Islamic Concepts Of Economics And Contemporary Challenges

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ABSTRACT

In recent decades, Islamic economics has seen a resurgence. Still, it is in the early phase of improvement. On the other hand, traditional economics has evolved into a mature and complicated science after more than a century of rigorous development. Islamic ideals foster respect for others, tolerance, and peaceful coexistence, despite many issues regarding Islam and its connection with globalization. Islam encourages economic integration, which is a critical component of globalization. On the other hand, integration should not imply imposing the ideals of a dominant country or set of countries on the rest of the world, particularly the weaker countries. According to justice, globalization must lead to unequal global growth and wealth, benefiting developing and developed countries. That is no longer the case with globalization. Economic globalization and world advancement require social and political unity as well. The need to make ends meet is a significant contributor to many of the world's current economic issues. Inflation and debt growth are the results for both countries and people. Overspending is done at the expense of others. The addition of a moral dimension can help to eliminate inequitable and unequal wealth distribution.
This aspect of a thriving economy should be given serious consideration. Islam, like other religions, establishes principles to govern, facilitate, and guide human economic activities. Traditional economics has intrinsic faults that Islamic economics can eliminate. Other religions' teachings can assist the globe in addition to Islam. Therefore, a new economic discipline is required. This research was conducted to answer these questions briefly.

**Keywords:** Islam, Economics, Contemporary, Challenges, concepts

**INTRODUCTION**

Islamic economics is a notion that has gained traction and is now being accepted by people of all faiths worldwide (Botoeva, 2018). In light of the recent monetary crisis along with the ongoing exceptional epidemic, its development and durability have not only validated its practical benefits but have yet to realize its potential. However, due to numerous hurdles, Islamic economics has yet to understand its full prospective. It is impracticable to provide proper medications without first identifying the ailment, so understanding the nature of these hurdles must be the first key to overcoming them. In this sense, we are convinced that more academic study and the dissemination of the results of such research will aid the continued development of Islamic finance. To solve Islamic finance issues, it is necessary to understand its historical context. Recognizing that there are two areas of Islamic finance: Islamic corporate finance and Islamic social finance, the traditional view that Islamic finance is limited to Islamic corporate finance can be enlarged and institutionalized (Iqbal & Mirakhor, 2011). Because it is "indomitable," it will be possible to attain financial inclusion without marginalizing any portion of the population.

The term "inflexible" would lose significance if Islamic corporate economics and Islamic social finance could be combined under one roof (Parker et al., 2016). Methods for doing this necessitate investigation and implementation. Furthermore, Islamic money is inextricably linked to technology in today's world (Moghul, 2017). Technology investment is critical in and of itself, but we also need to know how to mix technology with Islamic finance to maximize available resources (Ibrahim et al., 2019). Furthermore, Islamic finance must be reinterpreted to make al-shariah, or Islamic law, with the purpose of Islamic finance being more than simply gaining Shariah-compliant status for its products and services (Alam et al., 2021). By fostering environmentally and socially beneficial activities, Islamic finance can help to reduce the dangers and damage that confront humanity.

Financial institutions' economic activity should take precedence, but they should not jeopardize the social order. Last but not least, experience reveals that Islamic finance cannot function in a traditional economy where even traditional monetary instruments are incompatible with Islamic financing (Moisserson et al., 2015). Now is the moment to start establishing a fully functional Islamic economy. However, in this scenario, the first step is to consider Islamic economics and look for political will to make it a reality.
According to (Tameme and Asutay, 2012), global Islamic finance has come a long way since its humble beginnings about 40 years ago, attracting Muslim and non-Muslim clientele. Many non-Muslim industrialized countries, such as the United States, Britain, South Korea, Luxembourg, Hong Kong, and China, have started to understand Islamic economics as an alternative and viable monetary sector, as the Middle East and Asia have grown to be the main Islamic financial markets (Pitluck et al., 2018). According to recent predictions, global Islamic banking assets will surpass $1.8 trillion in 2013.

Islamic financial institutions provide a wide range of services, from commercial and investment banking to tactful mutual funds and financial markets. Sukuk, in particular, has proven to be a potent tool for increasing international investor confidence in Islamic economics and has become an essential tool for satisfying Sharia-compliant governmental and private sector financing needs (Hamada, 2013). There are also specialized organizations in regulation, accounting, Shariah, and colleges worldwide that promote the building of a firm base for the Islamic financial system. Islamic finance has increased, indicating that people have become more aware of the benefits and a desire to expand globally.

OBJECTIVES OF STUDY

This research aims to identify Islamic economic concepts and current difficulties. Islamic banking is undeniably expanding worldwide with a trajectory of progress, but it has also run into several roadblocks. This research aims to summaries the current concerns and obstacles that Islamic economics has experienced during the last thirty years. This study is essential for understanding the Koran's and Hadith's perspectives on Islamic economics and modern-day issues. As a result, this investigation was guided by the following research goals:

- Ensure the observance of Islamic laws and practices.
- Research the concerns and challenges that the global economy faces.
- Learn about Islamic economic concepts and current events.
- Think about how Islamic economic law responds to global financial challenges.

RESEARCH METHODOLOGY

The research is qualitative because investigations of Islamic economic law were critically examined to answer specific research questions. To make the search more representative and relevant, conduct a thorough review of current literature, such as books, research articles, reports, electronic and print media articles, and editorials. As part of the initiative, extensive dialogues with university professors and researchers have also occurred. This is achieved by deriving the story of the Prophet by interpreting the Quran and the Hadith. Due to the gap between empirical and descriptive research in management, there is a need to structure Islamic law and develop a holistic approach that benefits society while reducing the magnitude of catastrophic losses. Recent work
uses theoretical approaches to bridge the gap. The goal of grounded theory techniques is to generate theories from evidence inductively.

**Tools and Techniques**

The theoretical samples for this study are drawn from the sublime passages of the Quran, the prophets' hadiths, and the prophets' stories while collecting data through collection, compilation, and analysis to develop theories. The hypothesis developed in lockstep with the evidence. The researchers examined the content of the majestic text of the Quran and the Prophet's Hadith to develop a theory. They came up with the proper management methods and processes for managing this content in an Islamic manner. The Quran and Hadith texts are gathered from the Prophet's hadiths, organized and categorized, and their content qualitatively assessed, subjects extracted, and research questions answered. The findings are based on the Book of God and the Prophet Muhammad's Hadith. Because the researchers in this study offered a rich and comprehensive account of the research setting and procedures, the transferability of qualitative research implies that the discovery and interpretation of data can be applied to other situations akin. People who read this study can then benefit from sharing the study's findings in contexts comparable to the one in which it was conducted.

**Data Analysis**

The researchers employed a theoretically sound method. Using this method, they collect and evaluate data at the same time. The message is divided into two parts: the first comprises the Quran and hadiths from the Prophet's Hadith, which help construct categories and themes. The book's second section describes how to do a saturation analysis of a theory. This means the data doesn't contain any new information, and the concepts used to build the approach are apparent, accurate, and proven correct. The researchers kept going till they got to this stage.

**Islamic Economics and Current challenges**

"Islamic Finance and Contemporary Challenges" is a series of debates and conversations to propel the Islamic economics industry forward. It is intended to be paired with articles from professionals in the field who have considerably participated to the growth of the Islamic finance business present the essential research on Islamic finance through knowledge exchange, exercises, or both. Understanding the different types of economic systems seen throughout the history of Muslim cultures is critical for shaping the future of Islamic finance (Askari et al., 2011). These attributes will assist modern people. One is expected to comprehend Islamic economics' practical aspects and select the best course of action while implementing a revised Islamic economic system. The original Islamic economy is a self-contained, commercial, pre-industrial, and ethical version of capitalism, as described in the Quran and other traditional Islamic writings (Coe et al., 2019). In light of the country's legal, regulatory, and governance framework for regulating Islamic economics, the process essential to decide this should contain the required procedures as well as
flexibility in Islamic Finance Contracts and Islamic Finance Shariah fulfillment (Mustapha et al., 2020). They also employ Islamic legal doctrine to allude to the crucial issue of contract flexibility. They use a framework to evaluate actual Murabaha (silent partnership) contracts for Shariah conformity. Financial institutions pay receivables and Islamic finance contracts have penalty provisions that raise the agreed-upon price. A literal interpretation (substantive interpretation) based on Shariah's goals would close loopholes like the Murabaha instrument being misused (Ercanbrack, 2019), explaining the contemporary alteration of Islamic Legal Contracts: hypothetical and realistic allegation.

Modern Transformations of Islamic Legal Contracts and Their Theoretic changing circumstances and factors contributing to the change are studied (Porras-Gómez, 2022). Their impact on Islamic financial contracts is demonstrated by offering a general theory of modern ijtihad (independent reasoning) for current Islamic financial contracts. Due to shifting conditions and the effects of the environment, modern Islamic financial arrangements have evolved. In this way, its discourses aid us in comprehending Sharia law's flexibility in satisfying human needs. Living in Industry 5.00 allows you to experience previously unimaginable innovation. The birth of block chain technology heralds the beginning of the Bitcoin along with cryptocurrency era. On the other hand, Sharia academics disagree over their legitimacy from a Shariah standpoint (Dupret, 2021).

In the case of a default, the ongoing extraordinary pandemic has proven the significance of restructuring Sukuk, much like other financial instruments. Restructuring Sukuk, unlike treaty obligations, can be a challenging and complex procedure, depending on the sort of Sukuk structure employed or established in the business. In her article "Different Structures, No Debt, and No Equity: What Approach Should Be Taken for Default Restructuring (Sukuk)?" Rafisah Mat Radzi tackles this essential topic. It is critical to have an adequate regulatory framework in place in any nation looking to establish and preserve Islamic finance. Case studies are necessary because there isn't a single framework that works in every country. In this manner, we may discover how regulatory frameworks have aided the growth of Islamic finance.

Muslim countries' difficulties are more challenging than those that industrial countries face, and their resources are limited. Aggregate demand must be decreased to address macroeconomic and external imbalances. To achieve may aid, increasing spending on neglected but critical goals is required. The problem that Muslims states have in resolving this issue. If they use failed techniques, they will not be able to meet this challenge successfully. Failure is the only outcome of a failed approach. Sharia requires that Muslim countries establish their ways to assist them in allocating scarce resources efficiently and equitably, as Sharia requires. The following theoretical concerns in Islamic banking are identified in the study: An investigation of banks' ability to create credit from a Shariah perspective; seigniorage (i.e. profits generated by money; rights and distribution; risks and expectations of households, businesses, and businesses); methods of introducing negotiable instruments into Islamic financial markets; and methods of controlling the flow of "speculative money" in Islamic monetary and banking frameworks (Erten et al., 2021).
The macroeconomic issues facing the Islamic economy and financial system include social justice and equal wealth and taxation, monopoly, illicit property, and the complete abolition of interest. Still, Western society's fears of the Islamic economy must be addressed. Islam takes a unique approach to economical operations, contract law, interest rates, and even the notion of ownership, all of which pose challenges for Islamic banks. Complex Islamic banking principles; how they affect the use of financial instruments; business main concern and services; contacts with central banks; relative examination of financial announcement and the Islamic bank; expansion challenges findings demonstrate that both Muslims and non-Muslims in Singapore, which has a minority Muslim population, are unaware of the Islamic banking culture.

Furthermore, the two groups have opposing viewpoints on Islamic banking, which is determined by the nature of their distinct issues. The most severe challenges facing Islamic finance include establishing an appropriate institutional configuration, increasing competition, planned alliances, the need to expand the size of Islamic banks, financial engineering, aspects of Sharia, education, training, R&D, fixed and variable economic models, equity instrument construction, proper legal frameworks, policies and dealings, and regulatory frameworks. Implementing a market-based financial policy in an Islamic banking system remains a significant difficulty for Islamic finance (Hidayah et al., 2019). Shariah-compliant money market apparatus for foreign exchange and public debit transactions remain a challenge for Islamic finance. The lack of Islamic money markets exacerbates Islamic banks' liquidity risk and erodes their profitability. The Islamic financial system must: produce more standardized and widely tradable financial instruments, develop secondary financial markets for Islamic financial products, and increase monetary reporting and accounting transparency, preferably using Islamic Gaap (Ewers et al., 2018). The interbank market and the money market are developing. The main challenges include a lack of determination among leaders and managers, a lack of comprehensible rules along with satisfactory control, a deficiency of competitiveness with the traditional banking coordination, investor risk aversion and the desire to make fixed profits, and a lack of sufficient customer public awareness. There are two types of religious obstacles highlighted in this study: non-believing Muslims on the one hand and problems inside Islam on the other (Tekelioglu, 2016). In the same way that non-Muslims mistake the institution for battling their religious dogma, some Muslims mistake it for a benefit-based system that does not align with Sharia principles. The issues listed above are deemed sacred since they are linked to religious beliefs.

Interpretation of the Economic Role of Islam

Choice, causality, and efficiency are three key concepts in modern economics that have recently attracted much attention in Islam and economic performance research. The reviewed papers all address, at least in part, the incentive mechanisms that drive human decision-making, how key variables interact, and comparisons of current and potential resource use (Iyer, 2016). The contributions of the work investigated to the first two concepts (selection and causality) are to use them more precisely than in area studies while respecting scientific standards. The third concept,
efficacy, is less familiar to regional studies because it involves prioritizing different outcomes, such as alternative practices in terms of health effects or commercial longevity (Ryan and Campbell, 2012). Effectiveness claims are avoided in the domain search if they do not accurately reflect one's area of expertise. This is especially true in Islamic and Middle Eastern studies, where prominent reputations can lead to expulsion from totalitarian regimes. The concept of efficacy is implicit in writings that blame external factors for adverse outcomes. Attribute the collapse of Islamic knowledge to the Mongols. They believe that a flourishing scientific civilization is the foundation of prosperity. The added value of applying economic methods to reinterpret data from field research sources or use them to assess causal assumptions thoroughly; on the other hand, analytical sociologists interested in the relationship between Islam and economic success have not relied on access to data (Jo, 2014). A lot of information is needed to figure out the educational impact of an Islamic government, how Ramadan fasting affects people, what drives trust, and what happens when people have bad faith in the courts.

More than half of the literature on the link between Islam and economic performance has focused on the impact of current policies and practices over the past two decades. Although most of the contributions were concentrated in one country or region, overall, they suggested that the most significant benefits were education, networking and fasting for pregnant women throughout Ramadan. Since the idea of a dedicated Islamic economic system first appeared on the global Islamic agenda, the most concrete proposal has been to create an Islamic finance sector that charges no interest. Unfortunately, more than half a century of experience with Islamic banking, credit cards, bonds, derivatives, and other Islamic financial products shows that actual Islamic money is an illusion. Another prominent Islamic obligation that has been studied is Zakat. They demonstrate that the required zakat system based on early Islamic models does not affect poverty and inequality (Noor and Pickup, 2017). Likewise, the shortcomings of these institutions have sparked a movement to redefine Zakat as a global transfer system from the world's most affluent Muslims to the world's poorest. Zakat has the potential to be a tool to reduce inequality. Self-aware Islamic organizations tend to outperform governments when providing social services.

On the other hand, secular private charities are in the same boat. The success of Islamic charities seems to be attributed to a larger organization rather than Islam itself. Islamic charities today are structured more like any charities in 7th century Arabia than those in modern advanced countries (Pathan, 2013). Although Islamic groups advertise their services to the poor, most people who benefit from them belong to the middle class. In this sense, they are similar to secular charities in the Muslim world. These results are based on research on specific countries and industries. There is no meta-analysis of Islamic charities, let alone a comprehensive comparison of organizations affiliated with other religions and philosophies. The immediate response of the global Islamic finance industry to financial innovation is often to ban it as non-Islamic. As a rule, devout Muslims look for Islamic alternatives. This need has always led to changes in Islamic symbols that are functionally the same as practices that were barely flagged as evil a few years ago. As a result,
Islamic jurists have been forced to reinterpret what interest is many times. Islamic financial institutions' approach to Islamicizing their operations encourages conservative investment policies. Deadweight loss is also included.

Despite these shortcomings, Islamic banking has the potential to boost economic development by increasing financial inclusion. It attracts a disproportionate amount of money from devout Muslims, who believe its activities are closer to the spirit of Islam than traditional finance (Nofrianto et al., 2021). As far as financial inclusion lifts the brand of Islamic finance, it is expected to have a more significant impact on less developed economies around the world. This hypothesis needs to be systematically tested. Hajj to Mecca can boost confidence and be suitable for progress. Attempts to rebuild the entire economy according to Islamic principles have failed. The main reason for this is that the revival focuses on institutions that are not suitable for a modern economy based primarily on impersonal transactions. Aside from basic moral principles, Islam's primary source does not provide a model for the economy of the 21st century. The astonishing success of some Islamic trade networks is considered evidence that Islam promotes trade and progress. However, their operations are not based on Islamic institutions. Their success is less about Islam than the logic of club merchandise. They act like other networks based on shared attributes such as race, religion, or place of origin, encouraging patronage of members.

**Recommendations and Conclusions**

Over the past twenty-eight years (1988-2015), the monograph provides an in-depth assessment of current issues and challenges about Islamic finance. Prudential and regulatory challenges; misunderstanding of Islamic banking philosophy in Western society; lack of capital markets for rare Islamic financial instruments; access to competitive markets; lack of awareness of Islamic banking and financial services; lack of uniform reporting standards; complex regulatory issues sexuality; lack of central oversight and governance bodies; lack of agreement between Sharia, lack of determination by administrative and executives, deficient in clear standards and sufficient control, lack of competition with the conventional financial system, and misunderstanding of religious dogma are just some of the destabilizing difficulties. Therefore, leaders with objective religious zeal must respond to these concerns.

A unified central regulatory system and consensus among all Sharia scholars is essential to unify Islamic financial practices and establish a synchronized and unified regulatory framework. Islamic finance has become more institutionalized and has grown in popularity worldwide, proving that it is here to wait. To determine the expectations of Islamic economics, strategic development is necessary. This can only be achieved if we first comprehend the industries past, including all the causes of errors or defects, and then work to prevent similar problems from recurring.
References


