

Economy Based on the Principles of Social Justice in Islam

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Abstract

This article explores the principles of social justice in Islam and their impact on the economy. Islam promotes a just economy based on principles of fairness and equal resource distribution. The article also outlines the significant role of the government in ensuring the proper functioning of the market and creating an environment conducive to development and justice. Moreover, the article examines the challenges and opportunities faced by Islamic economics, particularly in the context of Indonesia, with its large Muslim population. However, with increasing awareness of social justice and community empowerment, Islamic economics is becoming more relevant and thriving. The article also highlights the role of philanthropy, such as zakat, in supporting community development and empowerment. Despite some obstacles, Islamic economics has the potential to provide an alternative grounded in social justice and sustainability.

Keyword: Social Justice, Islamic Economics, Wealth Distribution, Zakat and Philanthropy

Abstrak

Artikel ini membahas prinsip-prinsip keadilan sosial dalam Islam dan dampaknya pada ekonomi. Islam mendorong ekonomi yang adil, berlandaskan prinsip-prinsip keadilan dan kesetaraan sumber daya. Artikel ini juga menguraikan peran penting pemerintah dalam memastikan mekanisme pasar berjalan dengan baik dan menciptakan lingkungan yang mendukung pembangunan dan keadilan. Selain itu, artikel ini mencermati tantangan dan peluang yang dihadapi ekonomi Islam, terutama dalam konteks Indonesia, yang memiliki populasi Muslim yang besar. Namun, dengan peningkatan kesadaran akan keadilan sosial dan pemberdayaan masyarakat, ekonomi Islam semakin relevan dan berkembang. Artikel ini juga menyoroti peran filantropi,

seperti zakat, dalam mendukung pembangunan masyarakat dan pemberdayaan. Meskipun terdapat beberapa kendala, ekonomi Islam memiliki potensi untuk memberikan alternatif yang berlandaskan keadilan sosial dan keberlanjutan.

Kata kunci: Keadilan Sosial, Ekonomi Islam, Distribusi Kekayaan, Zakat dan Filantropi

A. Introduction

Social justice in Islam is a fundamental principle rooted in the religion's teachings. It encompasses the idea of fairness, equity, and the fair distribution of resources and opportunities within society. Islam values social justice and emphasizes the importance of treating all people with dignity and respect, regardless of their social or economic status.

Prophet Muhammad (PBUH) once mentioned that economy is the pillar of world's development. In various statement, he mentioned that traders or entrepreneur are amongst the best professions there is, he also encouraged his community to engage in trade. In one hadith, it is explained: "Rafi' bin Khadij narrated that he asked the Prophet, 'O Messenger of Allah, what is the best kind of earning?' He replied, 'That for which a man works with his hands. And honest trading.'" (Narrated by Ahmad and Al Bazzar; sahih lighairihi).

Ali Syariati mentioned that 2/3 of the verses of the Qur'an emphasize the importance of upholding justice and detesting injustice, using expressions such as "zhulm," "itsm," "dhalal," et cetera. Therefore, the goals of socioeconomic justice and income/welfare distribution are considered integral parts of Islamic moral philosophy.

The concept of socioeconomic justice holds an important place in Islamic thought and philosophy. In Islam, economic activity is expected to be consistent with a broader vision of societal fairness and equity, encapsulated by the principles of "Keadilan Sosial" (social justice). This principle not only guides economic transactions but also shapes the nature of the economic system within the Islamic framework. This discussion will examine the fundamental principles of Islamic economics, focusing on its emphasis on social justice and its implications for economic practices and policies.

With such a strong concern of Islam towards the economy, it is not surprising that many scholars have been highly productive in generating studies discussing its connection with Islamic economics. References to jurisprudential books produced by

scholars often delve into topics related to muamalah (Yazid & Yazid, 2009).

Islam promotes economic justice by prohibiting usury (riba) and exploitation in financial transactions. Charging and paying interest is considered unfair as it can lead to exploitation of people in financial need. The Prophet (PBUH) cursed the one who accepted usury (lending money with interest), the one who paid it, the witness to it, and the one who recorded it.

The concept of socioeconomic justice that Islam teaches desires a proportional income distribution. In this context, it can also be said that Islamic economic is based on unity. Therefore, it is not surprising that there is an assumption stating that the principles of Islamic socio-economic justice has similarities to socialism. There has even been an opinion stating that socialism, when combined with Islamic elements, can become Islamic itself.

B. Research Method

The research method of this article employs a qualitative research approach. The researcher investigates and gathers information about the intricacies of Islamic economics and its influence on socio-economic justice. The data used is of a secondary nature, sourced by quoting from books, journals, reports, and other relevant writings. The objective is to assist in addressing an issue that requires a detailed and accurate literary review from various sources.

C. Ownership and Wealth Distribution in Islam

The distribution of wealth is a central concern in Islamic economics to achieve collective prosperity. Some financial instruments used for this purpose include zakat, sadaqah, infaq, and waqf. Additionally, in the past, state resources were also obtained from warfare, which was recognized as spoils of war (anfal, ghanimah, and fa'i). Therefore, the distribution of war spoils also received attention regarding who should benefit from it. This wealth distribution policy aims to achieve income equality among the public.

Hence, it can be said that the welfare and prosperity of the populace do not solely depend on the results of production itself but also on the proper distribution of income. Wealth can be generated in excess even in prosperous modern societies where there is abundant wealth however, the distribution of wealth is not equitable, leading to many citizens suffering from poverty. This is

all due to an improper distribution of wealth, where a portion of the population loses their fair share. Islam also perceives that a materialistic understanding is a flawed perspective on life because humans have both material and non-material (spiritual) dimensions. In Islamic economics, these two dimensions (material and spiritual) are not seen as solely for individual liberation as in capitalist ideologies, but as a balance between the individual and the material and spiritual elements they possess, a balance between the individual and society, and a balance between one society and another.

The Qur'an has defined concrete steps for achieving wealth distribution equity within society objectively. The Quran also prohibits the charging of interest in any form. Additionally, it introduces inheritance laws that place limitations on the authority of wealth owners for a specific purpose, ensuring the distribution of their wealth among close relatives upon their passing. The purpose of these laws is to prevent the concentration of wealth within specific groups. Furthermore, the positive steps taken to distribute wealth to the community include the obligation to pay zakat, give infaq, and provide assistance to the poor and those affected by state taxes.

The capitalist economic system, also known as "al-ra'su maliyah" in Islamic economics (Chapra, 1999, 18), acknowledges the concept of individual ownership. In this system, individuals have the freedom to accumulate and generate wealth based on their abilities, with no restrictions on how they can utilize and distribute their assets, except for respecting the ownership of others. The extent of an individual's private property is only limited by the freedom of other individuals. Ownership is justified merely on the grounds that one is a human being and does not infringe upon the freedom of others. However, this perspective disengages itself from ethical values or norms, often resulting in income inequality and social envy.

Economic behavior devoid of moral considerations can give rise to actions such as monopolies (ihtikar), hoarding (ikhtinaz), usury, and others, all of which can lead to income distribution injustice (tauzi' al-dakhl) (Ghafar, 1985, 408). The distribution principles applied by the capitalist system ultimately lead to the reality that the true rulers are the capitalists (capital owners and conglomerates). Therefore, it is not surprising that government policies consistently favor the interests of capital owners or conglomerates, often at the expense of the well-being of the general population. Consequently, income and wealth distribution inequalities (injustices) become prevalent.

The state should not exercise its authority arbitrarily; instead, it should use its power to enable the proper functioning of the market and create an environment conducive to development and justice. The state should be an institution oriented towards the welfare of its citizens, practice fiscal moderation, respect others' property rights, and avoid burdensome taxation. Ibn Khaldun's concept of the state, as per Chapra, is not that of a laissez-faire or totalitarian state but rather a state that acts as a facilitator of human development and welfare.

D. The Role of the State in Islamic Economics

The role of the government is crucial to ensure the market to function smoothly. Prophet Muhammad (PBUH) himself performed the function of market oversight or "al-Hisbah," which later became as a reference for the role of the state in regulating the market. Meanwhile, Ibn Taymiyyah in his book *Al-Hisbah fi al-Islam* discusses in detail the role of "Al-Hisbah" during the time of Prophet Muhammad (PBUH). He frequently inspected the markets to assess prices and market mechanisms (Al Arif and Amalia, 2014).

"Al-Hisbah" is an institution that functions to encourage good deeds, making them habitual, and to forbid wrongdoing once it becomes a common practice. According to Ibn Taymiyyah, the purpose of "Al-Hisbah" is to command what is referred to as goodness and prevent what is commonly known as evil within the jurisdiction of the government to regulate, while it also adjudicates in other specific public areas that ordinary institutions cannot reach.

In contemporary Islamic economic thought, the existence of "al-Hisbah" often serves as a reference for the state's role in the economy, particularly within markets. However, the practical implementation of "al-Hisbah" can take various forms. Some economists argue that "al-Hisbah" should be performed by the state in a general sense through its various institutions. In this view, "al-Hisbah" is inherent in the state's functions within the market, and there is no need to establish a separate institution for it. On the other hand, some believe that there is a need for a specific institution called "al-Hisbah." In this context, "al-Hisbah" functions as a specialized economic police force. Moreover, this institution operates independently, free from the influence of specific interest groups or the government itself. However, given the broad and strategic functions of "al-Hisbah," it appears that this independent agency will be an integral part of the

government's overall functions, with its operational aspects overseen by relevant ministries, departments, agencies, or institutions.

The government is entrusted to carry out collective duties in achieving welfare, justice, and a good way of life for all people. Therefore, the government acts as an agent of God, or "khalifatullah," to achieve "falah." As the custodian of God's trust, the existence and role of the government are firmly grounded in the Quran and Sunnah, both explicitly and implicitly.

The life of the Prophet Muhammad (PBUH) and the Rightly Guided Caliphs serve as excellent examples for the government's existence. In fulfilling this trust, the government upholds the principle of "musyawarah" (shura) as a significant decision-making mechanism in Islam. Thus, the government fundamentally holds a trust from the community.

To ensure the market to function smoothly, the role of the government is crucial. Prophet Muhammad (PBUH) himself described his function as a market overseer ("al-Hisbah"), which aims to supervise the market against dishonest trading practices or any activities that could potentially harm market mechanisms.

E. Islamic Economics and Community Empowerment

Indonesia, as a developing nation, has a substantial Muslim population of 209.120,000 (87.2%) (Setyaningsih, 2021), making it a significant potential source for socio-religious funding through Islamic practices like Zakat. This potential for Zakat obligations among Indonesians can serve as a national development funding source, which can be harnessed to execute community development initiatives aimed at empowering the community and fostering prosperity. Sustainable empowerment, as defined by Sumodiningrat (1998), seeks to encompass development, enablement, empowerment, and protection.

Community development aligns with philanthropy, which entails voluntary actions rooted in concern for the welfare of others, driven by a sense of public interest rather than personal interests (Maftuhin, 2017). Philanthropy is characterized as "voluntary action for the public good" or actions performed for the betterment of public interests (Payton, 2008). In contrast to charity, philanthropy is more focused on community empowerment, with a more profound and structural impact. Charity involves giving without necessarily causing significant and long-lasting change, whereas philanthropy aims to create specific social

changes, particularly those that contribute to achieving social justice (Maftuhin, 2017).

Fauziah (2008) highlights three philanthropic activities in Islam: Zakat, Sadaqah (donations), and Waqf, which can be used as both consumptive and productive funds. While consumptive funds may not directly contribute to sustainable development, they do not entirely align with the principles of Zakat, which aims at poverty alleviation. Therefore, communities often require more substantial financial assistance for productive business capital.

Waqf, which includes dedicating property or assets for the common good, is an essential tool in Islamic economics. Waqf properties, endowments, and charitable trusts are installed to fund academic institutions, hospitals, mosques, and various community development projects. These endowments assist long-term community development, mainly in areas like education, healthcare, and social services.

F. Challenges and Implementation of Socioeconomics Justice

Islamic economics has the potential to replace conventional economics, but its implementation faces numerous obstacles and challenges. Some of these challenges include the continued practice of double taxation in Islamic banking, the lack of a well-prepared workforce for Islamic economics, the absence of Islamic economics curricula in mainstream schools, resulting in low public understanding, awareness, and concern for this field. Additionally, there is a negative perception among a segment of both Muslim and non-Muslim populations who are fearful of the comprehensive application of Sharia law. The limited support from Islamic political parties for the implementation of Islamic economics, along with the increasing appreciation of Islamic economics by the public, has not been matched with sufficient education and awareness efforts.

Regarding the challenges of Islamic economics that Indonesia must overcome to progress in the field of Islamic economics, the domination of the capitalist system worldwide poses a significant challenge. Many countries with predominantly Muslim populations tend to follow capitalist systems, even though they may modify them in practice. Additionally, there is a lack of strong Islamic states both economically and politically, making it challenging to prove that the Islamic economic system is superior to capitalism and socialism. Furthermore, there is a lack of consensus among experts themselves regarding the understanding

of the Islamic economic system. These challenges contribute to the complexities of advancing Islamic economics in Indonesia.

Customers are a cornerstone in the world of banking, holding a pivotal role as the entire banking system's credibility and integrity rest upon the trust and confidence of the public or customers. From an internal perspective of Islamic banking, drawing insights from the Islamic Financial Institutions Forum in Bahrain in 1998, several key factors must be addressed to prepare Islamic banking for the coming century and ensure its presence in modern banking while maintaining a strong competitive edge. Foremost among these factors is the critical importance of human resources (HR) in building a robust and professional Islamic bank. Islamic banks require HR with a dual capacity: the skillset for efficient operational management, characterized by professionalism, and a profound understanding of Sharia principles, complemented by high moral and ethical standards. The second vital factor is the bank's capacity to provide products and banking services that meet the diverse needs of the community. This capability is closely linked to the bank's competence in developing competitive products and serving potential customer segments. The development of banking products heavily relies on the bank's HR, as well as the supervisory bodies overseeing banking products and services, including the Sharia Supervisory Board and the national Sharia board.

G. Conclusion

Social justice is a fundamental principle in Islam, emphasizing fairness and equitable resource distribution. Economic activity in Islam aligns with the broader vision of social justice. Despite the challenges posed by capitalist dominance and a lack of strong Islamic states, Islamic economics upholds the principles of socio-economic justice, shaping economic practices. Prohibiting usury and exploitation, Islam promotes income equality, mirroring elements of socialism. The distribution of wealth is a central concern, utilizing tools like Zakat, sadaqah, infaq, and waqf to achieve prosperity and income equality. Furthermore, governments play an important role in ensuring economic justice and promoting the proper functioning of markets. 'Al Hisbah' is an essential element in this role. Islamic economics offers an alternative that advocates for socio-economic justice while being consistent with a broader vision of social welfare and justice.

However, Indonesia's Islamic economy faces many challenges, including the dominance of capitalism, the lack of a strong Islamic state, and the lack of consensus among experts. Despite these challenges, Islamic economics is progressing with a growing awareness of the importance of socio-economic justice and community empowerment. Community development and philanthropy such as zakat, sadaqah and waqf are essential elements of this progress. To overcome these challenges, Indonesia needs to strengthen its workforce, promote education and awareness, and dispel misconceptions about Sharia law. Furthermore, to ensure the continued growth of Islamic banks, it is important to focus on human resources and develop competitive products.

Fundamentally, Islamic principles of social justice emphasize the role of the state in promoting justice, fair distribution of wealth, and economic justice. Islamic economics, based on these principles, is a viable alternative to conventional systems and has the potential to promote prosperity, justice, and community development.

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