

# Construction of M. Umer Chapra's Economic Thoughts in Realizing Efficiency and Justice

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## Abstract

*A study of thought in the economic setting of Muslims, This study aims to find out the concept of thinking of a Muslim economist. M. Umer Chapra examines the existence of universal economic problems faced by the nations of the world, namely the lack of human well-being due to lack of efficiency and justice in the allocation of God-given resources, which cannot be solved by the conventional system. As an alternative to achieving efficiency and justice, Chapra proposes an Islamic economic system that has a worldview and strategy in line with the Islamic Sharia that enables it to print a fair and viable solution in Muslim countries. For Chapra, the main purpose of the management of allocation and distribution should not deviate from the maqashid al-sharia (sharia goal) which is the well-being of the people. Method of this study using literacy, data collection and collection of objects, in this study it is found that the world view of Islamic economy according to Chapra is based on three basic principles: monotheism, caliphate and 'is. Harmony between the al-sharia and the worldview is not enough to bring efficiency and justice to the well-being of the people, according to Chapra needed a strategy for organizing the economic system with four necessary and mutually supportive elements: filter mechanism (filter mechanism), correct motivation (correct motivation), socio-economic and financial (socio-economic and financial) restructuring, and the role of the nation (the role of the nation).*

**Keywords:** *Efficiency, Justice, Economic Thought.*

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## Introduction

There are major and fundamental problems in conventional economics that dominate contemporary economic studies, namely the inability of science to solve human economic needs. Existing economic theory cannot achieve a just and civilized global economy. What happens is the dichotomy between individual, community and state interests and the relationship between nations. In addition, existing economic theory does not solve the problem of poverty and income inequality. It also cannot coordinate relations between regions of the country, between countries of the world, especially between developed and developing countries and developing countries. Worse is the neglect of natural resources (non-renewable resources).<sup>3</sup>

The term conventional economic science is based on economic science based on the paradigm of secularization and materialism. Secularism seeks to separate science from religion and instead ignore the normative or moral dimension that results in the loss of collective sanctity (played by religion) that can be used to guarantee the acceptance of social economic decisions. While understanding materialism succeeds in encouraging people to have a partial understanding of life by assuming that material is everything to them.<sup>4</sup>

The capitalist system (*al-ra'sumaliyah*) based on secularism strongly acknowledges the existence of individual ownership, but the positivism in this group frees its thinking from the values or norms that result in injustice in the distribution of income and social jealousy. Economic behavior without moral consideration will produce monopolies (*ihtikar*), hoarding (*iktinaz*), withdrawal of *faidah* and others that may cause the spread of unjust income (*tauzi'ad dakhil*).<sup>5</sup> The principle of circulation used by the capitalist system finally gives the impression to the reality that the true authorities are capitalists (owners of capital and conglomerates), therefore it is natural that policies issued by the government always support the owners of capital or conglomerates and always sacrifice the interests

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<sup>3</sup>Murasa Sarkaniputra, *Adil dan Ihsan dalam Perspektif Ekonomi Islam* (Jakarta: P3EI, 2004), 6. This assumption has so far been a paradigm of development that has led to the birth of injustice in society (Writ.).

<sup>4</sup>M. B. Hendri Anto, *Pengantar Ekonomika Mikro Islami* (Yogyakarta: Ekonomisia UII, 2003), 34.

<sup>5</sup>Mumammad Abdul Mur'im Ghafar, *Al-Iqtishad al-Islami: al-Iqthishad al-Juz'i*, Vol. 3 (Irak: Dar al-Bayan, 1985), 408.

of the people so that there is an imbalance (distribution of injustice) income and wealth.

Unlike the capitalist system, the socialist system (*al-iqtirakiyah*) does not recognize individual ownership except in certain sectors such as simple tools and limited land, and does not recognize the transfer of wealth through inheritance and investment, resulting in failure to meet the income distribution justice.<sup>6</sup> Therefore social income according to the socialist system is determined by the country itself according to the national income and where the investment is determined by government policy without regard to social welfare, in other words the distribution of income within the socialist system does not take into account the skill and work ethic of society and to what extent their contribution to the production process. Competition within the socialist system is an unwelcome one, so the impetus for performance and job productivity is declining. As a result, the socialist system is unable to drive economic growth well. This reduces efficiency and disadvantages the supply side of the economy. Centralized planning and collectivity also did not succeed in promoting justice, but instead led to the centralization of wealth in the hands of a number of rulers.

From the above, it is clear that both the capitalist and socialist systems have failed to achieve justice.<sup>7</sup> Criticism of economists in the past against conventional systems thinking<sup>8</sup> is an outstanding contribution to the application of the economic ethical paradigm. This tendency also contributes to much of the development of the Islamic economy as an independent scientific discipline. Islam formulates a different economic system than any other powerful system. It has roots in the *sharia* that shape the worldview and its goals and strategies. Unlike the secular system that rules the world today, Islamic goals are not just material. The purpose of this system is to create prosperity (*falah*) and a good life (*thayyibah* life) to bring

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<sup>6</sup>*Ibid*, 407.

<sup>7</sup>M. Umer Chapra, *Islam dan Tantangan Ekonomi: Islamisasi Ekonomi Kontemporer* (Surabaya: Risalah Gusti, 1999), 20.

<sup>8</sup>Critical criticism has been raised by Paul Ormerod in "*The Death of Economics*" (1994), saying that economic theory is dead. In line with Islamic economists, Umar Vadillo (1991), in "*The End of Economics: An Islamic Critique of Economics*" states that the conventional economy has come to an end and is a solution to the theory of Islamic economics.

justice and satisfaction.<sup>9</sup>

One of the most influential figures in the Islamic economy is M. Umer Chapra. As an expert in Islamic economics, M. Umer Chapra is trying to formulate an alternative concept to solve the universal problems faced by any country in the world. For him, the problem is in the form of unfair injustice, and the lack of efficient provision and distribution of resources that can ultimately reduce welfare.

### Islamic Worldview

Islam is a universal belief that is easy to understand and to consider. Islamic economic system is an economic system that refers to the principles of Islamic values. Philosophically, these values are based on how people understand their Islamic world (Islamic worldview). That is, Islamic economics is understood as a system that is developed with a complete understanding of the Islamic worldview based on al-Qur'an and al-Hadith. According to Faruq an-Nabhan, when we want to study Islamic economics, we must first understand the view of Islam as the principle and principle of reference.<sup>10</sup> Islam's view in carrying out economic activities according to Chapra is based on three main principles namely monotheism, *khilafah* and 'is (justice),<sup>11</sup> whereas according to Faruq an-Nabhan in the Islamic world view, there are three strong individual factors in the economy, namely the factors of faith, morals, and *sharia*.<sup>12</sup>

#### A. The Concept of Tawhid

The understanding of the Islamic worldview according to Chapra must begin with an understanding of the concept of tawhid,<sup>13</sup>

<sup>9</sup>M. Umer Chapra, *Islam dan Tantangan Ekonomi ...*, 8.

<sup>10</sup>M. Faruq an-Nabhan, *Sistem Ekonomi Islam: Pilihan Setelah Kegagalan Sistem Kapitalis dan Sosialis*, Terj. Muhadi Zainudin (Yogyakarta: UII Press, 2000), 2.

<sup>11</sup>This is in contrast to the basic principles of Islamic viewpoint according to Syed Nawab Haider Naqvi that there are four monotheism, justice and equilibrium, freedom of will and responsibility. See Syed Nawab Haider Naqvi, *Etics and Economics an Islamic Synthesis* (London: The Islamic Foundation, 1981), 21. While according to others there are four, namely: monotheism, nubuwwah, caliphate and nature.

<sup>12</sup>M. Faruq an-Nabhan, *Sistem Ekonomi Islam ...*, 3.

<sup>13</sup>This principle of tawhid is divided into two categories: *tawhid uluhiyah* and *tawhid rububiyah*. Whereas *tawhid rububiyah* is monotheism that says that it is Allah who determines the rizki for his entire creation. See Muhammad, *Lembaga-Lembaga Keuangan Umat Kontemporer* (Yogyakarta: UII Press, 2000), 5.

which by Faruq an-Nabhan is called *aqidah* factor<sup>14</sup> This principle reflects that the ruler and sole owner of the universe is God Almighty. Tawhid becomes the main foundation for every Muslim in carrying out his activities. The principle of monotheism which then embraces all aspects and thoughts about Islamic life *khilafah* dan *'adalah*.<sup>15</sup>

According to Imaduddin Abdurrahim, a person who is capable of keeping Allah Almighty will always see others as he is, and therefore he will treat others because he himself wants to be treated by others.<sup>16</sup> In line with that, Mausudul Alam Choudhoury is in "*Contribution to Islamic Economic Theory*,"<sup>17</sup> connecting this aspect of tawhid with the dimension of brotherhood (tawhid and brotherhood). In his thinking, the concept of monotheism is not only reflected in a vertical relationship (humans and *Khaliq*) but manifested in horizontal relationships (humans and their fellow humans). As a reflection of the principle of unity, a person who is subject to Islamic values will not do: (1) Discrimination among workers, sellers, buyers, business partners, etc. based on consideration of race, color, gender, religion, and others; (2) Forced to do unethical practices, because only God is feared and loved; (3) Hoarding wealth (*iktinaz*), because wealth is a mandate of God.

Obedience serves to distinguish the *Khaliq* and His creatures which is followed by the unconditional surrender by every creature to His will and provides a definite perspective and guarantees the process of finding truth by humans which must be achieved as long as using God's guidance. The center of all economic activity and its purpose is Allah (theocentric) and not on human will (anthropocentric).

## B. The Concept of Khilafah

The principle of the *khilafah* represents that humans are *khalifah*<sup>18</sup> or humans who obtain the mandate from God on earth by being blessed with a set of spiritual and mental potentials and the completeness of material resources that can be used to live in order to spread his life mission. This mission of the caliphate of man has the

<sup>14</sup>*Ibid.*

<sup>15</sup>M. Umer Chapra, *Islam dan tantangan Ekonomi ...*, 218.

<sup>16</sup>Imaduddin Abdurrahim, "*Sikap Tauhid dan Motivasi Kerja*," *Jurnal Ulumul Qur'an*, Vol. 2 No. 6, 1990, 40.

<sup>17</sup>Mausudul Alam Choudhury, *Contribution to Islamic Economic Theory* (New York: St. Martin Press, 1986), 8.

<sup>18</sup>QS. al-Baqarah: 30, "*Remember when your Lord said to the Angels: Verily I have made a man of the caliphs. He is the one who made you the caliph on the earth, whoever disbelieves.* See QS. Shad: 26, "*David, I have made you a caliph on the earth.*"

freedom to think, choose, change his living conditions according to his wishes. The concept of the caliph has several implications, namely:

1. Universal Brotherhood

Resources given by God in this world are limited, but if used efficiently and fairly can be sufficient for the welfare of all. Within the framework of the concept of brotherhood, humans must sacrifice for each other and work together to meet their needs, develop all their potential and enrich human life.

2. Resources as a Trust

The resources available to humans are given by God, humans as *khalifah* are not the main owners but only those who are given the mandate. The concept of mandate does not mean a denial of private ownership but has a number of implications. First, resources are for all not just a small part (QS. 2: 29). Second, everyone must obtain these resources fairly in accordance with instructions from the Qur'an and Sunnah. Third, the resources obtained cannot be used except for interests that are in accordance with the provisions of the mandate. Fourth, no one is allowed to destroy or waste God-given resources.

3. Humble Life Style

The lifestyle that is suitable for God's caliphate is simple. An arrogant or boastful lifestyle will lead to excessive and wasteful attitudes resulting in unnecessary use of resources.

4. Human Freedom

Because humans are God's caliphs, they only submit to Him. Therefore no one has the right to make humans slaves and abolish their freedom. Humans are free to use God-given resources as long as they do not exceed the limits set by God.

Contrary to Chapra, according to Faruq an-Nabhan, the two main consequences of human caliphate. *First*, maintaining the rights of the people in private ownership. *Second*, exercising their rights annually or better known by the zakat obligation.<sup>19</sup>

C. The Concept of 'Adalah

The principle 'is as a framework which not only forms Islamic worldview but also *maqasid* and strategy. Principle according to Chapra is a concept that is inseparable from the two previous

<sup>19</sup>M. Faruq an-Nabhan, *Sistem Ekonomi Islam ...*, 12.

concepts, namely tawhid and *khilafah*, because this principle is an integral part of *maqasid al-sharia* (*sharia* objectives).<sup>20</sup>

The consequence of the principle of monotheism, *khilafah* and 'is to demand that all resources that are mandate from God must be used to reflect the *maqasid al-sharia* four of which are: need fulfillment, respectable source of earning, equitable distribution of income, and wealth dan growth and stability.<sup>21</sup>

### 1. Meet The Needs

The logical implication of the brotherhood and the security nature of resources is that those resources should be used to meet the basic needs of individuals and ensure that everyone has a humane, dignified and in accordance with human dignity as the caliph of God.

High dignity carried by the Caliph of Allah, implies that the fulfillment of basic needs must be done through independent efforts and in a way that is *ma'ruf*. In a Muslim society oriented to *ukhuwah bashariyah* this effort can be made by family, friends/business partners and neighbors. It can also be done by institutions managing *sadaqah*, representatives, Islamic banking and others. This is done to minimize the socio-economic gap between the rich and the poor. So that the gap between rich and poor, ethnicity, race, and religion can be overcome with the distribution of *zakat*.<sup>22</sup> Because charity is not only distributed to Muslims but to those who are entitled to it.

### 2. Fair Distribution and Wealth

These gaps are due to differences in skills, initiative, effort and risk. This question arises because of the uneven distribution of wealth and the lack of effective programs to reduce existing gaps. Islam emphasizes fair distribution.<sup>23</sup> This can be achieved if all the

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<sup>20</sup>M. Umer Chapra, *Islam dan Tantangan Islam ...*, 217-235. In his Islamic economic paradigm, Choudoury also outlined three major principles in Islamic economics: monotheism and brotherhood, work and productivity, and distributional equity, which will give rise to justice and economic equilibrium in society. See Masudul Alam Choudhury, *Studies in Islamic Economic Social Sciences* (London: Mc Millan Press Ltd., 1998), 15-18.

<sup>21</sup>M. Umer Chapra, *Islam dan Tantangan Ekonomi ...*, 212.

<sup>22</sup>M. Umer Chapra, "The Islamic Welfare State and Its Role in The Economy," in *Studies In Islamic Economics* (Leicester: The Islamic Foundation, 1981), 154.

<sup>23</sup>In the Qur'an Allah commanded to divide the spoils with the excuse of not accumulating to certain people, "Whatever spoils (*fai'*) that Allah has given to His

advantages (surplus) of basic needs are spent by the rich to improve their unprofitable welfare.

### 3. Growth and Stability

Economic justice can work in an environment where individual decisions are seen as a key initiative. The freedom to decide and participate in economic activities required by religious principles is a prerequisite for economic justice. The government (collective authority) provides general guidelines and restricts unhealthy practices, so that the economy grows and responds to the needs of the people.<sup>24</sup> However, the responsibility for socioeconomic justice is not only a royal task but also the general public, through *zakat* collection.

### Concepts of Efficiency and Justice According to Chapra

Islamic economics defined Chapra as the knowledge and application of *sharia* rules and regulations that prevented injustice in obtaining material resources that created human satisfaction and enabled them to carry out the commands of God and the people. So the Islamic economy as a branch of knowledge helps to realize human well-being through the allocation and distribution of scarce resources equal to the *maqashid al-sharia*, without compromising individual freedom, creating macroeconomic and ecological imbalances, or undermining family and social solidarity.<sup>25</sup>

M. Umer Chapra rejects the notion that welfare cannot be realized because of scarcity of resources. According to Chapra the failure of the well-being arose due to the inefficient use of resources and the uneven distribution of the economy as a result of economic systems that allowed the exploitation of the powerful against the weak. The powerful have access to resources and become very rich. While the poor do not have access to resources they become very poor. From this point of view, Chapra did not agree with existing economic thinking but instead replaced it with terms of efficiency

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Messenger comes from the inhabitants of the cities then to Allah, the Messenger, the relatives of the Apostles, orphans, the poor and those on the way, so that the wealth should not be shared only among the rich among you." QS. Al-Hasyr: 7. Although this verse speaks of plunder but its essence is fair economic distribution.

<sup>24</sup>Nik Mustapha Hj. Nil Hasan, "Prinsip-Prinsip Sistem Ekonomi Islam," in *Berbagai Aspek Ekonomi Islam* (Yogyakarta: Tiara wacana/P3EI UII, 1992), 19.

<sup>25</sup>*Ibid*, 121.

and justice.<sup>26</sup>

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Each economy can be said to achieve optimal economic efficiency if it has been able to use or utilize all the potential of human and material resources in such a way that the quantity of goods and services produced can maximize the satisfaction of needs with a good level of economic stability and a level of sustainable growth. All individuals have the same opportunities and opportunities to try and allocate their income efficiently without disturbing the people's economic balance.<sup>27</sup>

The use of efficiency in the context of the *sharia* economy differs from the efficiency in the understanding of conventional economics. In Islam, the efficiency of one develops as a form cannot be wasted resources because it will be demanded by God for answers. Efficiency here needs to be realized proportionally, moderation in making

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<sup>26</sup>M. Umer Chapra, *Islam dan Tantangan Ekonomi ...*, 4. The same is also said by: M. Baqir as-Sadr, *Iqtishaduna*, Vol. 4 (Beirut: Dar al-Fikr, 1973), 25. See Euis Amalia, *Sejarah Pemikiran Ekonomi Islam: Dari Masa Klasik Hingga Kontemporer* (Jakarta: Pustaka Asatruss, 2007), 252-253. See Team P3EI UII YogYakarta dan Bank Indonesia, *Ekonomi Islam* (Jakarta: Rajawali Pers, 2008), 8. In the book it is explained that the unfairness of distribution is due to 'relative' scarcity, which is not natural but rather due to the greed of a group of people or nations that is so dominated by some of the resources while others cannot access it..

<sup>27</sup>Fahim Khan, "*The Theory of Consumer Behaviour in an Islamic Perspective*" in Lectures on Islamic Economis by Ausaf Ahamad (Jeddah: IRTI, 1991).

consumption and investment choices as needed by utilizing available resources based on context. In this case the basic needs (*dharuriyat*) must be prioritized, then increasing to the needs of the *hajjiyat* and *tahsiniyyat*.<sup>28</sup> This is in accordance with the division of the concept of *maqashid al-sharia* from al-Syatibi which is divided into three parts, namely *dharuriyat*, *hajjiyat*, and *tahnisiyyat*.<sup>29</sup>

This is certainly different from the knowledge of efficiency in the conventional economy. Conventional economics allows for the destruction of the out-of-pocket advantage as it allows business owners to withstand the decline of their profits without harming consumers as a result of rising prices. Such behavior will only cause damage to the resources God has in store and can cause harm to consumers. The advantages of the put out should be enjoyed by the poor, rather than being destroyed which means waste.

While relating to the concept of justice, Chapra argues that every new economy can be said to provide the best sense of justice if the goods and services produced are distributed in such a way that the needs of all individuals (no matter whether they are poor or rich, male or female, Muslim or non-Muslim) are satisfactorily satisfied. sufficient. In addition there is a fair distribution of income and wealth without adversely affecting the motivation for working, saving, investing, and doing business.<sup>30</sup>

Justice is a very fundamental teaching and covers all aspects of life, economic, social, political, and even the environment. The breadth of the applicative dimensions of justice, the Qur'an interprets them with various meanings, such as "something that is true, impartiality, safeguarding one's rights, the right way to make decisions, balance, and equality."<sup>31</sup> In the context of economics Chapra connects it with distributional equity as a key pillar in the enforcement of economic justice.<sup>32</sup>

At the sociological level, justice means that "everyone should be treated fairly, without any undue pressure or discrimination."<sup>33</sup> Without

<sup>28</sup>Euis Amalia, "Teori Prilaku Konsumen dalam Perspektif Ekonomi Islam," *Jurnal Jauhar*, Vol. 4 No. 1, 2003, 15.

<sup>29</sup>Al-Syatibi, *Al-Muwafaqat fi Ushul al-Syari'ah* (Kairo: Musthafa Muhammad, t.th), 8.

<sup>30</sup>M. Umer Chapra, *Islam dan Tantangan Ekonomi ...*, 5.

<sup>31</sup>Nejatullah Siddiqi, *The Economic Enterprise in Islam* (Lahore: Islamic Publications Ltd., 1979). See, Najatullah Siddiqi, *Kegiatan Ekonomi dalam Islam*, Terj. Anas Sidik (Jakarta: Bumi Aksara, 1988), 42.

<sup>32</sup>M. Umer Chapra, *Islam dan Tantangan Ekonomi ...*, 5. The same is also said by Choudhury, see Mausudul Alam Choudhury, *Contribution to Islamic Economic Theory ...*, 10.

<sup>33</sup>Sayyid Fayyaz Ahmad, "Ethical Responsibility of Business: Islamic Principles and

justice in life, social order will also experience distortions that ultimately endanger oneself. Balance is a horizontal dimension of Islam which in a more practical perspective includes physical, spiritual, non-material, individual, and social.

### Maqashid al-Sharia

According to Faruq an-Nabhan, the understanding of the Islamic economic system cannot be understood except by understanding universal values. The universal values that are meant are the happiness of the individual and the community (*maqashid*).<sup>34</sup> According to Chapra, the main purpose of managing the allocation and distribution should not deviate from *maqashid al-sharia* (*sharia* objectives). If conventional economics puts a balance joint on pareto optimality, Chapra said that in Islam there is an Islamic optimum. Islamic optimum is described as a market balance that reflects the continuous realization of optimal levels of efficiency and fairness in accordance with *maqashid al-sharia*.

In Islamic literature, *maqashid al-sharia* covers the improvement of the welfare of all humans. Al-Syatibi termed the *maslahah* for the purpose of this *sharia*. And that can only be achieved if there is protection for five basic things: protection of the faith (*al-din*), the human soul (*al-nafs*), their intellect (*al-aql*), their deeds (*al-nasl*), and their wealth (*al-maal*).<sup>35</sup>

Faith is placed at the beginning, because faith will give birth to a worldview that tends to influence personality, behavior, tastes and preferences. This belief tries to improve the balance between material and spiritual encouragement, increasing family and social solidarity.

This is a reflection of the moral instrument of the economy. It doesn't mean replacing the market mechanism with a moral structure. On the contrary, morality complements the market mechanism by making allocation and distribution of resources consistent with normative views. The same goes for the other goals of the *sharia*. When one speaks of the human dimension (the second purpose), it is not in the biological context alone. More important is how humans

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Implications" at F.R Faridi ed., *Islamic Principles of Business Organization and Management* (New Delhi: Qazi Publisher and Distributors, 1995), 25.

<sup>34</sup>M. Faruq an-Nabhan, *Sistem Ekonomi Islam ...*, xi.

<sup>35</sup>M. Umar Chapra, *The Future of Economics: An Islamic Perspective: Masa Depan Sebuah Tinjauan Islam*, Terj. Ikhwan Abidin (Jakarta: Gema Insani Press, 2001), 101-102.

influence the allocation and distribution of resources in a manner that is conducive to the development of human potential.

That the land they now step on and continue to exploit is not only their right, but also their future legacy. As a result, resource allocation should always be concerned with long-term sustainability, and not ecological destruction.

When speaking of the intellect (the third dimension), people will analyze the types and conditions of the mental and material that will contribute to intellectual progress. When it comes to teaching, the fourth dimension is not just biological sciences, but also, more importantly, the preservation and enrichment aspects of humanity.

When it comes to wealth, people will always be reminded that wealth is a deposit from God. There are inherent rights, but there are social functions for others. So, by looking at the *maqashid*, it will provide a more meaningful framework for economic analysis. One is certain that in this way, the economy avoids seeing humans as separate or boxed individuals, but is treated as a unified life with their communities..

Socio-economic justice is viewed as an indispensable part of Islamic moral philosophy and is based on a definite commitment to mutual benefit socio-economic justice is viewed as an indispensable part of Islamic moral philosophy and is based on a definite commitment to mutual benefit.<sup>36</sup> Justice is seen by the *fuqaha* as the main content of *maqashid al-sharia*, so it is very strange to see a Muslim society that does not uphold justice in it. Islam firmly upholds its goal of eliminating all forms of injustice (*zulm*) of humans, eliminating all forms of injustice, inequality, exploitation, exploitation, alienating the rights of others or not fulfilling their obligations to them.<sup>37</sup> Islam's

<sup>36</sup>M. Umer Chapra, *Islam and Economic Development* (Islamabad: IRTI, 1993), 7. Fair, language is interpreted as *wadh al shai' fi maqamihi* (meletakkan sesuatu pada tempatnya). In the practice of the Islamic economy, *adl* means fit and balanced in size, whether in production, consumption or distribution. An order of fairness can be found at QS. Al-A'raf: 29, an-Nisa': 58, 105, and 135, al-An'am: 8 and 152, al-Maidah: 42 and al-Anbiya': 112. See Asyari, *Kamus Istilah Ekonomi Shari'ah* (Bukittinggi: Ma'arif, 1999), 8.

<sup>37</sup>*Ibid*, 27-28. The enforcement of justice and the elimination of all forms of injustice have been emphasized in the Qur'an as the main mission of the apostles (QS. al-Hadid: 25). The Qur'an gives different meanings in expressing either direct or indirect injustices such as 'adl, qisth and mizan, or variations of indirect expression. Even the Qur'an places justice closer to piety (QS. al-Maidah: 8) so important in the Islamic faith structure. The notion of justice of the various economic dynasties is also different, the removal of socialist rights or the distinctions of the capitalist class is considered fair by its followers in keeping with the logic of their rightful flow.

strong commitment to brotherhood and justice in economic logic demands that all human resources be a sacred possession of God and should be used for prosperity.

### Islamic Economic Strategy

Harmony between *maqashid al-sharia* and worldview is not enough to realize efficiency and justice towards the welfare of the *ummah*, according to Chapra a strategy is needed to reorganize the economic system with tools that include the four elements needed and support each other, namely, a filter mechanism, a motivation right (a right motivation), socio-economic and financial restructuring (socio-economic and financing restructuring), and the role of the state.<sup>38</sup>

#### A. A Filter Mechanism

The relative scarcity of available resources when compared with demand. Demands requires a filter mechanism in order to meet both conditions. Islam introduces moral filters. Resource allocation can be realized through two layers of filters. Moral filter by solving the problem of needs that are not limited to its roots, namely the deepest awareness of each individual by efforts to change the scale of preferences in accordance with the demands of the function of the caliph and the principle 'is. With this mechanism claims for resources that do not contribute positively to human well-being can be eliminated from the source before entering the second filter, the market price, Moral filter is the first and main filter for the use of resources that works to improve human welfare and does not allow the use of activities that harm humans or other creatures.

#### B. A Right Motivation

The system of capitalism has no effective mechanism for motivating one to act (self interest) in the interests of society, but only in the pursuit of personal interests. Because the interests of society and individuals are unbalanced, capitalists become unjust. On the contrary, the system of socialism sees no opportunity for individuals to have private ownership and to set the country's control over all sectors of the economy to maintain and secure the allocation and distribution of resources until it reaches social interest. So in socialism

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<sup>38</sup>M. Umer Chapra, *Islam dan Tantangan Ekonomi ...*, 236.

there is no motivation for the individual to work efficiently.

Islam is different from capitalism and socialism. Islam motivates us to work in the interests of individuals and not to neglect social interests. Islam provides a strong motivation for social-oriented activities by giving self interest to a longer and broader perspective. Moreover, when it comes to the concept of *maqashid al-syari'ah*, it is clear that in the Islamic view, human motivation in economic activity is to maintain its importance in the world, individuals must also maintain their importance in the life of the people.<sup>39</sup>

### C. Socio-Economic and Financing Restructuring

Strategic elements before filter mechanism dan rigt motivation cannot properly influence the situation without the support of other elements socio-economic and financial restructuring. The conditions of the economic and financial environment must be created in such a way that the order of economic life can be carried out in a balanced manner. The restructuring must be systematic, comprehensive, long-term and oriented to:

1. Develop human factors so that it can do its job to create efficiency and justice.
2. Reduces economic, resource, information and political concentration at that time.
3. Establish social, economic and political institutions that are in line with Islamic *sharia*.

In other words, what is needed here is humanitarian reform and the restructuring of all patterns of consumption, investment, ownership of production and social, economic and political institutions. The restructuring that Islam considers important includes: (1) The careful use of mandated resources; (2) people who can help themselves through *zakat*, (3) Heritage; and (4) financial system organization.<sup>40</sup>

### D. Role of The State

Another element that plays a significant role is the role of the state. According to Chapra the role of the state here is not defined by any form of intervention that threatens the system of capitalism.

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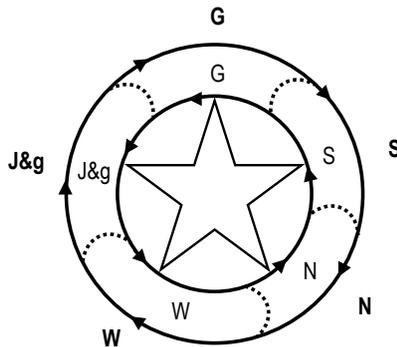
<sup>39</sup>Adiwarman Azhar Karim, *Sejarah Pemikiran Ekonomi Islam* (Jakarta: Rajagrafindo Persada, 2004), 325.

<sup>40</sup>*Ibid*, 247,

The role of the country here is also not interpreted in terms of collectivization of all economic sectors as in the socialist system. But the role of the state here is a positive moral role by always maintaining a dynamic balance to realize the well-being of the people.

The role of government or state is needed in ensuring a smooth distribution. States have many options in the form of policies (through regulation or law) or other instruments to do so. The role of the government is to ensure that the people’s behavior is in the direction of achieving and fulfilling these values. Umer Chapra,<sup>41</sup> detail some of the functions that the Islamic state government must perform: (1) Eradicate poverty; (2) Create full employment and growth conditions; (3) Maintain stable monetary value; (4) Uphold law and order; (5) Guarantee social and economic justice; (6) Regulate social security and promote equitable distribution of income and wealth; (7) harmonize international relations and maintain national defense.

Furthermore, Umar Chapra developed Ibn Khaldun’s thoughts in the book of “*Muqaddimah*” on the important role of the government in managing a number of variables so that justice can be called the equity circle. He describes the circle as follows:



- G** : Government
  - S** : *Sharia*
  - N** : Nation/People/*Rijal*
  - W** : Wealth/*Maal*
  - j** : Justice
  - g** : Growth
- G = f (S,N,W,g dan j)**

<sup>41</sup>M. Umer Chapra, *Islam and Economic Development ...*, 45.

The chart above shows the relationships of all the variables in the independent rotation cycle. Each one affects the other and will be influenced by the other. Two important variables that are the main goals are development (g) and justice (j). Both of these factors are largely determined by the rules of conduct based on the value system used for communities whose primary guidelines are *sharia* (S). *Sharia* (S) will not be able to play a role unless it is properly implemented, it is the responsibility of the community (N) and the government (G) to strive to create prosperity based on available resources (W).

If the government (G) no longer respects the values of justice in adopting public policy, then it means we are moving into a cycle of setbacks that will result in the loss of justice values (j), law enforcement, development and productivity stalled (g), economic prosperity (W) levels will decline due to the explosion of unemployment, which in turn will reduce human resource quality (N). Ibn Khaldun's analysis of functional relationships is expressed by the following formulas:  $G = f(S, N, W, g \text{ and } j)$ .<sup>42</sup>

From this explanation, it can be understood that the Islamic economy has a different paradigm than conventional. Efficiency and justice are fundamental features of the Islamic economy which in its implementation requires the role of the nation, in the light of the government's willingness to incorporate these values into the rules of life and policies of life for the whole community.

### The Contraction of Economic Thought Umer Chapra

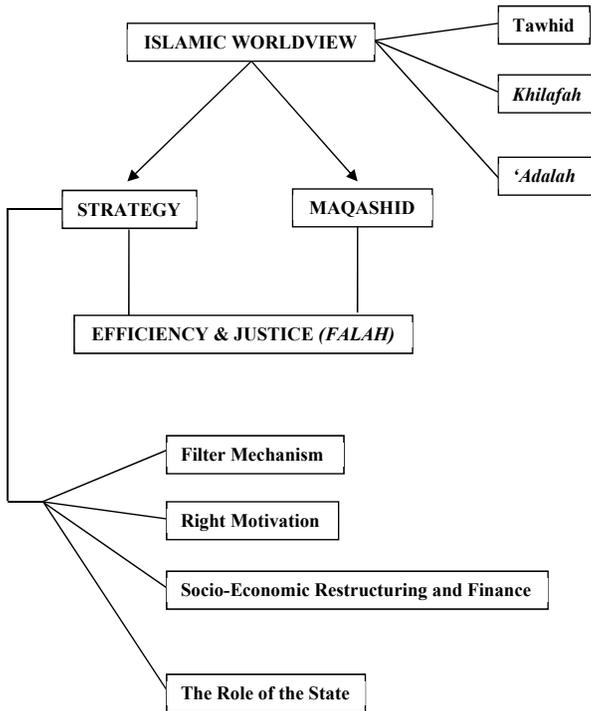
As explained earlier, the conventional economic system has failed to realize efficiency and justice. In order to realize the efficiency and justice of the *ummah's* well-being, Islamic nations must adopt an economic system that can provide all the elements necessary to realize human welfare in accordance with the demands of brotherhood and socio-economic justice. The system must be able to eliminate the imbalance and at the same time realize the redistribution of resources in such a way that the goals of efficiency and equity can be achieved simultaneously. According to Chapra, the economic system in question is an Islamic economic system that has a worldview and strategy in line with the *maqashid* that enables it to provide a plan of action for a just and equitable solution in Islamic countries. According

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<sup>42</sup>M. Umar Chapra, *The Future of Economics ...*, 151-153.

to Chapra, Islam does not propose magic formulas to create efficiency and justice. Islam is more realistic, it offers a fairly comprehensive and interrelated approach. Islam is very sensitive to the difficulties that arise from overcoming problems by offering a number of strategies that must be in line with the world view and its *maqashid*. For more details see the picture below:

**Image Contraction of Economic Thought Umer Chapra**



From the image above it can be understood that a comprehensive understanding of the Islamic worldview (theology, the caliphate and 'is), is the basis of using the Islamic economic strategy based on the Islamic *sharia*, which ultimately leads to the utilization and use of nature and its contents. efficiency and fairness to bring prosperity and achievement to all mankind in the world. The role of Islamic worldview is to be a normative principle based on the Qur'an and al-Hadis, while the Islamic economic methodology (*maqashid*) based

on Islamic norms justifies the normative justification frame in the form of *mu'amalah* jurisprudence for aspects related to behavior public economy.

## Conclusion

Muslims who have been born with the conventional economy have been invited by Umer M. Chapra to see clearly that Islam also has a good and humane concept to deal with economic issues. As one of the leading Islamic economists, M. Umer Chapra sees the universal economic problems experienced by the nations of the world. For him, the problematic nature of human existence is due to the lack of efficiency and justice in the allocation of God-given resources, which cannot be solved by the conventional system. As an alternative to achieving such efficiency and justice, Chapra proposes an Islamic economic system that has a worldview and strategy in line with the Islamic *maqashid* that allows for a fair and practical solution to Muslim countries. For Chapra, the main purpose of managing allocation and distribution is not to deviate from the *maqashid al-sharia* (*sharia* goal) which is for the well-being of the people. Whereas the view of the Islamic economy according to Chapra is based on three basic principles, namely: monotheism, caliphate and 'is. Harmony between the *al-sharia* and the worldview is not enough to bring efficiency and justice to the well-being of the people, according to Chapra needed a strategy for organizing the economic system with four necessary and mutually supportive elements: a filter mechanism, a motivation correct (a right motivation), socio-economic and financing restructuring, and the role of the state.

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