

Intellectual Discourse

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**The 15th International Conference on
Islamic Economics and Finance (ICIEF 2024):
Driving the Agenda
for a Sustainable Humane Economy**



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Transliteration Table: Consonants

Arabic	Roman		Arabic	Roman
ب	b		ط	ṭ
ت	t		ظ	ẓ
ث	th		ع	‘
ج	j		غ	gh
ح	ḥ		ف	f
خ	kh		ق	q
د	d		ك	k
ذ	dh		ل	l
ر	r		م	m
ز	z		ن	n
س	s		ه	h
ش	sh		و	w
ص	ṣ		ء	’
ض	ḍ		ي	y

Transliteration Table: Vowels and Diphthongs

Arabic	Roman		Arabic	Roman
اَ	a		أَ، آَ، إِيَّ	an
أُ	u		أُوَّ	un
إِ	i		إِيَّ	in
آَ، آِ، إِيَّ،	ā		أُوَّ	aw
أُوَّ	ū		إِيَّ	ay
إِيَّ	ī		أُوَّ	uww, ū (in final position)
			إِيَّ	iyy, ī (in final position)

Source: ROTAS Transliteration Kit: <http://rotas.iium.edu.my>

The Real Challenge for Islamic Economics and Finance: *Homo Economislamicus*

Ali Polat*

Abstract: The rapid change in Information Technology, Blockchain, Industry 4.0, and Artificial Intelligence have not only changed the way business is done but also brought its own paradigm. The moving point for this research is the revisit of the human factor in Islamic Economics and Finance (IEF). For a perfect application of IEF—together with the availability of *sharī‘ah*-compliant financial instruments, financial institutions and financial markets—the IEF literature requires the availability of *homo Islamicus* who will be on the demand or supply side of the financial activities. This “ethical” *homo Islamicus* needs to strictly follow Islamic ethics at the personal and professional corporate levels. Although we need such a perfect human being, economic activities are carried out by people having a perspective of *homo economicus* to some extent. *Homo economicus* is a concept that cannot be translated in real life. This research claims that modern human being is a combination of *homo economicus* and *homo Islamicus*, which can be branded as *homo economislamicus*. This perspective provides an improvement point that maximises the *homo Islamicus* perceptible in each piece of knowledge production and application in the market that will help a better practice of IEF. In order to increase the “Islamic” component of the applied finance, there should be greater awareness on the availability of *homo economislamicus* and consistency among knowledge-intention-application.

Keywords: Moral, Ethics, Homo Islamicus, Homo Economicus, Islamic Economics

Abstrak: Perubahan pesat dalam Teknologi Maklumat, Rangkaian Blok (Blockchain), Industri 4.0, dan Kecerdasan Buatan bukan sahaja telah

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mengubah cara perniagaan dijalankan, malah membawa paradigmanya yang tersendiri. Titik tolak bagi kajian ini adalah untuk meneliti semula faktor insani dalam Ekonomi dan Kewangan Islam (EKI). EKI yang sempurna mencakupi ketersediaan instrumen kewangan patuh syariah, institusi kewangan, dan pasaran kewangan. Literatur EKI memerlukan kewujudan *homo Islamicus* dalam aspek permintaan atau penawaran aktiviti kewangan. *Homo Islamicus* yang “beretika” ini perlu mematuhi etika Islam di peringkat individu dan juga tingkah laku korporat profesionalnya. Walaupun kita memerlukan manusia sempurna sedemikian, aktiviti ekonomi dari setiap perspektif dilaksanakan oleh individu yang mempunyai perspektif *homo economicus*. *Homo economicus* juga tidak wujud dalam model sempurnanya. Kajian ini mencadangkan bahawa manusia moden adalah gabungan *homo economicus* dan *homo Islamicus* yang boleh digelar sebagai *homo economislamicus*. Pendekatan dari perspektif ini memberikan satu titik penambahbaikan di mana ia memaksimumkan persepsi *homo Islamicus* dalam setiap penghasilan ilmu dan aplikasinya di pasaran. Bagi meningkatkan bahagian “KeIslaman” dalam kewangan gunaan, kesedaran tentang kewujudan *homo economislamicus* dan konsistensi antara ilmu-niat-aplikasi perlu wujud.

Kata kunci: Moral, Etika, *Homo Islamicus*, *Homo Economicus*, Ekonomi Islam

Introduction

Over the last 50 years, Islamic Economics and Finance (IEF) had tremendous developments globally. While developing the theory and application of IEF, both classical Islamic sources (Qur'an and Sunnah) and conventional perspectives (financial theories, conventional institutional and governance structures) were employed. In order to benefit global financial and economic environment, Muslims started first to set the halal boundaries that necessitated two important aspects to be understood. One important aspect of the IEF was to understand how IEF is different than conventional perspectives in terms of entities (government, private, non-governmental). Another aspect is how a IEF person, *homo Islamicus* (HI), is different than the conventional counterpart, *homo Economicus* (HE).

This article claims that fundamental problems and discussions of IEF literature are related with both human types that are purely almost non-existent. Rather, people in their decision-making process are – or supposed to be – actively in the category of being an HI or HE. Another

very important issue is that HI or HE in decision making process is not consistently having the same behavioural pattern of the mould, i.e., HI or HE. For instance, today for a specific topic, a Muslim person can have a decision on a specific financial issue which can be compatible with the perception of *homo Islamicus* or vice versa. IEF literature has developed by sticking with this distinction as its theoretical foundation. The theoretical human models of HE and HI are not realistic due to reasons beyond the aim of this study. This study claims that there are transitivity and obscurity between these two human definitions. Being aware of such requires us to unlearn economics and finance as Zaman (2022) emphasises.

This article defines a new realistic category to highlight the importance of changing human beings for the better. This change should be both in quality and quantity for a better IEF system and to minimise the problems or conflicts mentioned by Asutay (2007) which correlated with what Haniffa and Hudaib (2010) discuss, where the sacred intentions to fulfil religious obligations through IEF have been distorted by secular goals due to the interventions of political, economic and social institutions, together with dynamic interactions with the conventional sector/system. As mentioned in the Holy Qur'an, "Verily never Will Allah change the condition of a people until they change it themselves (with their own souls)" (Al-Ra'd 13: 11), which means that it is the duty of human beings to change for the better. This change, in this context, is the change of premises, beliefs, teachings, practices, and understandings of HE within each person to a better scale to make it closer to HI. This article proposes the synthesis between HE and HI, *homo economislamicus* (HEI).

Literature Review

There is a vast amount of discussion regarding HE, while the discussion on HI is comparatively limited. The Latin term of economic man, *homo economicus*, can be defined as "the self-interested economic agent. In classical and neoclassical economics, the utility-maximising objectives of individual economic agents were taken to be the basis of economic activity." (Rutherford, 2003). This narrowly self-interested actor who make decisions based on the pursuit of his own personal utility maximisation as a rational agent is at the centre of the theories of consumer choice, the firm, industrial organisations, and welfare.

The concept has roots in classical economics, and while it is associated with several economists, it is challenging to pinpoint a single individual who used the term *homo economicus* first. Urbina & Ruiz-Villaverde (2019) cite that the first use of the term in Latin is in Pareto's *Manual of Political Economy* in 1906. However, John Stuart Mill is often credited with formalising the concept in his work, even if he did not use the exact term. In his book *Principles of Political Economy* (1848), Mill described a type of economic actor who acts rationally and in their own self-interest.

Pareto (2015) refers to HE in a different context but tries to explain that it is a matter of abstraction. While he accepts that real man performs economic, moral, religious, aesthetic, and other actions, he considers *homo economicus* as one who performs only economic actions. The same man who is considered HE for an economic study may be considered as a *homo ethicus* for a moral study, and as a *homo religious* for a religious study. Such abstraction to understand the economic behaviour of man caused misunderstandings and exaggerations throughout the last few centuries.

Regarding HE, there is a vast accumulation of knowledge and research from many perspectives. A search of the term *homo economicus* in Google Scholar returns 88,700 results while *homo Islamicus* returns only 2,420. As this article concentrates not on the review of the whole literature of HE and HI nor does it aim at a bibliometric analysis of the terms, only criticisms from within the proponents of HE and criticisms of HE of Muslim scholars will be provided. Urbina & Ruiz-Villaverde (2019) concludes that HE is clearly inadequate and deficient after delimiting the notion of HE according to five characteristics or dimensions and after critical review of the term.

IEF scholars analyse HE and its deficient features to clarify the notion of HI. For instance, Furqani & Echchabi (2022) provides Qur'anic perspectives in the theorisation of HI as the representative agent of Islamic Economics (IE). Based on the Holy Qur'an, human perspective is described in five categories which are as follows:

- i) process and elements of His creation (Qur'an, 6:2, 15:26, 17:61, 23:12, 55:14, 76:2)

- ii) the reason of His creation, with duties and responsibilities to achieve success (Qur'an, 23:155, 51:56)
- iii) Human being and relations with Allah and other beings (Qur'an, 2:30, 61:10-14)
- iv) The nature, characteristics, tendencies and potential of man (Qur'an, 3:152, 7:176, 17:19, 78:39)
- v) The values and qualities needed to achieve to attain higher self-realisation. (Qur'an, 5:15- 16).

The perspectives are fundamental in understanding human capacity. Different from all other beings, human beings are two-dimensional, consisting of body and soul. This requires fulfilling the balanced needs of physical, psychological, moral and spiritual dimensions. If these have conflicts or missing to some extent, humans will lower themselves to the level of other beings. Furthermore, consumerism and hedonism lead to more selfishness, corruption and injustice. However, if the heavenly pole becomes stronger, human beings prefer justice, sympathy, love, sacrifice and altruism. This shift is the result of free will to choose between good or evil (Qur'an, 3:152, 7:179, 17:19, 78:39).

Human beings have the capacity of moving to the lowest level of wickedness or highest level of virtue. Therefore, we can see the duality in every value and potential to increase for ourselves as follows (Furqani & Echchabi, 2022):

- good (*ṣāliḥat*) and bad (*sayyi'at*) (Qur'an, 45:21)
- right (*khayr*) and wrong (*sharr*) (Qur'an, 99:7,8)
- righteousness (*birr*) and sin (*ithm*) (Qur'an, 5:3)
- good deed (*ḥasanah*) and evil deed (*sayyi'at*) (Qur'an, 27:89–90)
- righteous (*ma'rūf*) and evil (*munkar*) (Qur'an, 3:104)
- lawful (*ḥalāl*) and unlawful (*ḥaram*) (Qur'an, 10: 59)
- wholesome (*ṭayyib*) and malicious (*khabiṭh*) (Qur'an, 2:172).

Looking from the Qur'anic perspective of human beings, it is expected from HI to behave or have the qualities of good, right, righteousness, good deed, righteous, lawful and wholesome. For HE, it does not matter to be good or bad, lawful or unlawful, as long as HE increases his utility.

Furqani, Adnan & Mulyany (2020) discuss ethics in Islamic economics as it is the endogenous behaviour framework for HI. Sholihin, Sugiyanto & Susanto (2023) review and classify HI research and provides four notions of HI: i) an economic agent required to achieve IE objectives, ii) a defining factor who makes the difference between Islamic and conventional economics, iii) an economic agent whose characteristics are something IE aims to realise, and iv) an economic agent representing the fundamental assumption in IE. Furqani & Echchabi (2022) explain the nature of economic agent in Islam – HI – by exploring Qur'an as the primary epistemological source.

Another strand of literature is the criticisms of both terms and advocacy for more realistic and sound definitions and alterations of the terms and theories. The descriptions of HI in the literature are impractical. A Muslim scholar shows the side of rationality in economic activities meaning that he/she is not pure HI (Sholihin et al., 2023). Furthermore, Sholihin et al. (2023) concludes, after a detailed systematic review of HI literature, that HI has been described in different ways by scholars and these contain disconnected, incoherent, disordered and confusing ideas. Moreover, setting up the concept of HI as a reactive response to HE caused the concept of HI to be disconnected from the classical Islamic tradition. Such formulation of HI was trapped by the efforts of distinguishing between the Islamic economic agent and the conventional counterpart, the HE.

Azizy (2019) offers incremental welfare value as the goal of economics rather than utility maximisation and *Maṣlahah* maximisation for HE and HI, respectively. While the first one is not realistic, the second one is almost a model of “too good to be true.” HE is represented only in the textbooks and the canonical assumption that individuals are entirely self-interested needs revision as the investigations uncovered large, consistent deviations from the prediction of the textbook representation of HE (Henrich et al., 2001). Mahyudi (2016) argues that the Qur'an distinctly presents both the innate frailties of humans in their individual existence (*al-insān*) and the unawareness and lethargy of the collective, referring to humans in their collective state (*al-nās*). Such correction is a rectification of epistemological mistake, and it will improve the validity of IEF.

Table 1: Comparison of Features/Aspects of Homo Economicus vs Homo Islamicus

Feature/ Aspect	Homo Economicus	Homo Islamicus
Definition	A rational and self-interested individual who seeks to maximise personal utility.	An individual who seeks to live according to Islamic principles, prioritising moral and ethical considerations.
Primary Motivation	Self-interest and utility maximisation.	Fulfilment of religious duties and attainment of moral and ethical excellence.
Decision-making	Based on rational calculations to maximise personal gain.	Based on the teachings of the Quran and Hadith, considering both worldly and hereafter consequences.
Economic Behaviour	Seeks to maximise profits and minimise losses.	Engages in economic activities that are <i>halāl</i> (permissible) and avoids those that are <i>harām</i> (forbidden). Prioritises fairness, justice, and charity.
Social Behaviour	Interactions are often based on personal gain.	Interactions are guided by Islamic teachings, emphasising community, brotherhood, and helping the needy.
View on Wealth	Wealth is a primary goal, and its accumulation is a sign of success.	Wealth is a means to an end, and its ethical use is more important than its accumulation. <i>Zakat</i> (almsgiving) is obligatory.
Critics Say	Overly simplistic and does not capture the full range of human motivations.	Might be idealistic and not representative of the behaviour of all Muslims.
Supporters Argue	Useful for building economic models and understanding market behaviour.	Provides a comprehensive framework for understanding human behaviour from an Islamic perspective.

Source: Collection of Author

Addas (2006) discusses the worldview differences and sources of knowledge and values for secular and Islamic methodology of economics. Table 1 is a combination of different elements created by the worldview difference between secular and Islamic methods of economics. If there is a worldview, it is expected to have some practical consequences from its theoretical components as theory guides. As it can be seen from Table 1, both HE and HI are based on values, and the notion of “value-free” economics is not available as accepting “not to have any value” is also a value. If HE and HI are value-loaded, imaginary, theoretical beings resembling their underlying ideologies, then who is HEI?

Before answering this question, what is human in the context of the Qur’an? In the context of the Qur’an, humans are complex beings created by Allah with innate dignity and potential for both great virtue and significant vice. They are distinguished from other creatures by their intellectual faculty, free will, and spiritual nature, which collectively confer upon them a unique status and a profound set of responsibilities.

Humans are *Ashraf al-Makhlūqāt* (the best of creation), imbued with *Fitrah* (an innate disposition towards virtue and monotheism) and *‘Aql* (intellect/reason), which empower them to function as *Khalīfah* (stewards) on Earth. They are capable of incredible compassion, justice, and innovation, reflecting their potential for righteousness and good deeds. Their existence is a journey filled with opportunities for *‘Ibādah* (worship) and acts of kindness, emphasising their role as servants of Allah and caretakers of their communities.

However, humans are also beings of contradiction, susceptible to negative traits such as *Kufr* (disbelief), *Shirk* (associating partners with God), *Nifāq* (hypocrisy), and *Ghaflah* (heedlessness). They can fall into *Zulm* (oppression), *Hasad* (envy), *Takabbur* (arrogance), and *Bukhl* (stinginess), driven by their desires and egos. These weaknesses highlight their need for divine guidance and their dependence on Allah’s mercy and forgiveness.

This dual nature makes the human experience one of constant struggle between the higher and lower self, between the spiritual and material, and between ephemeral desires and eternal truths. Life, therefore, is a test, an opportunity for humans to choose their paths,

learn from their mistakes, seek forgiveness, and continuously strive for moral and spiritual growth.

In summary, humans, from the Qur'anic perspective, are beings of significant potential, entrusted with great responsibilities but also prone to grave errors. Their ultimate success lies in recognising their purpose, embracing their strengths, acknowledging and overcoming their weaknesses, and striving in the path of righteousness and divine pleasure.

Homo Economislamicus

Literature reveals that the expected and desired HI is the pre-requisite of IEF system. It is also the role model to reach IEF system. On the other hand, HE is pure logical, materialistic, sardonic and selfish being. It would not be wrong to say that $HEI = HI + HE$. The new acronym of *homo economislamicus* tries to bring the very nature of human on the table to discuss that the available HEI needs to be more ethical, value-based in his intentions, deeds and practices in his daily life.

Considering the negative and positive attributes for human beings in the Qur'an, we can reemphasise that HEI represents a synthesis of the rational, utility-maximising characteristics of HE and the spiritually grounded, moral-guided attributes of HI, considering the overlapping and contradicting attributes of both theoretical models. HEI is a multi-dimensional individual who, while rooted in the rational and utility-maximising principles of economic behaviour, is also deeply anchored in the spiritual and ethical teachings of Islam. This individual seeks to harmonise the pursuit of worldly benefits with the moral and spiritual imperatives of Islamic teachings.

Characterised by a dual nature, HEI acknowledges the inherent human struggle between higher spiritual aspirations and worldly desires. While driven by rational self-interest and cost-benefit analysis in economic decisions, HEI also places significant importance on ethical considerations, community well-being, and divine accountability. In economic pursuits, HEI aims for both personal gains and the broader benefits of society, ensuring that individualistic endeavours do not compromise communal harmony or ethical standards. This balance is achieved by integrating the principles of Islamic morality, such as justice, fairness, and altruism, into economic decision-making processes.

Furthermore, HEI recognises the interconnectedness of all beings and the environment, emphasising sustainable and equitable resource utilisation. While valuing material prosperity, HEI also seeks spiritual fulfilment and higher self-realisation, ensuring that economic activities align with the broader purpose of serving and worshiping Allah. In essence, HEI represents a holistic human model that strives to achieve a harmonious balance between the material and spiritual realms, ensuring that economic pursuits are guided by ethical principles and are in alignment with the higher purpose of life as defined by Islamic teachings.

Mahyudi (2015, 2016) offers the term “true man” or “universal man” (Mohd & Aziz, 2017) as there is no HI or HE in its pure theoretical properties. True man covers the truth and reality of undesirable human behaviours just as the HI model does. Struggling today’s problems with a positive trait of man ignores the dark side of man. Laziness, selfishness, greed, corruption and extravagance are part of a “true man.” Mahyudi’s general approach is consistent with the idea in this article, where there are two contributions of this research to the literature. First is that true man or universal man still needs to be defined in more detail. While defining a parallel term like HEI, it may help understanding of true man or universal man as the combination of these two models. Second, without a due analysis of HEI as a consumer, producer, worker, capital owner, stakeholder, regulator etc, and without developing a perspective on the sources of the micro-foundations of the human (=HEI) identity crisis that Mahomedy (2013) discusses, one cannot really understand the nature of man. Farooq (2013) also highlights that the *Tawhidic* paradigm of Choudhury has not been taken serious enough by Islamic economists.

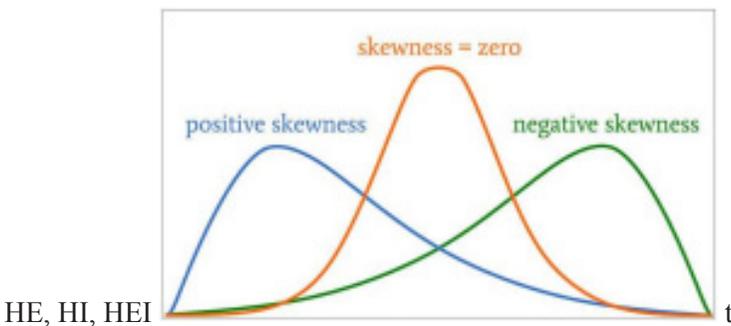


Figure 1: Normal Distribution and Skewness

If we have only HEI on earth and we need an IEF framework as it has been developed until now, the people who study, invest, use or develop IEF are also homo EI. Normal distribution chart and skewness can help us understand the conditions in Figure 1. The normal distribution, also known as the Gaussian distribution or bell curve, is a symmetric distribution where the mean, median, and mode of the distribution are all the same and located at the centre of the curve. Skewness refers to the degree of asymmetry in the distribution.

Now let us imagine that for time t and for an individual i , standard human in any country, c , is a standard *homo economislamicus* without any skewness. Such a person will act partially consistent with HI and partially consistent with HE. Individual i in time $(t+1)$ and country (space) $c1$ can be skewed to the positive side (closer to HI) or negative side (HE). Same individual i in time $(t+2)$ and not necessarily in the same country (space) $c1$ or another space $c2$ can have skewness towards HE. We can develop this model for each type of behaviour and for each person on the earth.

Human behaviour, at any point in time and space, can be represented on a spectrum with *homo economicus* (HE) on one end and *homo islamicus* (HI) on the other. This spectrum captures the continuum of human behaviour, from purely rational self-interest to deeply spiritual and moral. We should not attach any misbehaviour from HI as the theory does not mention such attachments. HEI, on the other hand is an average person on earth. "Average" is also subject to change depending on the social, cultural and other variables specific to a region or experience and personality of the involved individual.

Zero skewness in Figure 1 represents a balanced individual exhibiting attributes of both HE and HI. Such a person, termed as a standard *homo economislamicus*, acts partially consistent with HI and HE principles, embodying a mix of both good and bad manners. Positive skewness indicates a shift closer in time and space towards HI in a person, where spiritual and moral values become predominant. In the same manner, negative skewness denotes a move towards HE, where rational and self-interested behaviours dominate.

Increasing positive skewness in human behaviour persistently and continuously will transform overall micro and macro level behaviours if it is beyond a specific threshold. This problem is significant to solve as

it is very complex and dynamic. An individual's behaviour is not static. Over time and across different spaces (countries or societies), there can be shifts in this distribution, leading to changes in skewness towards HI (positive skewness) or HE (negative skewness). This situation can be analysed through various sociological and psychological theories. Social Conformity Theory suggests that individuals tend to conform to the norms and behaviours of the group to which they belong (Heinzen & Goodfriend, 2019). In the context of the scenario, a good person might start adopting bad behaviours to conform to the prevalent norms in the society.: As suggested by Social Conformity Theory, individuals tend to adopt behaviours that align with the dominant norms of their group. Thus, even if an individual originally exhibited zero skewness, they might shift towards the prevailing skewness of their society over time. Therefore, behavioural contagion is possible in time and space for HEI.

There are other theories like Broken Windows Theory which posits that visible signs of disorder and misbehaviour encourage further disorder and misbehaviour (Maskaly and Boggess, 2014). Again, in the scenario provided, the persistent bad behaviour of others might encourage even the good individuals to indulge in bad behaviour.¹ Drawing from the Broken Windows Theory, minor deviations in behaviour can snowball into larger societal shifts. For instance, if bad behaviours become slightly more common and aren't checked, they can become normalised, leading to an even more significant shift towards negative skewness. Such phenomena create feedback loops and amplification of behaviours.

¹ There are other theories too about behaviour, crime and human psychology. Moral Disengagement is a psychological theory which explains how individuals can commit harmful acts without feeling distress. Good individuals might morally disengage to adapt to the environment, which allows them to participate in bad behaviours without experiencing self-condemnation. Survival of the Fittest (Social Darwinism) theory, borrowed from biological evolution, can be applied to social contexts to explain how individuals might adopt behaviours that are necessary for survival in a particular environment, even if those behaviours are morally reprehensible; and last but not least, Game Theory. In game theory, individuals might choose strategies (like adopting bad behaviours) that maximise their own benefits, even if it leads to a suboptimal outcome for the group as a whole.

When a significant proportion of individuals in a society exhibit a consistent skewness in behaviour, it could influence the overall societal norms and values. For instance, a society with a persistent positive skewness might develop policies and systems that prioritise community welfare and ethical considerations. Therefore, collective skewness of HEIs towards HE will create societal impact.

Understanding the current skewness of an individual or a group can allow policymakers and influencers to introduce targeted interventions. For instance, in a negatively skewed society, introducing positive role models or community-building initiatives can help nudge behaviours towards a more balanced or positively skewed state. By monitoring the skewness trends, it might be possible to predict future shifts in societal behaviours and pre-emptively introduce measures to ensure a balanced societal behaviour spectrum. Promoting understanding and awareness about the importance of a balanced behaviour spectrum can empower individuals to self-regulate and seek balance in their actions.

HEI, as an individual, can be on the supply side or demand side of the IEF activities. Any government regulation or educational activities can be considered the supply side as they help the development of the IEF. The current perspective is that Islamic economists or decision makers currently are trained by mainstream economic perspectives and after such brainwashing, it is not easy to step outside the shadow of mainstream economics in behaviours. For instance, Farooq (2013) concludes that there is a “genuine need to transform the economies embracing the economic principles of Islam that are almost universal” by also emphasising that the “field is dominated by those who were trained in the Western, conventional tradition.” So, this is an interesting paradox that needs to be solved. Those people who study and improve IEF theory are HEI to some extent. How are we going to make sure that their behaviours/choices are really coming from their *homo Islamicus* part?

For instance, secular paradigm under capitalism aims happiness through increased material consumption (HE) while IEF paradigm promotes happiness through material consumption and spirituality (HI). Muslims do consume too but it is expected that they consume ethically. This approach, *Wasatiyyah-consumerism*, can be attached to HI. Moderate, balanced consumption, prioritising fairness and benevolence

in consumption (Hanapi, 2018) are components of HI in Islamic Economics. However, other activities – such as creating consumer and marketing activities, product development, sales and growth targets – are all based on conventional utility perspective. A *wasaf* consumer working in a marketing department of a company can prepare a good marketing strategy consistent with conventional theories to increase the sales and maximise the corporate values. He/she can be *wasaf* person even though that does not mean that the principle of *wasafiyah* cannot be ignored in his/her personal choices. Therefore, in time and space, our choices are scattered in behaviours as the behaviours of HI and HE.

For instance, as a consumer, should I delay my payments under inflationary environments even if I have money? Financial literacy perspective may approve the delay, but this is a problem of Islamic Banks. There are fatwas that debt payment delaying-capable-clients are obliged to compensate material loss as “overdue fine” (Maftukhatusolikhah, 2003). There are even enough grounds to establish that debt is not encouraged in Islam, that it should not be delayed, and to be paid the earliest (Yunus & Muslimin, 2020). A new generation of Islamic economists voice the need of a fresh and somewhat novel or radical approach to reinvigorate the IEF (Mahomed, 2015).

Next Step Forward

Before moving to the next step, this article does not ignore the historical, cultural or political factors inherently embedded in IEF on the way forward. However, in each step forward and in every decision, one should ask the questions: a) is the knowledge produced is consistent with HI, HE or HEI? b) Is the required application/regulation/code is consistent with HI, HE or HEI? Being aware of the mistake or the problem will at least help to solve it. It is also possible that during this very complicated journey, there may be some misunderstandings or different interpretation (*ijtihad*), and these can be updated.

For instance, if the degrowth approach had been chosen for IEF, perhaps there would not have been such a need for corporatisation and growth. Maybe if a Western growth model (which has a serious history of exploitation) is not desired, different models would be developed. However, in any case, it is not possible to progress without understanding and accepting the human being as it is, and without the desire and need to change it, in other words, without a transformative

perspective, other factors will continue to bother the IEF perspective. With an approach like “kissing the hand you cannot beat,” one would take IEF to be integrated into capitalism and making it “more moral.” If there is an exchange in this transaction, in a way, this approach brought forth less ethicality in IEF, and this circle supported the second-best theory by feeding itself.

Abdul-Baki & Uthman (2017) argue that the current IEF is unworkable for the socioeconomic ideals of Islam and it pursues profit maximisation rather than *falāh*. However, this should also not be expected due to the current operational environment. Even in an environment favouring IEF, human transformation is also needed.

Al-Jarhi (2013) provides ten gaps in the theory and practice of IE and provides the solutions to fill these gaps. If IEF “properly perceived and correctly applied,” then it will produce a new economic order that benefits humanity. However, the gaps he mentions are either the misunderstanding or misapplication of HEI and it must be stopped at some point before going into more mingling.

The aim of this article is to introduce HEI and to continue IEF with this awareness. Such awareness might require us to address the following issues:

- a. Developing a Realistic Model: Create a more realistic and comprehensive model that encapsulates the characteristics of HEI, considering the dynamic and complex nature of human behaviour.
- b. In-depth Analysis of HEI: Conduct a detailed analysis of HEI in various roles such as consumer, producer, and regulator to understand the micro-foundations of the identity crisis discussed in the article.
- c. Educational Reforms: Introduce educational reforms to nurture individuals who can critically evaluate and possibly transcend the influences of mainstream economic perspectives.
- d. Regulatory Measures: Implement regulatory measures that promote ethical behaviour and discourage materialistic tendencies fostered by the conventional economic system.

- e. Further Research: Encourage research that explores the nuances of HEI, fostering a deeper understanding and facilitating the development of IEF theory.
- f. Collaborative Efforts: Promote collaborative efforts between scholars, practitioners, and policymakers to foster a holistic approach to the development of IEF.
- g. Encouraging Ethical Consumption: Promote the principles of *Wasatiyyah*-Consumerism, encouraging individuals to adopt moderate and balanced consumption habits.
- h. Development of Ethical Marketing Strategies: Encourage the development of marketing strategies that align with the principles of ethical consumption, fostering a balance between material consumption and spirituality.
- i. Adaptive Strategies: Develop strategies that are adaptive, allowing for the integration of new insights and understandings as the field evolves.
- j. Transformative Perspective: Foster a transformative perspective that encourages individuals to undergo a change in their beliefs, practices, and understandings, aligning closer to the principles of HI.
- k. Identifying and Addressing Gaps: Work towards identifying and addressing the gaps in the theory and practice of IEF as highlighted by various scholars, aiming to create a new economic order that benefits humanity.
- l. Continuous Evaluation and Adjustment: Establish mechanisms for continuous evaluation and adjustment of strategies and approaches, allowing for the correction of misunderstandings or misapplications in the field.

By adopting these steps, it is envisaged that the field of IEF can move forward, fostering a system that is more aligned with the socio-economic ideals of Islam, promoting the well-being and prosperity of the society at large. It is imperative to approach this transformation with a realistic and grounded perspective, acknowledging the complexities of human behaviour and the influences of various external factors.

Through collaborative efforts and a commitment to change, it is hoped that a more ethical and beneficial economic system can be realised.

Conclusion

Over the past half-century, IEF has undergone significant developments, garnering interest globally from both Muslim and non-Muslim communities. The development process of IEF has been influenced by both classical Islamic sources and conventional financial theories and structures. However, the existing literature and discussions in IEF have been centred around the theoretical foundations of two human models: *homo Islamicus* (HI) and *homo Economicus* (HE), which are found to be somewhat unrealistic in representing the actual behavioural patterns of individuals in society.

While the Qur'an has many positive attributes attached to humans, there are also many negative attributes attached to them. It is both historically and logically true that never on earth has there been a time in which there is no *homo economicus* but only *homo Islamicus*. Even during the time of the Prophet (PBUH), there were *mushriks* and non-Muslims (Christians and Jews) and many others. Defining the features of HI is required but still inadequate as not all people including Muslims are HI.

The article introduces a new category, *homo economislamicus*, which seeks to bridge the gap between the idealised representations of HI and HE, acknowledging the complex and dynamic nature of human behaviour which does not strictly adhere to either category. This new category emphasises the necessity for individuals to undergo a transformative change, aligning closer to the principles of HI, while recognising the inherent challenges and barriers that prevent a complete transformation, including historical, cultural, and political influences.

It can be concluded that any problem that IEF is struggling is also a by-product of HE perspective. The deeply rooted perspective of HE in modern economic systems has inadvertently fostered a myriad of micro and macroeconomic issues. This viewpoint, which depicts individuals as solely rational and self-interested entities, often neglects the nuanced and complex nature of human behaviour, thereby spawning systemic issues such as income inequality, environmental degradation, and financial instability. At the micro level, it encourages materialistic

consumption patterns and cultivates a competitive environment that often undermines community welfare and ethical considerations. On a macro scale, it can lead to policy formulations that prioritise economic growth and profit maximisation at the expense of social equity and environmental sustainability. Recognising the limitations and potential adverse consequences of the HE perspective is vital. It calls for a paradigm shift towards a more holistic and realistic understanding of human behaviour, one that incorporates the moral and cooperative dimensions of HI, fostering a balanced and equitable economic system that aligns with the broader objectives of societal well-being and harmony.

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Al-Faruqi & al-Faruqi (1986)

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Chapter in a Book

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Journal Article

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(i) direct quotation, write as 30:36

(ii) indirect quotation, write as Qur'ān, 30:36

Reference:

The glorious Qur'ān. Translation and commentary by A. Yusuf Ali (1977). US: American Trust Publications.

Ḥadīth

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(i) Al-Bukhārī, 88:204 (where 88 is the book number, 204 is the ḥadīth number)

(ii) Ibn Hanbal, vol. 1, p. 1

Reference:

(i) Al-Bukhārī, M. (1981). *Ṣaḥīḥ al-Bukhārī*. Beirut: Dār al-Fikr.

(ii) Ibn Ḥanbal, A. (1982). *Musnad Aḥmad Ibn Ḥanbal*. Istanbul: Cagri Yayinlari.

The Bible

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