theory and Islamic economic thought is seen as a sustainable innovative solution.

The history of conventional economics begins in the classical era with Adam Smith in the 18th century, who introduced the concept of free markets and the 'invisible hand' in his book "The Wealth of Nations" (Atmanti, 2017; Kirana et al., 2023; Muhtadi et al., 2023). In the 19th and early 20th centuries, economic theory developed with marginal analysis and government intervention in the economy to overcome business cycles, as proposed by John Maynard Keynes. After World War II, economic theory continued to develop with various approaches such as microeconomics, macroeconomics, and game theory, which influenced global policy to date (Kasri et al., 2022; Pangestuty & Prasetyia, 2021).

In Islamic economics, development began in the classical period of Islam, the 7th to the 14th centuries, when Muslim scholars such as Abu Yusuf, Al-Ghazali, and Ibn Khaldun developed economic thinking based on Islamic teachings that emphasized justice and fair distribution (Alang, 2018; Hakim, 2016; Iqbal, 2012). In the colonial and post-colonial eras, Islamic economic thought had dimmed due to the dominance of Western colonialism, but a resurgence occurred in the mid-20th century with the modern Islamic economic movement (Dini & Loka, 2023; HM, 2016). In the late 20th and early 21st centuries, Islamic economics was increasingly recognized with the establishment of Islamic banks, Islamic financial institutions, and universities that offered Islamic economics programs (Fitria, 2015; Ghozali et al., 2019).

In the context of economic globalization, there is a need to understand various diverse economic systems (Sukardi, 2013; Suprijanto, 2011). Comparative studies help in understanding how Islamic economic principles can offer alternatives or complements to conventional economic systems (Wardana, 2021). The global economic crisis and rising inequality are driving the search for a more equitable and sustainable economic model, where the integration of Islamic economic concepts can provide solutions, such as in debt management and social justice.

Islamic finance has developed rapidly with the existence of Islamic banks and sukuk (Alamsyah, 2012; Maulana & Thamrin, 2021), and integrative studies can help optimize the benefits of conventional and sharia systems. In the context of increasing awareness of social responsibility and environmental sustainability, Islamic economic principles that emphasize ethics and justice can make an important contribution to global economic policy. Studying these two economic systems in a comparative and integrative manner also encourages intercultural and interreligious dialogue, enriching international understanding and cooperation in economic development. By combining these two approaches, research can offer new insights that are relevant for creating a more equitable, sustainable, and inclusive global economic system.

The research with the theme "Correlation Between Conventional Economic Theory and Islamic Economic Thought" is important because it offers a more equitable and sustainable alternative solution to overcome the global economic crisis, which is often produced by conventional economic systems that produce inequality. By incorporating Islamic economic principles, economic policies can be enriched to be more inclusive and ethical, such as the use of risk-sharing contracts. In addition, the integration of Islamic economic principles with the global financial system can encourage innovation in fairer financial products and services. An Islamic economy that emphasizes ethics and justice can also provide a more sustainable model for dealing with environmental and social challenges. This research promotes international understanding and cooperation through intercultural and interreligious dialogue, enriches economic literature with new perspectives and provides practical recommendations for policymakers and economic practitioners. Overall, the research offers innovative and sustainable solutions to global economic challenges, enriches economic policies, and fosters intercultural dialogue and cooperation.

Methods

This research methodology employs a comparative and integrative approach. The comparative approach analyzes the concepts, principles, and practices of conventional economics and Islamic economics, identifying similarities and differences, while the integrative approach seeks correlations and opportunities to combine complementary elements from both economic systems to develop a more effective and sustainable hybrid economic model. Data collection is carried out through literature review, gathering data from books, journals, articles, and other relevant references. The data is analyzed using comparative analysis to identify the similarities and differences between conventional theories and Islamic economic thought. This methodology aims to provide a deeper understanding of the integration and correlation between conventional economic theory and Islamic economics, in order to create a fairer, more efficient, and sustainable economic system.

Definition of Sharia Economics

Economics is a social science that examines how individuals, households, businesses, and governments make decisions regarding the allocation of scarce resources to meet their needs and wants (Jahja, 2021). It seeks to understand market mechanisms, consumer and producer behavior, and policies that influence economic welfare (Alimuddin et al., 2023). As an art, economics involves the practical application of theories and principles to real-world situations to achieve desired outcomes, requiring skills in decision-making, public policy design, and resource management while accounting for complex human and social factors (Komariah et al., 2024; Maulana & Rosmayati, 2020). Additionally, economics operates as a process encompassing activities related to the production, distribution, and consumption of goods and services. This involves resource allocation, decision-making by economic agents, market exchanges, and interactions within established institutional and regulatory frameworks (Sutaguna et al., 2023).

Conventional economics as a science focuses on supply and demand which explains how the price and quantity of goods and services are determined in the market (Muslimin et al., 2020). This theory states that demand is inversely proportional to price, while supply is directly proportional to price (Kholifah et al., 2023; Titu et al., 2023). In addition, conventional economics includes production and distribution theories that focus on how resources such as land, labor, and capital are used to produce goods and services, as well as how income from that production is distributed (Kusmiyati & Utami, 2022; Nugroho & Budianto, 2014; Shinta, 2001). Monetary and fiscal policies, which use instruments such as interest rates and taxes to regulate the economy, are also important elements (Muslim, 2011). The principle of free market is strongly emphasized in conventional economics, highlighting individual freedom and market efficiency to achieve optimal resource allocation.

Sharia economics is a science that studies the procedures for managing economic resources based on Islamic principles and laws (sharia) (Kholid, 2018). This science examines how principles such as justice, balance, and benefit can be applied in economic activities, including in aspects of production, distribution, consumption, and investment, in accordance with sharia provisions (Dinata et al., 2024).

Sharia economics as an art involves the ability to apply sharia principles in economic practice. This includes developing sharia-compliant financial products, such as mudharabah (profit-sharing partnerships) and sukuk (sharia bonds), as well as designing business policies and strategies that integrate Islamic ethical values such as justice, transparency, and social responsibility.

Sharia economics as a process involves a series of economic activities that are managed in accordance with sharia law. This process includes financial practices that are free from riba (interest), gharar (uncertainty), and maisir (gambling), as well as prioritizing the concepts of zakat, infaq, and alms for a fair distribution of wealth. In addition, the sharia economy also regulates market mechanisms, business transactions, and contracts to ensure compliance with sharia principles and the achievement of the welfare of the people.

Sharia economic thought is a framework of concepts and theories that integrate Islamic principles in economic management and practice. This thinking focuses on the application of sharia laws (Islam) to achieve fair and balanced economic welfare for all parties. Islamic economic thought studies how the basic principles of Islam are applied in an economic context. This science examines the laws regulated in sharia regarding economic activities such as the production, distribution, and consumption of goods and services. Important aspects of this science include the prohibition of riba (interest), gharar (uncertainty), and maisir (gambling), as well as the application of zakat, infaq, and alms for a more equitable distribution of wealth. Sharia economics also studies the concepts of justice, benefit (general welfare), and balance in economic relations.

In Islamic economic principles, there are several prohibitions and guidelines that must be followed. First, the prohibition of riba emphasizes that all forms of interest in financial transactions are prohibited because they are considered exploitative. Second, the ban on gharar aims to avoid uncertainty and excessive speculation in economic transactions. Third, the maisir ban requires avoiding gambling activities in all forms of transactions. In addition, the principle of justice and balance ensures that all economic activities are carried out fairly and balanced, thus avoiding social and economic inequality. Also, the concepts of zakat, infaq, and alms encourage the redistribution of wealth through mandatory and voluntary donations to help the needy. Waqf, which involves the management of assets for public purposes such as education, health, and infrastructure, is also an important part of Islamic economics. Finally, the principle of public benefit emphasizes the importance of welfare and benefits for society as a whole in every economic activity.

Islamic economics prioritizes social and economic justice in the context of poverty alleviation (Makmur et al., 2023; Sulistiyo et al., 2024). Poverty alleviation can be implemented through mechanisms such as zakat, infaq, alms, and waqf (Hafizd, 2021; Hafizd et al., 2023). In addition, there are several things that need to be considered, namely the prohibition of riba (interest) to avoid exploitation and injustice, encouraging risk-sharing systems such as mudharabah (partnership) and musharakah (cooperation). The ownership and use of resources in Islamic economics is considered a mandate from Allah, which must be used fairly and wisely. In addition, ethics in business is strongly emphasized, demanding the principles of honesty, fairness, and social responsibility in all economic activities.

Conventional Economic Theory

Conventional economics, as a discipline, focuses on supply and demand to explain how the prices and quantities of goods and services are determined in the market (Muslimin et al., 2020). This theory states that demand is inversely proportional to price, while supply is directly proportional to price (Kholifah et al., 2023; Titu et al., 2023). The theory aligns with the thoughts of Ibn Taymiyyah (1263–1328), who argued that desire for a commodity is one of the key factors influencing demand. Factors such as the price of the demanded goods, income levels, population size, tastes, price speculation for future goods, and the prices of other or substitute goods significantly affect demand (Islahi, 1988).

Conventional economic theories form the foundation of much of today’s economic analysis and policymaking, continually evolving alongside changes in global economic conditions and new discoveries in economic science. Examples of modern economic theories include Macroeconomic Theories, which address aggregate economic behavior and policy interventions; Microeconomic Theory, which focuses on the behavior of individual consumers, producers, and markets; Economic Development Theories, which explore the processes and factors driving economic progress; International Trade Theories, which analyze trade patterns and specialization among nations; and Financial Theories, which provide insights into asset valuation, investment strategies, and risk management.

Macroeconomic theories offer various perspectives on economic dynamics and policy interventions. Keynesian theory, developed by John Maynard Keynes, emphasizes the importance of aggregate demand in determining economic output and unemployment, suggesting that government can regulate the economy through fiscal policies such as government spending and taxation (Keynes, 1936). Monetarism, popularized by Milton Friedman, argues that monetary policy is the primary tool for controlling inflation and economic output, with a focus on managing the money supply (Friedman, 1991). The Real Business Cycle (RBC) theory posits that economic fluctuations are driven by changes in productivity caused by technological shocks, viewing government policies as less effective in stabilizing the economy (Ahmad, 1996; Huh & Trehan, 1991; Plosser, 1989). Meanwhile, the Rational Expectations theory asserts that individuals and firms make economic decisions based on rational expectations of future policies and economic conditions (Setiawina, 2016).

Microeconomic theory examines the behavior of producers and consumers, as well as topics such as market price determination, input quantities, and the goods or services to be traded (Venny & Asriati, 2022). Microeconomic indicators encompass metrics that reflect the health and performance of smaller economic units, such as households, firms, or specific markets. For instance, household income indicates societal welfare and purchasing power, while corporate profitability reflects a business's ability to generate profit from its operations. These indicators help stakeholders, including business owners, managers, market analysts, and investors, make better strategic decisions regarding business operations and investments. By monitoring microeconomic indicators, stakeholders can identify trends, measure performance, and take actions to achieve economic goals. Several related theories include Rational Choice Theory, which assumes individuals act rationally to maximize utility based on their preferences and constraints (Becker, 1976; Von Neumann & Morgenstern, 1944); Game Theory, which studies strategic interactions where individual or firm decisions influence mutual outcomes (Dixit & Nalebuff, 2008; Nash, 2002); Contract Theory, which analyzes contract design and implementation to address asymmetric information and conflicts of interest (Bolton & Dewatripont, 2005; Laffont & Martimort, 2009); and Behavioral Economics, which explores how psychological and emotional factors affect economic decisions, often diverging from the perfect rationality assumed in classical economics (Thaler, 2015).

Economic development theories provide different frameworks for understanding the progression of economies. Modernization Theory posits that economic development follows a linear process involving structural transformation from traditional to modern societies through industrialization and urbanization (Rostow, 1990). Dependency Theory emphasizes that development in developing countries is shaped by their relationships with developed nations, often characterized by economic exploitation and structural dependence (Sahban, 2018). World-Systems Theory, introduced by Immanuel Wallerstein, views the world as a single economic system divided into core, semi-periphery, and periphery regions, with unequal distribution of power and resources (Wallerstein, 2020).

International trade theories offer insights into the factors driving trade and specialization among nations. The Comparative Advantage Theory, introduced by David Ricardo, argues that countries should specialize in producing goods they can produce at a lower opportunity cost than others (Ricardo, 1817). The Heckscher-Ohlin Theory asserts that international trade patterns are determined by differences in the abundance of production factors, such as labor and capital, across countries (Heckscher et al., 1991). Meanwhile, the Economies of Scale Theory explains that production costs per unit can decrease as production volume increases, influencing trade patterns and the global industrial structure (Diphayana, 2018; Grossman, 1992).

Financial theories provide frameworks for understanding asset valuation, investment strategies, and risk management. The Efficient Market Hypothesis asserts that financial asset prices reflect all available information, making it impossible to consistently outperform the market through analysis of existing information (Fama, 1970). Modern Portfolio Theory, developed by Harry Markowitz, advocates for portfolio diversification to maximize returns while minimizing risk (Fabozzi et al., 2008). Meanwhile, the Capital Asset Pricing Model explains the relationship between risk and expected returns of financial assets by considering systematic risk (Sharpe, 1964).

Sharia Economic Thought

These ideas in sharia economics integrate Islamic principles with modern economic analysis, offering an alternative perspective that emphasizes social justice, balance, and the overall well-being of humanity (Rahmawaty, 2013). Sharia economics, or Islamic economics, has several theories, concepts, and thoughts that can be linked to points in modern economic theory.

Sharia macroeconomic thought emphasizes equitable wealth distribution through instruments such as zakat, charity, and waqf, aligning with Keynesian ideas on the role of fiscal policy in maintaining economic balance and reducing inequality (Muslim, 2011). Additionally, sharia-based monetary policies utilize instruments like sukuk (Islamic bonds) and prohibit riba (interest) to ensure economic stability. This approach resonates with monetarism, which highlights controlling money supply without inflationary effects caused by interest (Noviana et al., 2024).

Sharia microeconomic thought recognizes that individuals make economic decisions rationally, but within the boundaries of sharia principles, such as the prohibition of riba (interest), gharar (uncertainty), and maisir (gambling) (Setiawan, 2021). Risk and profit-sharing in business must adhere to contractual agreements. Microeconomic thinking in the context of sharia economics incorporates Islamic values, principles, and practices that align with Islamic teachings.

Economic development in Sharia economics is centered on the principles of Maqashid Sharia, which include the protection of religion, life, intellect, lineage, and wealth, ensuring that development focuses not only on material well-being but also on spiritual and moral aspects (Siddiqi, 2005). Additionally, Sharia economics promotes economic independence within Muslim countries by fostering cooperation and trade among Islamic nations (ummah) and reducing dependence on non-Muslim countries (Sirajuddin & Wardani, 2021). This holistic approach seeks to create a balanced and sustainable development model that aligns with both worldly and spiritual goals.

International trade in the context of Sharia economics includes principles similar to those in conventional economics, but with a focus on Sharia values. Key aspects of Sharia-based international trade include: halal trade, where goods and services must comply with Sharia principles, aligning with the concept of comparative advantage (Siddiqi, 2005).; justice and equality, emphasizing fair transactions and equitable benefits for all parties (Idri, 2023); prohibition of interest (riba), where transactions involving interest payments are avoided, replaced by Sharia-compliant methods like murabahah or musyarakah; justice in wealth distribution, ensuring the benefits of trade are fairly shared among producers, consumers, and society (Wahyuni et al., 2023); adherence to Sharia principles, avoiding transactions that involve riba, speculation, or unfair terms; and economic development of the ummah, aiming to enhance the welfare of the Muslim community through programs aligned with Sharia, such as zakat, wakaf, and social welfare-oriented economic activities.

Sharia economics integrates Islamic principles with modern economic analysis, providing an alternative perspective that focuses on social justice, balance, and the overall well-being of humanity (Darma, 2024). By applying these principles in financial practices, Islamic economics seeks to create a financial system that is fairer, more sustainable, and in accordance with Islamic ethical values (Jaya et al., 2023). It also includes the development of innovative financial instruments that enable sustainable and inclusive economic growth within a framework that complies with sharia principles. Financial thinking in sharia economics is based on Islamic principles contained in sharia law.

Key points in the concept of finance in Islamic economics include: (a) Prohibition of Riba: The most fundamental principle in Islamic finance is the prohibition of riba (usury or interest), considered unethical and unjust in Islam. The Quran explicitly forbids riba and threatens its practitioners with divine punishment (QS Al-Baqarah 275-279). A hadith also mentions that riba is among the gravest sins, equating it to an act of incest (HR. Bukhari and Muslim). (b) Justice and Welfare: Justice and welfare are central in Islamic finance, with financial transactions requiring consideration of the well-being of all parties involved, not just individual or group profit. The Quran stresses the importance of justice in financial dealings, prohibiting unlawful gain (QS Al-Baqarah 188), and a hadith emphasizes avoiding oppression, promising divine protection for the oppressed on Judgment Day (HR. Abu Daud). (c) Risk and Profit Sharing: Islamic finance promotes the equitable distribution of risk and profit in financial transactions, achievable through instruments like mudharabah (profit-sharing), musharakah (joint venture), and wakalah (agency). The Quran refers to the sharing of war spoils as belonging to Allah and His Messenger (QS Al-Anfal 41), indicating principles of sharing profits and risks, while a hadith stresses that one should not sell a product until it is fully owned (HR. Bukhari). (d) Prohibition of Speculative Transactions: Speculative transactions harmful to others or society are forbidden in Islamic finance, emphasizing productive transactions that benefit society. The Quran prohibits actions that harm others (QS Al-Baqarah 188), and a hadith warns against price manipulation and undercutting others in business transactions (HR. Ibn Majah). (e) Economic Development of the Ummah: Islamic finance aims to promote fair and sustainable economic development for the Muslim community, utilizing principles like zakat (obligatory charity), wakaf (voluntary charity), and musharakah (shared ownership) to allocate resources more equitably (QS Al-Baqarah 233, 261, 267). A hadith encourages giving rather than receiving charity (HR. Bukhari). (f) Transparency and Ethics: Transparency and high ethical standards are critical in Islamic finance (QS Al-Ma'idah 8). Business practitioners and Islamic financial institutions are expected to operate with integrity and adhere to high ethical norms, as emphasized in a hadith that underscores obedience to divine obligations and prohibitions (HR. Muslim).

Comparative Analysis of Conventional Economics and Islamic Economic Thought

The following is a comparison between the basic principles of conventional economics and Islamic economics:

Table 1 Comparative principles of conventional economics and Islamic economic thought

	Conventional	Sharia Economics
Economic Principles	• Pasar bebas • Keuntungan Maksimal • Dominasi kepentingan individu atau perusahaan • Keputusan didorong pertimbangan ekonomi dan keuntungan pribadi	• Semua sumber daya berasal dari Allah • Pengelolaan Sumber daya secara adil, amanah, bijak, dan bertanggungjawab • Mempertimbangkan kepentingan semua pihak • Meminimalkan dampak negatif terhadap lingkungan

A comparative analysis of conventional economics and Islamic economic thought reveals significant differences in its basic principles. In conventional economics, the principles of free market, maximum profits, and resource allocation based on individual or corporate interests dominate. On the other hand, Islamic economic thought encourages the realization of principles such as social justice, fair distribution, and responsible resource management. According to El-Gamal (2006), the basic concept of Islamic economics is based on the principle that all resources come from Allah and must be managed fairly by humans.

When it comes to the view of resource management, conventional economics is more likely to see it as a source of profit that must be maximized. Decision-making is driven by economic considerations and personal gain. On the other hand, in Islamic economics, resource management is seen as a mandate that must be carried out wisely and responsibly. According to Siddiqi (2006), natural resources are considered as common property that must be managed by considering the interests of all parties and minimizing negative impacts on the environment.

The following are the similarities and differences in perspectives on resource management, wealth distribution, and monetary policy:

Table 2 Comparison of Conventional Economics and Islamic Economic Thought

	Conventional	Sharia Economics
Wealth Distribution	• Distribusi dipengaruhi faktor pasar (permintaan, penawaran, kekuatan pasar, dll)	• Keadilan sosial dan distribusi yang adil
Monetary Policy	• Instrumen seperti suku bunga dan kebijakan fiskal untuk mengatur aktivitas ekonomi • Bertujuan mencapai target inflasi dan pertumbuhan ekonomi yang stabil	• Bisnis syariah condong kepada akad berbasis bagi hasil, margin jual beli, biaya sewa, dan pemberian upah • Menghindari bunga

		• Target bisnis adalah pada pemenuhan perjanjian para pihak

In terms of wealth distribution, conventional economies tend to produce significant inequalities in the distribution of wealth and income. Market factors, such as demand and supply as well as market forces, play a major role in determining the distribution of wealth. On the other hand, Islamic economic thought emphasizes social justice and fair distribution. Zakat, which is one of the pillars of Islamic economics, is intended to reduce economic disparities and provide assistance to those in need (Kuran, 2004).

When discussing monetary policy, conventional economies tend to use instruments such as interest rates and fiscal policy to regulate economic activity. The goal is to achieve the target of inflation and stable economic growth. On the other hand, in Islamic economics, the prohibition of riba (interest) and the emphasis on a financial system based on the principle of profit-sharing (mudharabah and musharakah) lead to different approaches in monetary policy. Islamic banks, for example, are more inclined to financing based on profit sharing than conventional interest systems (Chapra, 2008).

Correlation and Integration of Conventional Economics and Islamic Economic Thought

Education and awareness about Islamic finance need to be increased through the integration of Islamic finance education in the economics and finance curriculum, as well as professional training to increase understanding of Islamic finance products and practices. Finally, collaboration between conventional and sharia financial institutions must be encouraged to develop hybrid products and build inclusive financial markets. With these measures, the principles of Islamic economics can be integrated into the conventional economic system, creating a more inclusive, ethical and sustainable system that benefits the Muslim community and offers a fairer and more stable alternative to the global financial system.

Conventional economics and Islamic economic thought have some significant correlations, especially in the context of wealth distribution, monetary policy, contract theory, and economic development. In macroeconomics, Keynesianism emphasizes the importance of fiscal policy to address economic inequality, which is in line with Islamic thinking about zakat, alms, and waqf to ensure a fair distribution of wealth and reduce social inequality. On the monetary policy side, monetarianism in conventional economics emphasizes controlling the money supply to maintain economic stability, while Islamic economics uses instruments such as sukuk and prohibits usury to achieve stability without interest-triggered inflation. In microeconomics, rational choice theory in conventional economics assumes that individuals act to maximize their utility, similar to Islamic economic thought that also recognizes individual rationality, but within the limits of adherence to sharia principles such as the prohibition of riba and gharar (uncertainty). Contract theory in conventional economics and the concepts of mudharabah and musharakah in Islamic economics both focus on how contracts can be designed to address asymmetric information problems and manage risks fairly. In economic development, the theory of modernization and dependency in conventional economics focuses on structural transformation and global economic relations, which has similarities with maqashid-based sharia development in Islamic economics which emphasizes comprehensive welfare, including material, spiritual, and moral aspects, as well as the economic independence of Muslim countries through fair cooperation and trade. This correlation shows how the principles of both systems can be integrated to achieve more holistic and sustainable economic goals.

The integration of Islamic economic principles into the conventional economic system can be done through several strategic approaches. First, Islamic financial instruments such as sukuk (sharia bonds) and Islamic banking can be integrated into the conventional financial market. Sukuk offers financing in accordance with sharia principles through fair sharing of profits and risks, while Islamic banking provides products such as mudharabah (profit-sharing partnership) and murabahah (sale-based financing) that do not involve interest. Second, fiscal and monetary policies can be adopted to support a fair redistribution of wealth and economic stability without usury. Governments can implement structured social assistance programs to reduce economic inequality, and central banks can develop non-interest-bearing monetary instruments.

Ethical and sustainability principles can be integrated through the adoption of ethical investment and a focus on sustainable and equitable development. The principles of maqashid sharia that emphasize comprehensive welfare can help focus development efforts on aspects of sustainability and social justice, in line with the sustainable development goals (SDGs). Regulation and policy also play an important role, with the development of an inclusive regulatory framework and the provision of incentives for Islamic financial institutions to encourage the growth of this sector in the conventional economy.

Education and awareness about Islamic finance need to be increased through the integration of Islamic finance education in the economics and finance curriculum, as well as professional training to increase understanding of Islamic finance products and practices. Finally, collaboration between conventional and sharia financial institutions must be encouraged to develop hybrid products and build inclusive financial markets. With these measures, the principles of Islamic economics can be integrated into the conventional economic system, creating a more inclusive, ethical and sustainable system that benefits the Muslim community and offers a fairer and more stable alternative to the global financial system.

The integration of conventional economic theory and Islamic economic thought is exemplified by several successful cases. One key example is the use of sukuk (Islamic bonds) in the global financial market, where countries like the UK and Hong Kong issued sukuk to attract Muslim investors and diversify funding sources. In 2014, the UK became the first Western country to issue a £200 million sukuk, demonstrating the success of this integration. Another example is the incorporation of Islamic banking into conventional banking systems, such as Al Rayan Bank in the UK, which offers Sharia-compliant products like interest-free savings and profit-sharing financing. Furthermore, ethical investments, aligned with Islamic principles, are now part of the global financial landscape, with indices like the Dow Jones Islamic Market Index supporting investors seeking Sharia-compliant investment options. Additionally, several countries, including Malaysia, have adopted wealth redistribution programs based on Sharia, using zakat (charitable donations) to support education, healthcare, and poverty alleviation. Finally, major infrastructure projects in countries like Malaysia and the UK have been financed through sukuk, enabling them to raise funds in line with Sharia principles while attracting investors from Muslim countries.

Integrating Conventional Economics and Islamic Economic Thought in the Development of Islamic Law and Its Economic Application

Integrating conventional economic theory with Islamic economic thought plays a crucial role in the development and application of Islamic law in the economic sector. Islamic economic thought is grounded in the fundamental principles of Shariah, which emphasize justice, equity, and the welfare of society as central to economic activity. The prohibition of riba (interest), the ethical imperative of profit-sharing, and the promotion of fairness and social responsibility are core tenets of Islamic law that distinguish it from conventional economic systems, which often prioritize profit maximization and individual gain. Through the integration of these two paradigms, it becomes possible to address modern economic challenges while upholding the moral and legal foundations of Islamic jurisprudence. Islamic economic law seeks to ensure that economic practices are not only legally compliant but also ethically sound, fostering a just and balanced society.

The integration of conventional and Islamic economic theories is especially significant in the domain of Islamic finance, where instruments such as sukuk (Islamic bonds), murabaha (cost-plus financing), and musharakah (profit-and-loss sharing partnerships) comply with Shariah requirements, ensuring that financial transactions are free from elements of exploitation, such as interest (riba) and unjust risk. This approach aligns economic practices with Islamic principles, enabling the development of a financial system that operates in harmony with the moral and ethical values embedded in Shariah law. Moreover, the practice of zakat (obligatory charity) and waqf (endowment) as prescribed by Islamic law ensures that wealth is redistributed equitably, benefiting the less fortunate and contributing to social justice. By integrating conventional economic practices with the legal imperatives of Shariah, this approach not only advances the application of Islamic law in the modern economic context but also supports the creation of a more just, ethical, and sustainable economic system.

Conclusion

Conventional economics and Islamic economic thought exhibit significant similarities and differences. Conventional economics, which has evolved since the 18th century with works such as those of Adam Smith, emphasizes market efficiency, economic growth, and the role of government in stabilizing the economy through Keynesian and monetarist approaches. In contrast, Islamic economic thought, rooted in the principles of the Qur'an and Sunnah, prioritizes justice, balance, and social welfare, while prohibiting practices such as riba (usury), gharar (uncertainty), and maisir (gambling).

Despite fundamental differences in their principles, both economic systems share a common goal of societal welfare and economic stability. Integrating Islamic economic principles, such as wealth redistribution through zakat and the prohibition of riba, with conventional economic theories can foster an economic system that is not only efficient but also equitable. In the context of Islamic economic law, this integration has significant implications, particularly in developing a more inclusive legal framework to regulate economic activities, such as the implementation of regulations related to Islamic finance instruments (sukuk, waqf, and Islamic banking), which can reduce social inequality and enhance economic sustainability.

This integration not only enables the achievement of market efficiency and sustainable economic growth but also ensures that moral, ethical, and Shariah law principles are upheld in every economic activity. Leveraging the approach of Islamic economic law, the combination of the best elements from both economic systems can result in a hybrid model that is more balanced, reduces inequality, and enhances societal welfare in a sustainable manner.

This study is limited to a conceptual exploration of the integration of Islamic and conventional economic principles, focusing primarily on theoretical frameworks and legal implications. Future research should delve into empirical studies to assess the practical feasibility of such integration, including case studies of countries implementing hybrid economic systems. Additionally, further exploration is recommended to evaluate the role of technological innovation in facilitating the application of Islamic economic law in contemporary financial systems.

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