

Islamic-Based Development Concepts: A Research Review

Farouk Abdullah Alwyni
Perbanas Institute

The study of Islam in regard to economics began gaining ground around the mid-twentieth century. However, the study of Islamic economics did not really address the developmental challenges facing many Muslim countries and was considered too technical and heavily influenced by neo-classical economics. Issues of development and how a nation can succeed in its development efforts need also to include disciplines other than economics. Hence, this study aims to review previous research related to the relation between religion and development generally, and Islamic-based development concepts in particular. The research methodology applied will be based strictly on past research on these subjects as follows: (i) theology in the form of religion has played an influential role in nations' capacity building; (ii) there are concerns that the present dominant approach of economics leads to disparity of income and environmental degradation; and (iii) Islamic-based development concepts are expected to present an alternative and, at the same time, correct the perceived lack of substance in the present application of Islamic banking, finance, and economics.

Keywords: development, Islamic economics, Muslim countries, Islamic-based concepts

INTRODUCTION

One of main studies relating religion with the economic success of a nation was written by Max Weber. His seminal work, *The Protestant Ethic and the Spirit of Capitalism* (1905), highlights the role of Protestant religious values in the rise of market-driven capitalism and the rules-based nation state that contributes to the economic success of the Western world. Weber contended that religious values, such as, among others, honesty, hard work, and abstinence from frivolous pleasures, shaped the character that could combine religious beliefs and strong work ethics.

Actually, long before Weber wrote the above piece, the case of how religion, in this case Islam, changed the Arabs from a scattered tribe of animists to be a group of people who could contribute to the advancement of the world civilization in the Middle Ages (between the 7th and 13th centuries) has also become the subject of many studies. Thus, in a time when the Muslim world seems to be lagging behind their Western (European and North American) and Eastern counterparts (in East Asia), the study of how Islamic-based development could contribute to the betterment of the Muslim world needs to be explored further.

Hence, this study will review previous research related to Islamic-based development concepts. In researching the discussion on Islamic-based development (IbD) concepts, eight relevant studies were identified, which are divided into three main categories. First, those not directly discussing Islamic perspectives on development but related to the IbD perspective in their assessment on the influence of theology in nation building (Adams, 2014) and the problems of existing mainstream economics (Beeks,

2016). Second, those that discuss explicitly issues related to IbD (Kroessin, 2012; Wan Hassan, 2014; Mahalli, 2015; Saniff, 2015; Mokhtar, 2016). The final category includes those that discuss Islamic moral economy (Karim, 2010), which is the concern of IbD as well. The following sections will review those eight studies.

The Influence of Theology in Nation Building & the Problems of Existing Mainstream Economics

Although the studies of Adams (2014) and Beeks (2016) did not explicitly discuss the concept of IbD, they are related to the concept of IbD in different ways. For example, they are related to the influence of theology in nation building, which is a concept of IbD. In addition, they investigate problems with existing mainstream economics and the need to develop alternative economics. The challenge presented is to advance an Islamic perspective of development where economics plays an important role.

The first research Adams conducted (2014) studied the rise of National Socialism in 1933 in Germany. Adams described the German National Socialist movement basically as the process of amalgamation and evolution of Germanic philosophy and theology. According to this research, German nationalism was explicitly linked to philosophy and theology, evolving from the Protestant theological movement of Pietism and Immanuel Kant's conversion of Pietism's principles into a secular philosophy.

Further, Adams found that Pietism actually was the earliest ideological origin of German nationalism, which was later concretized in German intellectual thought and nationalism. It bestowed German nationalism with a solid foundation, making ideology and faith as its bedrock. At the beginning, Pietism was a response to what it considered the stifling intellectualism of Lutheranism, having too much emphasis on dogma and on scholastic argumentation, and as a substitute favored "a simpler and more heartfelt form of religion which would be an expression of immediate feeling rather than an outcome of prolonged study and discussion."

Marks of Pietism could be seen with its emphasis on behavior over learning, its transformational process of the ritual of religious service into daily life, its conversion of ideology to action, and its deliverance of ideology into social equality. Pietism also desired to level the wide gulf between the clergy and the lay classes that existed at that time. The influence of religion in Germany's nation building process could also be seen during the times of the Nazis' rise to power.

Adams (2014) traced that the Nazis consistently inserted religious rhetoric in rallying the German people in their support. The Nazis instilled a sense of mission to German people that under their leadership they need to bring a spiritual salvation to Europe; thus, many Nazi speeches read like religious sermons proclaiming the fulfilment of an ancient prophecy. In the eyes of the German people, the Nazis built their long-awaited Kingdom of God on Earth.

In the second study, although not explicitly related to Islamic perspectives of development, Beeks (2016) somehow bolstered the argument on the need to advance the ideas on Islamic perspectives of development. Beeks addressed the need for an alternative system to the capitalistic mainstream system of economics and pointed out that this system of economics contributed to countless ecological systems collapses, global climate change, and social inequity augmented by wealth disparity. Hence, the studied argued that the world needs an alternative system of economics and/or socioeconomic practices that could rectify deficiencies in the current mainstream—and globally dominant—capitalist economic system.

The research investigated a diversity of alternatives to capitalism as the world's predominant system of economics and, moreover, helped create a "why" in expounding the concepts of Islamic perspective of development. The study discerned the most viable alternatives to the existing system by scrutinizing the pros and cons of alternative economic or socioeconomic systems. Among those economics studied were green economics, compassionate economics, caring economics, and eco-socialism economics.

The research argued that the present world economic problems are complex and interconnected with societal, political, social, and environmental issues. Thus, it contended that economists could not be relied on to solve these problems as it required a transdisciplinary approach. Furthermore, the research even saw that the current capitalistic system greatly influenced many governments in the world. These governments then would not be able to accommodate the needs of the masses or the environment without first

accommodating the needs of wealthy interests. As a result, the research called for a peaceful social revolution “to move governments around the world to the middle path of a social democracy.”

As an alternative to the present capitalistic system, the research suggested a combination of 14 different alternative economic system that were believed could deal with current most pressing environmental, societal, and humanitarian issues. It also recommended that particular attention (of the 14) should be given to “compassionate economics,” which is considered to be the case in Nordic nations. They are considered to have a system of social democracy that delivers essential and beneficial social services while at the same time maintaining capitalistic motivations and accommodating the egalitarian and innovative solutions.

The research envisioned the creation of “an advanced society with an advanced system of economics based on capitalism alongside the necessary infusion of compassion, altruism, and an Earth-centered awareness” (pp. 270–1)—something considered by the research to be akin to the original vision of Adam Smith. The research also advocated that that system of economics should be based on the principle of practicing a spiritual connection with natural systems along with a reverence and respect for the sanctity of life (p. 271).

The Concepts of Islamic-Based Development

Five studies (Kroessin, 2012; Wan Hassan, 2014; Mahalli, 2015; Saniff, 2015; Mokhtar, 2016) discussed explicitly issues related to Islamic-based development (IbD) from different angles. Kroessin (2012) related the discourse on Islam and development with a case study of the Islamic Bank of Bangladesh. Wan Hassan (2014) constructed Islamic-based Development Indicators (IPBIs) based on Islamic-based development (IbD) concept. Mahalli (2015) evaluated whether the Mid-term Development Plan (RPJM) 2006–2010 of Medan City is correct or not from the IbD perspective. Saniff (2015) attempted to identify an IbD “actor” from the primary source of Islam—*al-Qur’an* while Mokhtar (2016) explored a world view on development based the *Hadith*—the secondary source of Islam.

In his research, Kroessin (2012) examined the relationship between Islamic and mainstream development discourses. The focus was to understand how Islamic development policy making and makers perceived the issues of development and progress. It investigated how mainstream and Islamic discourses frame development. The research used the Islamic Bank in Bangladesh as a case study. The key reason for the study was to understand how discourses frame the meaning-making of development by Islamic organizations.

Kroessin (2012) also found that considering Islam’s integrated approach on viewing religious and material purposes, the early Muslim civilizations (8th to 13th century) were flourishing. There was no separation between religious and secular knowledge. Theology, philosophy, science, mathematics, medicine etc. were all pursued by Muslim scholars. This period, often called “the Golden Age of Islamic Civilization,” produced a prosperous economy and the significant development of educational and public welfare infrastructure. Quoting a Western scholar, the study showed that the first welfare state in fact existed during this early Islamic civilization, where state-owned or publicly endowed institutions delivered admirable healthcare, education, and social safety for the population (p. 113).

Nevertheless, Kroessin (2012) contended that there was no particular discipline within Islamic social theory that dealt with the concept of development until very recently. Islamic discourses, however, were to have addressed the concept of change in the form of Islamic revival; i.e., this was more about how to bring back the Islamic “Golden Age” in the modern era. This idea was reinforced especially in response to European/Western domination over the Muslim world.

Although it did not exclusively discuss “development,” the study implicitly acknowledged that some important elements of development are actually addressed within the *Shari’ah*, especially when discussing about the objectives of *Shari’ah*. Among these elements analyzed in the research were: (i) the purpose of *Shari’ah* in establishing the best equilibrium between worldly affairs and the Hereafter; (ii) the *Shari’ah*’s stance in nurturing and protecting humanity; (iii) the centrality of the issue of poverty in Islam and the need to address it; (iv) the welfare of the people is based on the fulfilment of necessities, needs, and comforts; (v) the welfare of the humanity as the objective of *Shari’ah*; and (vi) the definition of needs as religion (*Deen*), life (*Nafs*), the mind (*Aql*), progeny (*Nasl*), and property (*Maal*).

The research contended that within the Islamic discourse, the discipline that closely dealt with some aspects of development is Islamic economics. It showed that some topics relating to Islamic economics include, among others, economic growth and poverty. Islamic economics at the beginning was seen to be a challenge against the injustice, exploitation, inequality, and deprivation perceived to exist in the current global economic system. However, the research criticized that the foundation of this advocacy was usually limited to the issues of prohibition of interest and the institution of *Zakat*. Moreover, the research argued that the way Islamic economics addressed the subject of development was largely based on Keynesian or neo-liberal economic models, concentrating on macro-economic stability and economic growth. Thus, much of the literature discusses more on the Islamic versions of taxation, savings, investments, markets and trade liberalization. Consequently, the concept of development many times was reduced as only economic growth.

In view of the above, the study considered the discipline of Islamic economics to be more adaptive in its approach, and it has a serious and imitative bias toward conventional economics. The study, however, acknowledged recent literature on Islamic development discourses that attempted to show the uniqueness of the Islamic approach on development and how it considered the subject matter of economics as a means to an end and not an end in itself. The study also raised the notion that political circumstance contributed to the alleged failure of development in the Muslim world. Nevertheless, the study still concluded that there was still no coherent and consistent Islamic development model.

Another study done explicitly to research on Islamic-based development was done by Wan Hasan (2014). She studied the concept of Islamic-based development (IbD) and how to translate this concept into an Islamic-based development index (IbDI). The objectives of the study were to identify and analyze the concept of IbD itself and construct an Islamic-based development index. Then this “Malaysian Ummah Development Index” (MUDI) was evaluated using the concepts of both IbD and the IbDI.

In this study, Wan Hasan (2014) concluded that MUDI only focused on the development of the Muslim community in Malaysia as compared to IbD that talked about the whole Muslim world. She contended that MUDI could be considered as an IbDI as it was built based on Islam. However, this index was still considered incomplete because it did not take into account all the components contained in the concept of IbD.

Another study on IbD was undertaken by Mahalli (2015). This research investigated the Mid-term Development Plan (RPJM) 2006–2010 of Medan City (part of Indonesia) and analyzed whether or not the RPJM as a development document plan is correct or not from an IbD principles perspective.

This study had three research objectives: first, to examine the RPJM of Medan city; second, to examine the RPJM of Medan City from the IbD perspective; and third, to propose an IbD plan for Medan City. In achieving these objectives, the study applied a qualitative approach using content analysis. The IbD referred here is the seven principles developed by Salleh (2003).

The research resulted in three important aspects in the design of IbD planning: first, it is the planner’s aspect; second, it is the planning aspect; and third, it is the plan itself. The aspect of planner consists of the three principles of Islamic-based development: actor, worship, and *fardu’ain* knowledge. The aspect of planner is on someone who should have characteristics comprising of faith and piety, truth and justice, honest and trustworthy, and deliberations and knowledge.

The aspect of planning comprises of three principles of Islamic-based development: an Islamic worldview as the mold, natural resources as the tools, and *mardat Allah* as the planning goals. As to the plan’s aspect, the criteria as to deliberations and priority are needed. In this aspect of the plan there are two criteria that must be fulfilled: *munasabah* and *maslahah*. Analysis of the findings has brought to the summation that all three aspects of development planning are highly dependent on political consensus and strong leadership.

The last two studies that discussed IbD explicitly were done by Saniff (2015) and Mokhtar (2016). While the former examined the conceptualization of an IbD actor using the primary source of Islam—*al-Qur’an*—the latter investigated the development worldview based on the secondary source of Islam, *al-Hadith*. Saniff (2015) focused on the IbD actor as the central theme of the research. She studied people involved in the formulation and processes of IbD within a dominant conventional paradigm.

Mokhtar (2016) saw the need to design a worldview of development fit with Muslim countries and not using those theories outside the Islamic paradigm. Considering that there has been work on developing an Islamic worldview on development based on *al-Qur'an*, the author attempted to derive a development worldview based on the *Hadith* as the secondary source of Islam.

Saniff (2015) on one hand aimed (i) to identify the IbD actor from the first main absolute primary source of Islam; (ii) to analyze the concept of the IbD actor from the IbD perspective; and (iii) to conceptualize the IbD actor within a dominant conventional development. Mokhtar (2016) on the other hand aimed (i) to identify *Hadith* related to the development worldview found in the *Sahih al-Bukhary* texts; (ii) to analyze the development worldview based the identified *Hadith*; and (iii) to build a development worldview based on the *Hadith*.

Saniff's study (2015) at the end found three components of IbD actor connected with one another. First, IbD actors should have 12 distinct characteristics; these are the ability to listen attentively; strengthen and defend brotherhood; being charitable; moderate; repentant; being righteous; preferring good over evil; high degree of patience; humble within one's self; the best conduct at all times; not committing major sins; and possessing spiritual strength and power.

Second, the IbD actor should understand the concept of time related to this world and the Hereafter. He should be conscious and aware that there is the upcoming Hereafter and Its final accountability dimension. Therefore, to comprehend this, he should have three qualities related to accountability: knowledge, ability to perceive warnings, and take lessons. Finally, IbD actor should explicitly use *al-Qur'an*, nature, *qalb*, *'aql*, and the eyes as tools in pursuing IbD.

Five important findings of the research of Mokhtar (2016) were as follows. First, there were 322 *Hadith* (out of 7,563) in *Sahih al-Bukhary* related to the development worldview. Second, seven conceptual elements and five specific characteristics related to the *Hadith*-based development worldview were discovered. These elements are true belief; subservience to Allah (SWT); to administer the Earth; natural resources; the period that comprises the past (soul), present (on earth) and the after-world; basic knowledge; and blessing from Allah SWT. The characteristics found were divinity; humanity; complications between the static and the flexible; moderation; and comprehension.

Third, seven worldviews on development were compiled based on those *Hadith*-based conceptual elements. These are: (i) right belief as the pillar of development; (ii) worship as the methodology of development; (iii) cultivating the Earth functions as an agent of development; (iv) natural resources as a tool of development; (v) phases of time as the time-scale for development; (vi) principles of knowledge as a framework for development; and (vii) the blessing of Allah as the ultimate objective of development.

Fourth, those mentioned seven worldviews on development are basically the dynamic structure of the Islamic-based development worldview. The characteristics of this worldview are spirituality; humanity; fixity and flexibility; moderation; and comprehension. Finally, the fifth finding was that this research interprets, endorses, announces, and specifies a development worldview based on *al-Qur'an*.

The Islamic Moral Economy

Finally, the last research reviewed in this section does not directly discuss the IbD but is indirectly related to IbD and is the concern of IbD also. This research (Karim, 2010) reviewed the prevailing Islamic banking, finance, and insurance products used by Islamic financial institutions within the context of Islamic moral economy. The research considered that in its most general senses Islamic moral economy is a utopian model identified by equitable distribution of wealth and systemic social structures that deliver equal care for all people in need. It is like a utopian theocracy and social economy that accommodates features of free-market capitalism and communism.

The objective of the study was to fundamentally investigate the multiple legal structures that exist in contemporary Islamic finance and to ascertain their *Shari'ah* tolerance, compliance, or dependence. It ultimately aims to compare each instrument to the fundamental principles of what constitutes Islamic moral and ethical compliance.

The research saw that there is an inherent problem with current Islamic finance, revealing a seemingly conflicting nature between Islamic financial contracts and the Islamic banking operations with the fractional

reserve banking models. The present global system of fiat currency or paper money is not really in line with the Islamic moral economy. The widely accepted definition of *Riba* is actually present in all fractional reserve banking models. Thus, the operations of Islamic banking within the present system are actually problematic.

In view of the above, the research argued that basically all Islamic banking, financial, and economic contracts only superficially comply with Islamic law. The issue according to the study is not superficial and legalistic elimination of *Riba*, *Maysir*, and *Gharar* as shown in the current practice of Islamic banking and insurance. Rather, it is the lack of substantive and comprehensive review of conventional money, banking, and insurance models with the perspective of the utopian Islamic moral economy. Thus, the Islamic finance industry has been preoccupied with symbolic removal of the words “interest” and “usury,” making it conceivably less efficient while it should instead embrace the spirit of Islamic moral economy such as reciprocity, honesty, and mutual care.

CONCLUSION

In reviewing the development concepts from Islamic perspectives, this study divided past research into three main categories. First, those studies that did not directly discuss Islamic perspectives on development but are related somehow to the Islamic-based Development (IbD) perspective in their assessment on the influence of theology in nation building and the problems of the existing mainstream economics. Second, studies that discussed explicitly issues related to IbD. The final category includes those that discuss the Islamic moral economy, which is the concern of IbD also.

The first study (Adams, 2014)—falling under the first research category—showed that theology could play an important role in rallying people to march toward a specific objective. It could shape the mind of people and gave the energy for the people to move forward. Although the case of how Nazi Germany used religion to advance their political agenda was not a positive case, and regardless the political aspect, the fact that the Germans at that time supported the Nazis showed the power of religion. In fact, the whole concept of the German National Socialist movement was partly influenced also by theology and philosophy.

Although the above research is far different from the present study, the case on how religion has contributed to nation building was something that this current study would show in the case of IbD. In a way, the study would show that when used constructively, there was a powerful force within religion that could direct a nation toward betterment.

The other study within the first category (Beeks, 2016) indirectly reinforced the ideas of the need to advance the IbD agenda. Although this research used a general case different to the specific case used by this study, it had a shared ideal with the present study in its search for a better alternative to capitalistic mainstream economics. That past research argued that the reason people need to have an alternative system was because the current system of economics contributed to ecological system collapses, global climate change, social inequity, and wealth disparity.

Five studies that fall under the second category are close to the present study because they all investigated the concept of IbD. However, none of those studies related the concept of IbD with specific challenges faced by a specific country as undertaken by the present study. There are two study cases in those papers: the case of an Islamic bank in Bangladesh (Kroessin, 2012) and a specific city in Indonesia, i.e., Medan (Mahalli, 2015). Moreover, the case study of the city is more specific on reviewing the development document plan, i.e., the Mid-term Development Plan of the city of Medan.

Although the research of Wan Hassan (2014) would somehow benefit the current study at a later stage, it occurs when the IbD perspective needs to be translated into a more real concept that could be applied in Indonesia. Hassan’s research is more on the construction of Islamic-based development indicators based on the Islamic development concept, which is very different from the present study using IbD to assess the intellectual origins of development approaches in Indonesia.

The last two studies within this second category also approached IbD from a very different angle than the present study. The first, Saniff (2015), attempted to identify an IbD actor from the primary source of

Islam—*al-Qur'an*—whereas the second study (Mokhtar, 2016) explored a worldview on development based on its secondary source—the *Hadith*.

Finally, the last paper (Karim, 2010) within the above-mentioned category did not directly discuss IbD but was rather more concerned with how the practice of Islamic banking and insurance, in the author's view, lacked the spirit of an Islamic moral economy such as reciprocity, honesty, and mutual care. However, it is the spirit of Islamic moral economy raised in this research that intersects with the present study of IbD. Actually, in the end, the ultimate objectives of IbD share similarities with the ideals of an Islamic economy. However, the previous study did not touch the issue of the development process involved, which is something that would be covered in this present study.

REFERENCES

- Adams, M.R. (2014). *Behold the Kingdom of God: The Intellectual and Theological Origins of National Socialism* (Unpublished master thesis). Murray State University, Murray, Kentucky.
- Beeks, J.C. (2016). *Which of the Current Diverse Ideas on Alternative Economics are the Best for Adequately and Comprehensively Addressing the Great Transition to Climate, Energy, and Biodiversity Sustainability?* (Unpublished doctoral dissertation). California Institute of Integral Studies, San Francisco.
- Hasan, W.N.W. (2014). *Indeks Pembangunan Berteraskan Islam: Satu Analisis Konseptual* (Unpublished doctoral dissertation). University of Science Malaysia, Penang.
- Karim, S.A. (2010). *Riba-Free Models of Money, Banking, and Insurance Components of the Islamic Moral Economy* (Unpublished master thesis). California State University, Long Beach.
- Kroessin, R. (2012). *An Exploratory Study of the Discourse of Islam and Development: The Case of the Islamic Bank Bangladesh* (Unpublished doctoral dissertation). The University of Birmingham, Birmingham.
- Mahalli, K. (2015). *Perancangan Pembangunan Kota Medan: Suatu Kajian dari Perspektif Prinsip Pembangunan Berteraskan Islam* (Unpublished doctoral dissertation). University of Science Malaysia, Penang.
- Mokhtar, W. (2016). *Tasawur Pembangunan dalam Kitab Sahih Al-Bukhariy: Kajian Al-Hadith Al-Mawdu'iy* (Unpublished doctoral dissertation). University of Science Malaysia, Penang.
- Saniff, S.M. (2015). *A Conceptual Analysis of Islamic-Based Development Actor* (Unpublished doctoral dissertation). University of Science Malaysia, Penang.