

The Resurgence of Islamic Economic Thought: Contributions of Schools of Thought in Answering Contemporary Economic Challenges

Nur Rahman^{a, 1*}, Lutfiyah Rahma Novelika^{b, 2},
Alrojak Mubarak^{c, 3}, Gigih Yoga Pratama^{d, 4}

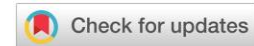
¹²³⁴Universitas Negeri Surabaya

Email: ^anur.21026@mhs.unesa.ac.id, ^blutfiyah.21035@mhs.unesa.ac.id,

^cAlrojak.21059@mhs.unesa.ac.id, ^dgigih.21060@mhs.unesa.ac.id

*nur.21026@mhs.unesa.ac.id

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ABSTRACT

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Islamic economic thought has regained attention as a potential alternative to addressing various contemporary economic issues. This phenomenon is known as the resurgence of Islamic economic thought. This raises another question: how has Islamic economic thought revived after the 1950s, and what contributions have different schools of thought made in facing contemporary economic challenges? This study employs a literature review method with a descriptive approach. The development of Islamic economics has been marked by the emergence of several schools of thought, categorized into three main groups: the Iqtishaduna School, the Mainstream School, and the Critical Alternative School. These schools remain within the framework of Islam based on the Qur'an and Hadith, enriching Islamic economic knowledge without undermining it. The schools of Islamic economic thought hold great potential to provide fair, ethical, and sustainable solutions to contemporary economic challenges.

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INTRODUCTION

Schools of thought from several groups encourage Muslims to be critical of all systems, including capitalism, socialism, and even the Islamic economic system. They argue that Islam as a religion is absolute truth, but Islamic economics may not always be right because it is the result of human interpretation even though it is based on the Qur'an and hadith (Sirajuddin et al., 2021). In recent decades, the global economic world has faced various complex challenges, ranging from financial crises, socio-economic inequality, to environmental problems. The conventional economic system dominated by capitalism and socialism shows its limitations in providing sustainable and inclusive solutions. In this context, research by Smith (2016) states that reformist thoughts such as those proposed by Jamal al-Din al-Afghani and Muhammad Abduh propose alternative solutions in developing a more just and sustainable economy. The re-emergence of Islamic economics began with the awareness of Muslim scholars who recognized the need to apply Islamic teachings in everyday life. Another study by Prandawa et al. (2022) stated that this awareness was a response to the views of contemporary Muslim scientists regarding economic problems that were considered unsolvable by the developing economic theory. Islamic economic thought has again received attention as a potential alternative in answering various contemporary economic problems. This phenomenon is known as the resurgence of Islamic economic thought.

The period of resurgence or revival, starting in 1950 AD until now. The period where Islamic economics confronts the free market of capitalism (Syihab et al., 2022). This period is marked by a revival of interest in Islamic economic concepts, especially those derived from the Qur'an, Hadith, and the thoughts of classical and contemporary scholars. Research by Nisa et al. (2024) states that the foundations of sharia economics have been formed since the beginning of Islamic teachings which continue to be relevant today. This system emphasizes social justice, equitable distribution of wealth, and the prohibition of usury and economic practices that harm others. In addition, the emergence of Islamic financial institutions, the development of the halal industry, and the increase in academic studies related to Islamic economics have also supported this revival. In the midst of this wave of revival, the contribution of schools of thought in Islamic economics is becoming increasingly important to examine. These schools, such as the Shafi'i, Hanafi, Maliki, and Hanbali schools, not only have a role in the formation of the Islamic legal system (fiqh), but also in the development of economic principles that are relevant to the challenges of the times.

Economic thought born from various Islamic schools of thought provides a holistic approach that includes aspects of social justice, wealth distribution, and balance between individual and societal interests. In the context of the contemporary economy, where income inequality is widening and sustainability is a major concern, the contribution of these schools in proposing an economic system based on the values of justice, public welfare, and ethics is very relevant. As a discipline that combines Islamic principles into an economic context, it is increasingly in the spotlight in the face of changing global economic dynamics. This arises because of the need to respond to

complex economic challenges by uniting ethical and moral values that are the foundation of Islamic teachings (Rangkuti & Arif, 2024). Another study by Prandawa et al. (2022) Islamic economics has several challenges in economic development where the community still does not understand enough about the Islamic financial and banking system which is indeed different from the conventional economic system in general. Along with the increasingly complex global economic challenges, such as the energy crisis, global inflation, and recession, it is increasingly clear that an economic model that only focuses on economic growth without paying attention to social and ecological welfare is no longer adequate. Therefore, re-examining the contribution of Islamic economic schools of thought is important to find solutions that not only address short-term problems but also build a more sustainable and equitable economic system.

This article will discuss how the resurgence of Islamic economic thought and the contributions of various Islamic economic schools of thought can provide real solutions to contemporary economic challenges. By exploring the values and principles of economics that come from these schools, it is hoped that we can find a relevant approach to dealing with the dynamics of the ever-changing modern economy.

RESEARCH METHOD

This study uses a literature study research method with a descriptive approach. Literature studies serve to develop a deeper understanding of theories and concepts relevant to the research topic (Creswell, J. W. & Poth, C. N. 2018). The literature sources used come from relevant secondary sources, such as e-books, journal articles, and other sources related to the research subject. The information that has been collected is then analyzed, grouped, and presented in the form of a simple article.

RESULT AND DISCUSSION

1. Resurgence of Islamic Economic Thought in Contemporary Context

The thoughts of the Prophet are still applied today. Because Islamic economics has been applied and developed by scholars since the time of the Prophet, Islamic society has achieved prosperity in this world and the hereafter (Azzahra et al., 2022). The resurgence of Islamic economic thought began to respond to the global crisis faced by the conventional economic system. Since the end of the 20th century, especially after the 2008 global economic crisis, more attention has been paid to alternative economic systems that are fairer, more ethical, and more sustainable. In this context, Islamic economics has experienced a revival, both in the academic and practical realms. This can be seen from the increasing number of Islamic financial institutions, the development of the halal industry, and the increase in academic studies on economic systems based on Islamic values. Research by Mudhiiah (2015) found that Muslims are required to seek a halal and fair living. The Prophet encouraged his people to trade and do business properly. He forbade seeking wealth illegally and unethically. Another study by Maghfiroh & Caniago (2020) stated that goods sold must be halal according to Islam and everyone

must get the results of their own efforts. Freedom in trade must be in line with freedom of religion.

Islamic economics offers a holistic and sustainable solution by emphasizing social justice, prohibition of usury, and equitable distribution of wealth through zakat and infaq mechanisms. Research by Pratiwi, A., & Kadir, K. H. (2024) states that the management of zakat, infaq, and sedekah is an integral part of this system, which aims to reduce poverty and social inequality. In facing contemporary challenges such as economic inequality, moral crises in business, and environmental sustainability issues, Islamic economics provides an alternative framework that focuses on the balance between materialism and spirituality. Schools of thought in Islam play an important role in formulating these approaches.

2. The Emergence of Schools in the Resurgence Period

The period of resurgence or revival of Islamic economic thought has been going on since the mid-20th century, precisely from 1950 to the present. In this period, it is clear that the thoughts of the Prophet Muhammad are still relevant and applied by society, which has contributed to the welfare of the world and the hereafter (Azzahra et al., 2022). The development of Islamic economics is marked by the emergence of several schools of thought which are classified into three main categories: the Iqtishaduna School, the Mainstream School, and the Critical Alternative School. This shows that despite the challenges, Islamic economic thought continues to develop and adapt to the dynamics of the contemporary economy.

The Iqtishaduna School pioneered by Baqir as-Sadr rejects many conventional economic assumptions and emphasizes the importance of combining economics with Islamic principles (Ikram et al., 2023). This approach focuses on understanding unlimited resources in the context of Islamic values. The Mainstream School, pioneered by M. Umer Chapra, is more inclusive of conventional economic theories but still emphasizes the need to measure economic growth through the quality of life and welfare of society, not just material indicators (Rangkuti & Arif, 2024). The Critical Alternative School encourages critical thinking about all existing economic systems, including the Islamic economic system itself. Thinkers in this school argue that although Islamic principles are absolute truth, human interpretations of these principles can differ and need to be evaluated (Sirajuddin et al., 2021).

The development of Islamic economic thought is currently faced with complex contemporary challenges, such as economic injustice, climate change, and social inequality. However, the thought that has been integrated from the classical era to the resurgence offers a unique perspective to address these problems. The principles of justice, social responsibility, and environmental protection are becoming increasingly relevant in this context. Through instruments such as zakat, waqf, and green sukuk,

Islamic economics can contribute to sustainable projects aimed at improving the welfare of society as a whole (UNDP, 2020).

Despite differences of opinion among the various schools of thought, all three schools of thought adhere to the Islamic corridor based on the Qur'an and Hadith, which adds to the richness of Islamic economics without weakening it. In the face of the reality that the current capitalist and socialist systems are unable to solve socio-economic problems, Islamic economic thinkers have revived the religious heritage as a solution. Contemporary Islamic economics has the potential to create global peace and stability by reducing social disparities and increasing welfare. Books and research on contemporary Islamic economics provide insight into the application of Islamic economic values on a micro and macro scale in the global world.

3. The Relevance of Schools of Economic Thought to Contemporary Challenges

In facing contemporary economic challenges such as environmental crisis, economic inequality, and business ethics, Islamic schools of thought provide important guidance that can be practically applied in the modern era. Here are some of the contemporary economic challenges and how Islamic schools of thought can contribute to solutions: **Economic Inequality:** Based on the maqashid sharia, Islamic economics introduces four main objectives, namely: meeting basic human needs, improving human capabilities, improving the environment, and strengthening social justice (Jajang et al. 2021). Islamic schools of thought teach the importance of equitable distribution of wealth through instruments such as zakat, sadaqah, and waqf. In a global context, the application of this concept can help reduce the gap between the rich and the poor.

Usury and the Financial System: Usury is considered an unfair and detrimental practice, which is contrary to the principles of justice and economic sustainability in Islam (Badali & Athaya, 2023). Islamic schools of thought strictly prohibit usury, which is considered a source of injustice in the economic system. The Islamic financial system developed based on the principles of this school of thought offers a fairer and more ethical solution by replacing the interest-based system with profit-sharing. **Ecological Crisis:** Although efforts have been made towards sustainable development through the enactment of Law No. 32 of 2009 concerning Environmental Protection and Management, due to the excessive dominance of corporations and oligarchies in controlling various natural resources in Indonesia, these regulations are mostly not implemented (Muthmainnah, Mustansyir, & Tjahyadi, 2020). The principle of public welfare emphasized by the Maliki school and the principle of social justice from the Syafi'i school are very relevant in dealing with the environmental crisis. Economic decision-making that focuses on environmental sustainability can be strengthened by the moral and ethical foundations promoted by these schools of thought.

4. Discussion of Implementation Challenges

Although the thoughts of Islamic schools of thought provide potential solutions to address contemporary economic challenges, there are several challenges in their implementation, such as Lack of Deep Understanding: Many economic actors and policy makers do not understand the principles of Islamic economics in depth, so that its implementation is often limited to formal aspects without considering its philosophical essence. Regulatory Limitations: In some countries, regulations that support the implementation of Islamic economics are still limited, so that the application of Islamic economic principles is not optimal. Globalization Challenges: Modern economic globalization demands the adaptation of Islamic school principles to the dynamics of a very complex and competitive global market.

CONCLUSION

This study confirms that the resurgence of Islamic economic thought has become a significant response to various contemporary economic challenges, such as social inequality, financial injustice, and environmental crises. Islamic economic thought, which is based on the values of justice, balance, and sustainability, is now increasingly relevant amidst the crisis experienced by the conventional economic system. The development of Islamic economics is marked by the emergence of several schools of thought that are classified into three main categories: the Iqtishaduna School, the Mainstream School, and the Critical Alternative School. These schools remain adhering to the Islamic corridor based on the Qur'an and hadith, which adds to the richness of Islamic economics without weakening it. Islamic economic schools of thought have great potential to provide fair, ethical, and sustainable solutions in facing contemporary economic challenges. With a broader understanding, more supportive regulations, and appropriate adaptation to the global market, Islamic economics can be a strong and relevant alternative in this modern era.

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