

ISLAMIC ECONOMICS:

Current State of Knowledge and Development of the Discipline

Khaled A. Hussein

Abstract. Despite the considerable achievements that have been attained during the last three decades, there is a long road ahead for Islamic Economics to establish itself as self-contained discipline that lays the ground for an integrated global economic system.

Despite the development of various economic models, traditional economics has failed to provide permanent and sustainable economic solutions to our economic problems. Still, a vast majority of world population live in poverty and relying on mainstream economic thoughts does not prevent the world from witnessing financial and economic crises every few years. This led to a growing trend of dissatisfaction with existing economic system and many economists nowadays raise the question: Is there an alternate paradigm?

The current economic problems are crossing national boundaries. Recent developments in the world economic scene have brought various questions regarding the allocative and distributive mechanisms in the current global economic system. The growing income inequalities between the rich and the poor nations prompt serious deficiencies in the distribution mechanisms. The world now has 358 billionaires with a combined net worth exceeds the combined net worth of the world's poorest 2½ billion people. The recent history of various crises in financial markets sheds doubts on the effectiveness of the global financial systems. For every \$1 now circulating in the productive world economy of real goods and services, it is estimated that there is \$20 to \$50 circulating in the world of pure finance whereby investment funds are de-linked from the creation of real value. In the international currency markets, some \$800 billion to \$1 trillion changes hands each day, unrelated to productive investment or trade in actual goods and services. There is a growing trend of dissatisfaction with existing economic system.

“Islamic Economics” as a scientific discipline to address the contemporary economic problems came into light in 1975 when an international conference was held in Makkah on the subject. The conference introduced Islamic economics as an alternative paradigm promising a better understanding of economic problems and how to approach them. At the conference, Professor Anas Zarka denied that conventional economics is a value neutral science. He vigorously argued that Islamic economics can be developed as a distinct scientific discipline with its own objectives, value systems and methodology. Professor Khurshid Ahmed elaborated on how value system of Islam leads to a better concept of economic development and pragmatic approach to achieve it. This conference and several follow-up conferences and seminars motivated several Muslim economists and even some non-Muslim economists to explore the theory of Islamic economics and economic system that teachings of Islam entail.

There has been a considerable amount of writings in the last thirty years on the broad economic aspects of the Islamic system. Since Makkah Conference in 1975 when Islamic economics came into light, it has made substantial progress as a scientific discipline and nowadays Islamic economics and finance are taught at several universities, not only in Muslim countries but also in the West and among the most prestigious universities.

Several international conferences were held and economists have taken two directions: A group of economists argue that Islamic economics does not have a distinct theory. Mainstream economic theory is general enough to accommodate variations in values and even in rules of behaviour delineating economic systems. This group of economists, however, also believes that Islamic economics make a difference in the areas of macroeconomics and particularly in banking, finance and public finance. The prohibition of interest and the unique system of *zakah* introduces significant departure from the conventional system and requires a lot of analysis that promises results that is significantly different from those of conventional models. Islamic economics, as this group believes, should better be perceived as a branch of economics. Its analysis can be governed by the same methodology as that of mainstream economics.

On the other hand, another group of economists argue that Islamic economics is distinct paradigm and it can have its own theory but most of the work on theory of Islamic economics stopped at the level of delineating only the methodologies. With the exception of a very scanty work on factors of production, forms of business enterprises and capital structure of business enterprises, no attempt has been made to develop an integrated coherent Theory of Firm that will help understand how Islam views production process and its objectives and its interaction with Islamic ethics of business; factors of production, their markets and their rewards. If Islamic economics has to be offered as a different paradigm, distinct micro foundations of Islamic economics have to be discovered. The concepts related to consumption and consumer behavior highlighted in Quran and sunnah require developing an altogether different paradigm for the analysis of these concepts so that economics of the teachings of Quran and sunnah relating to consumption could be understood appropriately and policy implications can be drawn on how a society can achieve consumption pattern desired by Islam.

A parallel development, however, was simultaneously taking place, independent of the above mentioned development of Islamic economic thought. This was the emergence of Islamic banks in different parts of the world. The development was taking place with very little interaction with the economists who were delineating Islamic economic theory and Islamic economic system. Islamic banks took their own course which caused frustration to those economists. Market forces provided the impetus to Islamic banking which moved a long way in a short period to make its impact on the global financial markets. Development of Islamic economics as a science did not get any such impetus and was finally shadowed completely by the developments in Islamic banking and finance.

The progress of Islamic banking in the last thirty years is unprecedented. It convinced the world that it is capable of generating viable financial system compatible with the modern needs of people and economy and is dynamic enough to cope with the

needs of rapidly changing world. Not only conventional banks were forced to embrace this reality and ushered into the area of Islamic banking but also the international financial organizations embraced the concept and are in the process of developing their own Islamic instruments and their own *shari'ah* boards to advise them on Islamic quality of different financial instruments.

A large part of those economists who have or had the ambition to develop a scientific theory of Islamic economics and development of an Islamic economic system are not very appreciative of directions in which Islamic banking system has developed itself. They do not see a direct relationship in this development and the claim that Islamic economics promises a paradigm to give a better economic future to mankind. The fundamental pillars of Islamic economics like emphasis on economic justice, endogenizing Islamic ethics into objective function and market behaviour, significance of risk sharing in developing productive organizations etc. are hardly visible in the development of Islamic banking.

It is in this background that the Islamic Research and Training Institute and the Arab Planning Institute thought to organize a roundtable discussion with the following specific objectives:

- 1) Stock taking of what we have got in Islamic Economics as a scientific discipline.
- 2) What can be done to accelerate the development of the discipline on scientific grounds ?

The following important points were made, some of them contradict each others:

- Islamic economics has been too much focused on *fiqh* where such an approach suffers from limitations. There is a need to complement the *fiqh* approach by “*maqasid al shari'ah*” approach in order to deliver a meaningful agenda for economic development. Two major factors constrain the development of a distinct Islamic economics theory. The first relates to an understanding of the contemporary reality which is very different compared with the first four centuries of Islamic history when the codification of *shari'ah* law was almost complete. The second hurdle relates to a faulty approach to the *shari'ah* sources. Islamic economics needs to focus more on what concerns people more, not what appears to be more important in theory.

- The worldviews of Islamic and conventional economics are entirely different. Islamic economics gives importance to moral values, socioeconomic justice and puts great emphasis on social changes through a reform of the individual and society. The realisation of the Islamic worldview depends on the integrated roles of values and institutions, market, family, society, and the state.

- No one denies the uniqueness of the Islamic economic system that lies in the principles of Islam and the moral characteristics of its articulation, but Islamic economics should be seen as a branch of economics to study the units and variables within the Islamic legal and ideological framework. Islamic economics currently suffers from an overstatement of the uniqueness of the objectives of the Islamic economic system and the mix-up of principles and tools of analysis. There is a need to set clear lines between Islamic economics and finance on one hand and Islamic *fiqh* on the other hand. There is also a great need for rigorous research in several critical areas of Islamic economics.

- A serious deficiency in how Islamic economics is currently distinguished from the conventional economics. One can give examples to how researchers differentiate between Islamic economics and mainstream economics based on the conclusion of their research. So, if the conclusion is consistent with *shari'ah* principles then the research is considered as Islamic economics and vice versa. Islamic economics uses the tools of science to reach conclusions we already believe to be true and correct. The Islamic economics premises is not open to any results that contradicts a pre-set of conclusions, therefore Islamic economics is not a scientific discipline where disciplines are defined by their methodology not conclusions.

- Muslims should have their own theory of consumer behaviour since the mainstream theory of consumer behaviour has limited scope and lack the ability to explain some of the contemporary economic problems such as poverty. Distinction is made in Islamic economics between needs and wants whereby adopting a need-based approach would allow to understand several aspects of Islamic consumer behaviour which are expelled from the conventional approach.

- Islamic economics is very much needed. Islamic economics would expand the horizon of economics as a science but one should be careful of stretching the Islamic economics concepts too far. There is difficulty to distinguish between "wants" and "needs". Looking at "wants" but ignoring "needs" may justify any kind of behaviour even if the harmful ones, therefore "wants" should be maximized subject to the "needs". Further, there is a need to define several concepts such as self-interest and maximisation

- Islamic economics is very much part of economics as a broad discipline. He recognizes several unique features that differentiate the Islamic school from the mainstream one, however, both schools share some crucial common values, goals and tools of analysis.

- Do Muslims behave differently from others ? Many economists have taken this direction that a Muslim should behave differently from a non-Muslim and consequently, we have economic theory applicable to Muslims only. The differences between Islamic and conventional economics are institutional. Dr. Others disagree with this view, they argues that *Quran* clearly makes distinction between two behavioural groups: Muslim and non-Muslim. Then within Muslims "*Surat Fater*" talks about Muslims where there are three groups of behaviour. Allah (SWT) created man with almost the same quality but then we differ because we experience different atmosphere, culture, etc. Other scholars add that human beings are the same and thus our economic behavior is not different from the other but some distortion happens when people try to interpret what is right and wrong.

- There is a need for an Islamic theory, not in the sense of forging a unique philosophy of discovering economic theories, but in the sense of having our own theoretical emphasis and our own choice of the problem. As Muslims, we can choose problems which most interest us, and address our own theoretical and practical challenges. Nonetheless, we ought to approach our problems with a generally accepted methodology.

- Islamic economics is a science and not a branch of *fiqh muamalat*. Early contributions in economics by Muslim scholars showed that scientific roots of Islamic economics were established a long time before traditional economics. Islamic economics can benefit from mainstream economic theories whenever their basic assumptions do not contradict with Islamic *shari'ah* and ideology. There is a need for serious research to tackle several economic issues from an Islamic perspective since the

contributions of Islamic economists still rely on the descriptive approach in economic arguments rather than analytical one.

- Islamic economics is inter-disciplinary and Islamic economists have to integrate economics with other human sciences. Utility maximisation is not the proper framework for Islamic economics, instead researchers can use game theory to launch a research programme in Islamic economics. Islamic economists should adopt a multi-disciplinary approach in order to build values into economic analysis.

- There is a need to actually go into the specific economic issues and discuss these from Islamic perspectives. We have to think of issues that need to be discussed to revive Islamic economics; and can be relevant in today's world. Institutional economics is very relevant to Islamic economics and we have, in some ways, neglected this area in Islamic economics. There is a need to focus and try to identify the core of the discipline. why until now we are not able to define the boundaries.

- We are not clear yet about our premises and postulates which we are integrating in our theories and analysis.

- It was suggested to make a comprehensive list of questions and get answers from all participants. This would make valuable document to communicate in the future. To prepare a list of subjects on which very little has been written, and invite papers on these subjects from scholars. To establish an Islamic economics forum through an internet website.

- There is not enough human resources committed to Islamic economics which poses a threat to the future of Islamic economics.

- We are not clear yet about our premises and postulates which we are integrating in our theories and analyses.

On the other hand, despite the extraordinary achievements that Islamic economic has made over the last three decades, the development process of Islamic economics as a scientific discipline has a long way to go in order to offer a complete and comprehensive economic system.

الاقتصاد الإسلامي: الوضع المعرفي وتطوره

د. خالد حسين

المستخلص: على الرغم من المنجزات المعتبرة التي تم تحقيقها خلال العقود الثلاثة الأخيرة، فإن الطريق أمام تقدم وتطور الاقتصاد الإسلامي كعلم قائم بذاته لا يزال طويلاً للوصول إلى نظام اقتصادي كامل وشامل.

Islamic Economics:
Current State of Knowledge and Development of the Discipline

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Comments
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Comments:

My comments on the paper may be divided into three parts:

- (a) First part dealing with author's justification for an Islamic Alternate Paradigm.
- (b) Second part dealing with emerges of Islamic economics in 1975 and
- (c) Third part dealing with '**important points**' to be considered for further growth of the discipline.

Strength of the paper

In the first part the paper, the author has successfully summarized the reasons for having a need for an Alternative Islamic Economic Paradigm just one page. It is argued that the growing income inequalities between the rich and poor nations leading to concentration of wealth into the hands of 358 billionaires exceeding the combined net worth of the world's poorest 2.5 billion people and the recent history of various crises in global financial system indicate the urgency for an alternate paradigm. Besides, delinking investment funds from the creation of real value is well argued by the author.

Serious weakness of the paper

Having said this, author's exposition of current state of knowledge and development of the discipline is far from satisfactory and in fact disappointing for the following reasons:

(1) The paper is full of sweeping generalizations without any documentation; it lacks depth and perspectives: the paper also contains serious distortions of facts as well. There is no references at all.

(2) It is a quite distortion of historical fact that 'Islamic Economics' as a scientific discipline came to light in 1995, as claimed by the author. It is true that King Abdul Aziz University had the unique honor and privilege of organizing the first International Conference on Islamic Economics in February 1976 at Makkah. This conference provided Muslim economists and Shari'ah experts ('Ulama') with the opportunity jointly to participate in discussions on major issues and themes in economics⁽¹⁾. But

this historical conference on Islamic Economics in 1995 was not happened all *on a sudden*.

The fact is that in sharp contrast to earlier decades, a group of volunteer professional economists around the Muslim world started pioneering theoretical works on Islamic Economics, Banking and Finance during the '60s. To us, a volunteer is a person who without being coerced in any way, makes a free choice to participate in particular activity through his action, volunteer make a commitment to connect to the community in an effort to create a better social outcome, to make a difference. This was actually what happened in '60s when a group of volunteer Islamic economists challenge the Neo-classical orthodox paradigm in the wake of great transformation of Muslim societies resulting from gaining independence from their colonial past. This group of volunteers putting themselves forward, at some personal cost, moving outside the comfort zone of familiarity to engage with new frames of reference and undertaking agreed tasks. They are motivated by a complex mixture of factors, quite specific to their individual situations and perceptions of themselves. Quite likely there is an element of altruism, but self-interest is also an important motivating influence. By this I don't mean a narrowly defined material self-interest, but a broader recognition that personal growth, experience and learning represent valid self-interest, an avenue to participate in a sense of global community that crosses borders and cultures. "Altruism and self-interest need not be opposites, but can be complementary. As individuals identify their interests, and those of coming generations to be inextricably tied to the fate of the global community, at that point self-interest and altruism are even converging⁽²⁾.

This was how a group of professional economists of the Indian Subcontinent and Middle Eastern Countries, Egypt and other parts of world have been contributing serious pioneering analytical works on Islamic Economics Banking and Finance involving application and interpretation of the principles of shariah since early 60's. Indeed, the serious beginning of Mannan's work on Islamic Economics began in 1961, when a presentation on "*Interest-free Banking in Islam*" was made at a seminar organized by Sirajganj Degree College under University of Rajshahi of the then East Pakistan (Now Bangladesh)⁽³⁾ ⁽⁴⁾ Eventually, Mannan's Academic Award winning first textbook entitled, "*Islamic Economics: Theory and Practice*" appeared from Lahore, the then Pakistan in 1970. This book reprinted over 20 times since then, translated in dozen of foreign language including Arabic, English, Bengali, Turkish, Bahasa Malaysia and Bahasa Indonesia. Both Arabic and Turkish version of this book appeared in 1973. This is the most referred book in Islamic Economics till today. Besides Siddiqi's Survey of Muslim Economic Thinking based on literature produced upto 1975, captured the substance of Muslim Economic thought in relation major issues in Economics. This - survey was also presented at the said International Conference on Islamic Economics in

(1) See 'foreword' by Dr. Abdullah Omar Nasif, President, King Abdul Aziz University, Jaddah, in Studies in Islamic Economics (1980) edited by Khurshid Ahmed, Published International Centre for Research in Islamic Economics & Islamic Function, London. 1980.

(2) See Peter Britton International Volunteerism and Global Survival in "Islamic Millennium Forum (IMFO) Vol. 11 number 2, Jan-March 2002 by Asian Muslim Network (AMN)- Indonesia.

(3) See author's interview with 'Arab News' Jeddah, Saudi Arabia, April 12, 1986, Shaban 3, 1406

(4) Ahmed Abdel-Fattah El-Ashker "The Islamic Business Enterprise", Croom Helm Ltd, Provident House, Burrell Row, Beckenham, Kent, BR3 1AT, UK, 1987, Page- 33.

1976. In the same conference, Zaim reported serious development of the disciplines in Turkey.

At the operational level, the establishment of Mid ghamar Saving Bank in a rural area of the Nile Delta in Egypt in 1963 by Late Dr. Ahmed Al-Najjar is a part of a serious process which has now reached at a level where many international Banks like World Bank are now conducting Islamic Banking experiments. The Mit Ghamr experiment which suffered a setback, however, owing to changes in the political atmosphere in Egypt was revived in 1971, under Sadat's regime, with state funding under a new name, the '*Nasser Social Bank*'. Thus *what was started as a work of a group of volunteer professional economists in '60s' soon emerged as serious efforts forwards growth of professionalism in mid-70's.*

(3) The author's contention that there are two groups of economists are having two conflicting position with regard to the status of Islamic Economics as distinct discipline is *without documentations*. To me, the study of Islamic economics as a distinct discipline of knowledge is based on the fundamental *assumptions* that there are Islamic responses to the economic problems confronting the Islamic community of to-day and that the underlying assumptions on which *Neo-classical orthodox* paradigm or *Marxist-radical paradigm* are based are either inappropriate or inadequate or incapable of explaining the Islamic concern in economic matters and Muslim world view. It is not a question of showing superiority of one system over other system. The key question is: does a system based either on market or command serve effectively the needs of the particular Islamic community or country, given its resource endowment, its history, cultural and societal values? Our answer is not in the affirmative, although these systems may, however, work well within their respective socio-economist context and value systems.

The fact is that in every system of thought, there are some assumptions and ideas in common with other systems of thought. It is through emphasis or de-emphasis or rejection, an identity is established. This is fairly an objective view. For Muslims, there is then a need for a new line of intellectual inquiry, based on creative synthesis, reconstruction of Islamic thought processes and reappraisal of old values in new economic and social realities running through the socio-economic manifestation of Islam as a way of life and a code of conduct." Therefore, "Islamic economics will have its own hypothesis. In course of scientific investigation, we may reject or accept or modify or alter them irrespective of social and economic systems, based on market, command or tradition. In other words, if our scientific inquiry leads us to confirm or support any existing institution and practices of either capitalistic or socialistic system, there is nothing wrong in it in adopting or adapting in an Islamic state. In any case, Islam remains as a lender rather a borrower of ideas, for, Islam is older than either of two existing major systems⁽⁵⁾.

Thus, this trend towards the growth of professionalism lead to establishment of a number of research and academic institutions and Islamic Universities in various parts of Muslim and Non-Muslim world. This has generated considerable serious works in

(5) See M. A. Mannan, The Making of Islamic Economic Society, Islamic Dimensions in economic analysis, International Association of Islamic Banks, 47, Oruba Street, Heliopolis, Cairo-1984, Page- 3-4.

the area of Islamic Economics, Banking, Finance and development both at the theoretical level and operational level in 80's and 90's. Thus the development of the concept of "effective need" instead of "effective demand" as a basis of market mechanism in Islam, rejection in the role of Pareto optimality and "given demand hypothesis" in explaining the behaviour of the firm, introduction of notion of "expected desirable income hypothesis" in explaining consumption function and so on deserve mention.

(4) While I agree with the author that the progress of Islamic Banking and Finance in the last 30 years is "unprecedented" indeed. The operational success of Islamic Banking and Finance offers as a viable alternative to conventional Banking in terms of profitability and wide range of innovative products particularly in the corporate sector, not in terms of its contribution towards alleviation of poverty at the grass-root level of Muslim countries.

The author has failed to point out the dilemma of Islamic Banking and Finance in the corporate sector in this direction. Besides a careful study of the "interface" between Islamic and Conventional Banking reveals that Islamic Banking and Finance, without built-in-provisioning for social, ethical and moral ingredients, will most likely to be submerged in the mainstream of the western conventional banking system and consequently in the wave of market economy operating through western materialistic and secular values. This is perhaps what is happening either consciously or unconsciously in the case of operation of Islamic Banking in the corporate sector. The comparative advantage of conventional Banks over Islamic Banks in terms of their systems, management experience and techniques of product innovation is expected to bring competition, resulting in a sharpening of the techniques and procedures of Islamic Banking modes. In the process, profitability is becoming more dominant in Islamic Banks' operations. Conventional Banks having Islamic windows lack knowledge and know-how of social, ethical and moral foundations of Islamic Finance. It then appears that the Islamic Banks in the corporate sector are running the risk of getting submerged in the wave of market economy with an concentration of ownership and its link with global elite and marginalizing social and ethical elements of Islamic Finance.

But Islamic Bank's operational success however limited it may be, in the area of Islamic Micro-finance and Voluntary sector Finance represent paradigm shift indeed. For example, operationalization of the three sector model of Social Investment Bank Ltd (SIBL) established twelve years ago in 1995 in Dhaka, linking formal, non-formal and voluntary sector successfully implemented its innovative concept of family empowerment micro-credit, *a paradigm shift in Islamic micro-finance* with a built-in-mechanism for graduation process, where poor borrowers can move beyond poverty line from micro-credit to market via micro enterprise as well as introduction of its *Cash-Waaf Certificate scheme* in 1997, for mobilization of social capital as an innovation, thereby creating new opportunities to transfer liquid asset and make connection with one another on a local, national and global scale. It is well-received by other Islamic banks in Bangladesh, Indonesia and Muslim communities worldwide.

Lastly, the paper simply reproduced the so-called “important points” raised during the round table discussion between Islamic Research and Training Institute and the Arab learning Institute. These “important points” appear to be too general and vague.

The crucial question before us as to how the new emerging global Islamic wealth, estimated to be around US\$ 750 billion in asset under management, concentrated into the hands of a few families and individuals is to be invested and managed efficiently in Muslim countries for alleviation of poverty, not to speak of development of Awaqf properties worth billions of dollars of worldwide in addition to mobilization Cash-waqf fund that can open up new frontiers of human freedom that includes freedom from educational, social and economic deprivations of the Islamic Ummah⁽⁶⁾.

There is an increasing demand for world-class wealth management services that is in accordance with Shariah amongst Muslims to-day, “Economic growth rates in predominantly Muslim or all-Muslim nations are relatively strongly positive, often in the range of five to eight percent annually have helped fuelled such a strong demand. Coupled with this are the high savings rates, the emergence of private family wealth and high net worth individuals in the Muslim countries, which simply means new levels of wealth to be managed. According to the Boston Consulting Group, these individuals and families are sitting on a combined asset pool of a staggering US\$10.2 trillion. Many private bankers stressed that based on the feedbacks and investors, there is a huge demand for Shariah-compliant wealth management products and services”⁽⁷⁾.

The task before us as to how to meet this challenging demand for world-class professional in Islamic Wealth Management in light of disturbing gap between an ideal-shariah situation and the prevailing corruption and decline of moral values of Muslim Societies of to-day.

(6) See Prof. Dr. M. A. Mannan Cash-Waqf Certificate - An innovation in Islamic Financial Instrument: Global Opportunities for Developing Social Capital Market in the 21st Century Voluntary Sector Banking, Presentation at the Third Harvard University Forum on Islamic Finance, Harvard University, Cambridge, MA, USA, October 1, 1999.

(7) See, Labuan IOFC Finance Newsletter, Published by Labuan Offshore Financial Services Authority, Malaysia, Issue 2, November, 2007.

Comments by: Dr. Eltayeb Ahmed Shumo

On the paper prepared by Dr. Khaled A. Hussein

Title: Islamic Economics Current State of Knowledge and Development of Discipline

This paper presents a valuable effort to develop the current state of knowledge and understanding of the Islamic economics theory and the on going practice and applications. The paper advocates a problem base approach for having a sound Islamic economics system.

The theme of the paper is quite interesting but a defect in the methodology lies in its reliance on limited sources and lack of empirical data. The author started by focusing on the major challenges confronting the global economy and concluded that the conventional economic system failed to solve the problems of poverty, the acute unequal distribution of income, the growing rates of unemployment and the slowdown in productivity compared to fast growth in financial investment in financial markets.

In my view the issues covered by the paper deserve more efforts and need to encourage academic institutions and research centers to participate in developing the theoretical framework and to share in assessing the current experiences. With regard to the problem base approach for researches I agree with Mr. Khaled that we should move towards that system but we to restrict to the fundamental principles and values which distinct the Islamic economic system from the conventional economic systems.

The main comments need to be emphasized could be summarized into following:

- I feel uneasy to accept the treatment of Islamic economics as a branch of the conventional economic system although we can share with it its tools of analysis that not in contradiction with Islamic principles and ethical values. Alternatively we have to suggest an independent Islamic school of economics and not just to regard it as a branch of the economic school.
- The Islamic economics as science should not be isolated from the Islamic philosophy science it works as a part of inter-disciplinary system. In Islam there is no contradiction between goals and means or between theory and application all they should be in consistent.
- The Islamic economy is a real economy that it deals with real values rather than with nominal values. This characteristic is reflected in its methodology which combines both empirical and analytical approaches and it is only relying on descriptive approach as stated in the paper.
- It uneasy to accept the separation of Islamic economics from fiqh of "muamalat" science Islamic economics is an inter-disciplinary system. This not means we accept facts without following consistent scientific steps.
- With regard to the availability of academic scholars and specialists in the Islamic economics area I do believe there are a reasonable number of specialists but there is a lack of co-ordination. In that respect I argue with the

author for the need to establish a forum or websites to integrate the efforts of those interested in the subject.

- About the possibility of using games theory instead of utility theory this issue need more elaboration to see how it works
- With regard the principles of the Islamic economics they are clearly identified and agreed upon but the problem in the practice and the applicants of the system. For example the Islamic banks experience originally was found on strong vision and objectives; it was originally socially oriented but later after the seventies the experience was dominated by material needs and profit maximization goals similar to conventional banks. To explain more if we go back to mait-ghmer in Egypt, the bank was socially oriented to promote savings among farmers and improve saving behavior and thus to secure continuous accumulation of capital. Similarly the Hajj Fund in Malaysia was establishing with a clear vision and objectives to promote savings from Muslims to enable them perform Hajj.
- Finally I want to this occasion to suggest for Muslim scholars in the area of Islamic economics to focus on small finance and to give more attention to social goals rather than focusing merely on efficiency objectives.

The Domain of Islamic Economics: A Discussion

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Advances in economic theory that took place ever since the 18th century, have improved a lot our understanding of how economic decision makers interact and the possible outcomes of individual and collective decision, both at the micro- and macroeconomic levels. However, there are still persistent problems of poverty , economically – driven wars, income inequalities, environmental problems, macroeconomic instability, to name but a few of serious economic problems that still loom large in spite of great scientific advancements. This raises a question about the need for an alternative economic paradigm, on the one hand, and how to deal with the existing paradigm, on the other.

Research in general, but in social sciences in particular, including economics, may not be value- neutral. This is because the researcher's social upbringing and psychological make up affects in many cases his choice of problems, his approach, and his use, if any, of the outcome. The value dimension in research is sometimes overt, sometimes covert. Those who believe that Islamic economics has a distinct paradigm, and those who do not, both agree that approaching socio- economic problems from an Islamic perspective may lead to different results in terms of both theory and policy. The demarcation between the two paradigms is not always present, however. Whenever the value dimension is absent or pretty weak, the outcomes may be similar. An example of this is the theory of international trade.

But what is the Islamic Paradigm? Since Islam replaces the “Economic Man” with the “Worshipping Man”, It becomes natural that the “Worshipping Paradigm “replaces the Maximization Paradigm” (See Uthman, 1998.) This does not render the “Maximization Paradigm” totally useless as a method of analysis, but it makes it constrained and guided by an upper driver. While self- interest is not denied, it is being modified by revelation from the Lord and submission to Him. In this way the business life is not isolated from other areas of life. Belief and submission are the grand guiding principles for all aspects of life. Consequently, any possible contradictions that may arise between different functions of Man are removed.

The Islamic methodology of research is essentially inductive. This is because the Islamic approach requires belief in the basic premises of Islam first. The many verses given in Holy Qura'n on the existence of the Almighty God, by calling upon Man to ponder the Universe are examples of an inductive method. But the deductive method may also be useful in researching problems for which no specific or direct verdict is given. This, however, remains guided by the Grand Principles of Islam, regarding the

Five Necessities- The protection of Religion, reason, soul (life), reproduction (of human-kind), and wealth.

Empirical testing of Islamic theories at the current state of Islamic societies is rather difficult, and if ever done needs to be highly qualified. The reason is simply that Muslim societies, nowadays, do not live the Islamic ideal. Furthermore, part of the difficulty arises from practices or research priors that try to subjugate Islamic Jurisprudence to current practices or ideas, instead of going the other way around. This has been the unfortunate state of today's Islamic finance in many cases.

It is an absolute nonsense to imagine, let alone to call for an investigation of any Islamic branch of knowledge away from Islamic *Fiqh* (jurisprudence.) It is actually a way to cap out from the guiding principles of Islam. It can be called anything, but Islamic!

But starting with Islamic priors and reaching conclusions that are compatible with these priors is not sufficient for good economics. Why? This is because a necessary condition of good economics is the existence of a good economist. Good intentions, by themselves, although necessary, are not sufficient to reach good outcomes. This means we have to differentiate the discipline of Islamic economics as a whole from individual undertakings. But the differentiation is not always easy, especially for those who either do not accept Islamic principles, or not educated enough about them!

References:

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