

## **Methodology of Islamic Economics: Typology of Current Practices, Evaluation and Way Forward**

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*The sustainable development of Islamic economics as a discipline depends also on methodological development that provides a clear direction on how to appraise economic theories and provide evidence of its reliability. This paper attempts to study the methodology of Islamic economics in two ways: (1) by examining the works by scholars in their specific writings on this subject, and (2) by observing the writings on Islamic economics, banking and finance to see how Islamic economists develop their discipline. The paper found three categories of writings, namely: (1) the usul al-fiqh methodology applied in economics, (2) methodological pluralism that tries to utilize various methodologies developed in both western and Islamic tradition, and (3) conventional mainstream positive economic methodology applied in Islamic cases. These are evaluated thoroughly and suggestions are made as to what needs to be done to assist Islamic economics develop.*

**Keywords:** methodology, Islamic economics, typology, usul al-fiqh, methodological positivism, methodological pluralism, Islamization of economics.

### **1. INTRODUCTION**

Methodology of economics as a discourse received wide attention among economists in the 1970's and reaches a dramatic growth in the 1980's whereby it had become a recognizable sub discipline within economics (Backhouse, 1994: 4). It brought new debates on how economics was to be approached and how its theories and later on body of knowledge was to be constructed.

Methodology is not to be interpreted as a method, technical procedures or an approach to modeling, instead methodology, to quote Machlup (1978: 55) is "a study of the reasons behind the principles on the basis of which various types of propositions are accepted or rejected as part of the body of ordered knowledge in general or of any special discipline." In this regard, methodological study would provide arguments, perhaps rationalizations, which support various preferences entertained by the scientific community for certain rules of intellectual procedure, including those for forming concepts, building models, formulating hypothesis and testing theories (Machlup, 1978: 54).

Hence, the product of methodological inquiry would be (1) a set of criteria, rules, principles, standards, rationalization, arguments and justifications for theory appraisal as well as testing and proving the reliability of that theory so that we could

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distinguish between *valid* theories and *invalid* ones (Fox 1997: 34); and (2) the methods, techniques or procedural steps needed for appraising and justifying theories which come much later after the criteria and arguments are clearly established.<sup>3</sup>

For Islamic economics as a new discipline, the methodological study plays a role in developing the discipline itself. In addition, if most of Islamic economists claim that conventional economic theories are infused by vision or values that are not in-line with Islamic vision and values, then, one main task is how to develop economic theory that can be, and is, infused by Islamic vision and values. Without a proper methodology of Islamic economics this task could not be done properly.

In this paper we attempt to identify the typology of methodology of Islamic economics as proposed by scholars in their specific writing on the subject and based on the modes of writings in the literature of Islamic economics, banking and finance. In the latter, although we might not find explicit methodological discussions, we could infer the writer's methodological preference. Based on this we would classify the typology of methodology of Islamic economics, identify the features as well as examine those methodologies to assist in developing the discipline of Islamic economics.

## 2. METHODOLOGY OF ISLAMIC ECONOMICS: THE TYPOLOGY

In general, we observe three types of approaches to methodology: (1) the use of *usul al-fiqh* methodology applied in economics, (2) the use of methodological plurality, utilizing various methodologies developed in both western and Islamic traditions, and (3) the mainstream conventional positive economic methodology applied in Islamic cases.

### 2.1. Type I: *Usul al-Fiqh* as the Methodology of Islamic Economics

*Usul al-fiqh* or the methodology in deriving rules (*ahkam*) is used in the discussion of Islamic economics to develop Islamic economics. This comes from the understanding that the nature of Islamic economics is similar to *fiqh al-mu'amalah*. This was observed by Addas (2008: 5, 97)

Islamic economics is no more than the result of applying the Islamic rules and injunctions, i.e., Islamic *fiqh*, to the prevalent secular theoretical structure of economics to separate the permissible from the non-permissible, as well as to ascertain the position of the *shari'ah* on economic acts and current business events.<sup>4</sup>

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<sup>3</sup> In a more lengthy statement Blaug (1992: 264) explains the role of methodology in economics as follows:

What methodology can do is to provide criteria for the acceptance and rejection of research programs, setting standards that will help us to discriminate between wheat and chaff. These standards, we have seen, are hierarchical, relative, dynamic, and by no means unambiguous in terms of the practical advice they offer to working economists.

<sup>4</sup> Yalcintas (1987: 28) earlier on argues that Islamic economics is a modern version of *fiqh al-mu'amalah*. He justifies, if *fiqh mu'amalat* sets the legal framework of economic transactions, Islamic economics studies the rationale and motives of the same. *Fiqh* is an inexhaustible source of insight and indispensable for economic analysis if it was to carry the description 'Islamic' (in order to put them in the juristic scoop in accordance with *Shari'ah*). This he says, is simply because in Islamic economics we do not only deal with the how, but we also deal with the ought.

Islamic economists could use *usul al-fiqh* as his methodology and also in his attempt to identify and establish an economic order that conforms to Islamic scripture and traditions by discovering the theorem in texts (*nusus*) and derive general rules and principles in establishing consistent drawings of the Islamic economic theories and system (Yalcintas, 1987: 27).

The approach is like the *fuqahā'* (jurists) practices in their attempt to construct *al-qawā'id al-fiqhiyyah* (legal maxims) to be the source of derivation of economic theories (Hasanuzzaman, 1984, 2007). The Islamic economic theory would then be “the application of juristic principles and ethical norms to the mainstream dispensation” (Addas, 2008: 108).

This notion of methodology of Islamic economics reflects that contemporary body of knowledge of Islamic economics is still dominated by *fiqh*, which is unfortunately almost always narrowly defined as ‘law’. Hence, efforts using this methodology are not able to focus on ‘Islamic economics as a social science’. Islamic economics is loosely viewed as “fiqhonomics” that is equated with *fiqh* or that of branch of *fiqh* body of knowledge. This, in our opinion is not really appropriate because of two reasons. *First*, the two subjects have difference subject-matter. *Fiqh* (as commonly understood today) studies the practical rules and laws that are attached to the human acts (*ahkam al-shari'ah*) such as obligation (*wujub*), prohibition (*hazr*), indifference (*ibaha*), recommendation (*nadb*), or reprehension (*karaha*) and the like (Moad, 2007: 142). Islamic economics, on the other hand discusses a much wider area of human behavior. It attempts in finding means and tools that are suitable to analyze the economic problems and to find out their causes, consequences and solutions in practical life. Islamic economics would include both the normative and positive dimension of economic analysis and policy.

*Second*, methodologically speaking, *usul fiqh* is not really appropriate to be the methodology of Islamic economics. *Usul al-fiqh* as a methodology aims to “provide standard and criteria for the correct deduction of the rules of *fiqh* from the sources of *Shari'ah* (*nusus*, texts)” (Kamali, 1989: 2)<sup>5</sup>. The object of study of *usul al-fiqh* is the divine ordinance or proofs of *shari'ah* that mainly refers to the Qur'an and Sunnah as well as from ‘*aql* (reason) in solving cases which are not explicitly indicated by the primary sources. While the experience, customs and the public interest are also well-taken in juristic formulation, a rigorous approach in dealing with them is not well-elaborated in *usul al-fiqh* as it is done in the social sciences. The methodology of Islamic economic, on the other hand, will deal with those three sources of knowledge; doctrinal-revelation, intellectual-reasoning and factual-observation thoroughly. Its object of study would include a wide spectrum of revelational texts (*nusus*) and human actual behavior in making choices and decisions in solving economic problems. The methodology will not only attempt to investigate the ideals-framework of how economic problems *should be* solved, but also investigate the best means of *how to* solve them. This dimension of empirical study, is not really elaborated in *usul fiqh*.

With that limitation in scope of methodological inquiry, *usul al-fiqh* methodology is not a really an appropriate methodology in understanding the practical reality of economic phenomena and therefore is not readily substituted for the task of overcoming the inadequacy of Western contemporary methodologies and at the same

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<sup>5</sup> This is quite different from the early understanding of *shari'ah* and *fiqh* as having a much wider (and correct) connotation of ‘overall guidance’ and ‘understanding of the *shari'ah* and of the *din*’. How and why these fundamental concepts were unfairly ‘narrowed’ in their meaning requires further study.

time, they are inadequate for guiding modern economics activities. Al-Faruqi (1987: 19) sees this inadequacy as stemming from two diametrically opposed tendencies in *usul al-fiqh* methodology; (1) the tendency to restrict the field of *ijtihad* to legalistic reasoning, i.e. the subsuming of modern problems under legal categories and thereby reducing the *mujtahid* [which should also include economist] to a *faqih* (jurist), and reducing science to legal science, and (2) the tendency to eliminate all rational criteria and standards by adopting “a purely intuitive and esoteric methodology, or confine the methodology to textual studies of language, traditions and orthodox jurisprudence.”<sup>6</sup>

In developing Islamic economics, we certainly have to go beyond ‘judicial texts’ and focus on the implications these rules and regulations positions have on the economic system as a whole. It is quite important at this juncture that we reaffirm an important point that does not seem to have received sufficient attention as can be seen from the practice of contemporary Islamic Banking and Finance.

## 2.2. Type II: Methodological Pluralism in Islamic Economics

Currently, there is a growing interest in economics for a methodological pluralism by enlarging the methodological practices and criteria from the dominant positivist/empiricist framework. Any exclusivist prescriptivism which seeks to establish one approach to methodology as supreme or to give it a privileged position is not accepted (Samuels, 1998: 301).

For Islamic economists, the call for methodological plurality comes from the fact that Islamic epistemology recognizes multiple sources of knowledge from where theories can be appraised. For Siddiqi (2001: 47) “the Islamic tradition in economics has always been free of formalism, focusing on meaning and purpose with a *flexible methodology* and must be open to contributions to realize in economic affairs, the Islamic vision of good life”. In addition, Islamic economics task is much greater and harder than conventional economics as it aims at furthering of human well-being, rather than just explaining, predicting or persuading (Chapra, 1996: 35).

We are not sure, whether this is a definite solution or whether it is a reflection that the methodological discussion has reached a deadlock. For Islamic economics, we are not really clear what is meant by methodological pluralism since its proponents did not elaborate further. Nevertheless, we might see this approach in Islamic economics coming from the common practice in the *interaction* and *integration* of conventional economics and Islamic heritage. Rather than just being dependent on one mainstream view, methodological sources are developed from both conventional and Islamic scientific tradition.

Before accepting the thesis of methodological pluralism, some clarifications need to be answered. Does Islamic epistemology really recognize methodological pluralism or just acknowledge the possibility of plural methodologies? Let say, even if we answer yes, Islamic epistemology accept methodological pluralism, the next question would be does our fundamental epistemological differences between the

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<sup>6</sup> Another critics by Abu Sulayman (1985: 268-9) is that *usul al-fiqh*, as a discipline, has been developed with an emphasis on technicalities in studying texts at the expense of goals and purposes of *shari’ah* (*maqasid al-shari’ah*) that would inject methodological flexibility and dynamism. As a result, *usul fiqh* has become a theoretical discipline studied as a part of the legal heritage rather than a tool to regulate and encourage *ijtihad* (Kamali, 1989: iii).

Islamic conception of methodology of economics and the modern economics one have disappeared? Those are among the questions that need to be clarified before we accept methodological pluralism as an Islamic economic methodology.

With need to acknowledge Bakar (1984: 17) that Islamic methodology is based on epistemology that is fundamentally different from the dominant epistemology of economics. The conventional methodology is developed in a secular worldview that excludes religion in the scientific realm. In Islamic methodology, not only religion is linked to scientific endeavor, but, it is its epistemological basis and foundation. The religious sources' exclusion and inclusion in the epistemological foundation implicates to the differences methodological development. In the discussion of methodological pluralism in economics, there is no clear position whether religious sources inclusion in the scientific methodology could be accepted as part of pluralism in methodology. The pluralism seems still sought within human epistemological realm with no divine intervention.<sup>7</sup>

In addition, in methodological pluralism there will be no ultimate (if not dominant) truth generated by any methodology. What we have is a relative-truth. This is because methodological pluralism, according to Samuels (1998: 301) “does not deny the usefulness of the several positions constituting these antinomies, but maintains that *no position can be summarily disregard* and that insight can be achieved on the basis of the matrix formed by knowledge generated potentially using each position in all antinomies, whatever individual preferences may be.” Therefore, methodological pluralism in developing theories tends to accept *any* goals and *any* methodologies in theory appraisal. Logic may yield valid inferences or conclusions given the premises and system of reasoning, but a valid inference is not necessarily true. Neither can empirical testing yield a singular and conclusive truth. This, perhaps, might be applied also to knowledge derived from revelation. That knowledge cannot claim the only truth. All are a relative truth depends on their respective perspective of truth and no such single truth could be claimed.

While one may agree that there should be no single domination in ‘defining the truth’, especially if we are talking of a global/plural setting, the indifference of truth could lead to indifference in solutions, which according to Bakar (1984: 17) is “a kind of theoretical anarchism”. While the desired output of methodological pluralism is to have a better understanding of economic realities benefitting from various methodologies, the practice that leaves an ‘open’ answer without a clear decision on what goals to be pursued or what theory is correct might create further theoretical confusion and later on practical uncertainties.

As far as Islamic methodology is concerned, there are some flaws and limitations of those methods which somehow cannot be accepted in Islamic methodology. The problems such as (1) strict followers of scientism, empiricism and materialism hold that there is nothing real beyond matter and observed phenomena; (2) they believe that only the repeated observed (external) phenomena as true, irrespective of morally or ethically right or wrong, good or bad; (3) this is because science cannot provide answers (or in a lesser degree indifferent) to moral and ethical problems which

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<sup>7</sup> One of the opinion is from Nienhaus (1989: 95) who believes that there is possibility of the acceptance of Islamic economics in the mainstream economics if methodological pluralism is accepted because “with this methodological stand, one should be ready to consider without prejudice 'unconventional' approaches which promise to make some interesting contributions for the solution of a problem at hand.”

are external of scientific realm; and (4) science is not completely objective, neutral and value free as most people assume it to be (Ahmad and Ahmad, 2004: 43-46).

Methodological pluralism might recognize those limitations, but no conclusive position should be taken as that might reflect methodological absolutism. They are true in their respective criteria, and they are false in their respective criteria, and hence should be accepted as part of methodological pluralism. For us, the argument of methodological pluralism is not really plausible.

Instead, we would like to argue that while Islamic methodology acknowledges and promotes multiplicity (plurality) of methods in scientific enquiry, it does not really promote methodological pluralism. Instead, it promotes methodological unification (*tawhidic* methodology).

Islamic epistemology gives equality to all methods of inquiry and *tawhid* sets the framework of ethics and values as well as direction and goals which will ensure that multiplicity of methods were complement each other and would integrate into totality. Those various methods are used to arrive at total understanding and coherent interpretation of reality rather than seeing them as conflicting theories with rival claims to truth as they are bounded in a unified goal and direction of achieving the ultimate truth (*al-haqq*) which is the unification of multiple truth; objective truth, logical truth, and the truth of revelation (Bakar, 1984: 18).<sup>8</sup>

### 2.3. Type III: Islamization of Economics (IOE) Methodology

The third approach is the methodology in the Islamization of economics project when the scholars attempt to interact and integrate the mainstream economics with Islamic principles/heritage in economics and vice versa. The program is part of bigger project of Islamization of knowledge that attempts to recast the whole legacy of body of knowledge from an Islamic perspective by adopting the best that conventional offered, then to imbue these with Islamic principles and to inform further development with Islamic values (Bennet, 2005: 110).

The development of Islamic economics as a discipline will not start from the scratch; instead it will utilize the relative more advance development in economics (theories and methodologies) and attempt to make them compatible with Islamic frameworks/principles.<sup>9</sup> Besides, there might be some common ground where (some)

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<sup>8</sup> In this regard, an explanation provides by al-Attas (1981: 8) in how *tawhid* provides a unified and coherent vision of that multiplicity of realities and methodologies is very enlightening:

Indeed, reason and experience are in Islam valid channels by which knowledge is attained - knowledge, that is, at the rational and empirical level of ordinary experience...at the spiritual levels, reason, and experience in a transcendental order... the rational has merged with the intellectual, the empirical with what pertains to authentic spiritual experiences such as 'inner witnessing' (*shuhud*), 'tasting' (*dhawq*), 'presence' (*hudur*), and other states of trans-empirical awareness. These are the levels in which knowledge means unification

<sup>9</sup> Some expressions from the early prominent scholars who engaged in the Islamization of economics are as follows. Siddiqi (1981: 80) argues that "to abandon teaching of modern economic theories and their applications is neither possible and nor desirable. What is needed is a judicious selection of the more enduring elements in the corpus of modern economics and the handling of them in a critical manner." Naqvi (1981) also argues that Islamic economics should integrate what relevant knowledge is already available and then transmute it into a 'new frame of thought' where Islamic economics can selectively assimilate elements in modern economics that are not contradictory to Islamic economic axioms. Mannan (1983: 42) likewise argues "that in every system of thought, there are some assumptions and ideas in

conventional theories might be accepted as long as they are not in conflict with the logical structure of the Islamic worldview (Chapra, 1996), they are not against the explicit or implicit injunctions of Islam (Mannan, 1984: 17), or they do not contradict with the principles of Islamic teachings, and should be evaluated within an Islamic framework and using Islamic criteria (Haneef, 1997).

The Islamic economists express this approach in various ways. Anwar (1990) proposes to *contrast* the components of conventional economic theories with components of an Islamic corpus and nucleus in order to *classify* the components of conventional economic theories into Islamic and neutral elements and to then *accept* the Islamic economic theories while *rejecting* the un-Islamic theories. Kahf (2003) proposes *takhliya*, (identification and isolation of the biased postulates of conventional economics) and *tahliya* (incorporation in economics of positive postulates derived from *Sharī'ah*) in order to revise the conventional economic theories. Zarqa (2003) on the other hand argues that if we *replace* those values on which the science of economics should be based by Islamic values, and if we *add* to the secular statements, then Islamic economic theories can be produced. Hasan (1998) states that conventional economics can be sifted, pruned, and modified, where possible, to conform to the *Sharī'ah* tenets. In general, the interaction and integration, will generally take place in two areas of the discipline; (1) the *substantive dimension of the discipline*, which includes economic concepts, principles and theories in modern economics and economic teachings or views on economic matters in the Islamic heritage, and (2) the *formal (technical) dimension of the discipline*, which includes methodology of modern economics and 'usūl' studies in the Islamic heritage (Haneef and Furqani, 2007).

While we are not denying the importance to interact the conventional economics with Islamic heritage legacy, the understanding of the concept as well as the actual process of Islamization of economics (IOE) as we see in the literature is questionable.

Conceptually, the IOE seems to be understood in a very shallow way, keeping intact the bulk of conventional economics' assumptions and underlying values. Then either a mere adding Islamic prefix on each concepts/theories are made to reflect the internalization of Islamic values or sometimes, minor modifications made. Those who are not happy with this lament the uncritical stance of Islamic economists with many fundamental assumptions in conventional theory. They choose the path of what Maki (1994: 237) terms as "family quarrels" in evaluating the assumptions of conventional economic theory by refusing to move to another version of a theory or framework, instead of adopting an *antagonistic approach* that sees mutually incompatible frameworks of analysis, theories and approaches, traditions and schools of thought and hence attempt to provide alternative (i.e., new better concept).

Methodologically speaking, we see there is a 'task division' (if not to say a 'methodological dualism') in the writings of Islamic economics, banking and finance, whereby in the conceptual (normative) part, Islamic economists attempt to find Islamic justification based on Qur'anic verses (or *fiqh* judgments) over certain theories, while in the empirical part, Islamic economists simply utilize and apply the common analytical tools into an Islamic/Muslim cases, retaining the positivist criteria and assuming no

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common with other systems of thought. It is through emphasis or de-emphasis or rejection, that an identity is established...in this respect, adopting or adapting any existing institution and practices of modern economics in an Islamic economics is not wrong for its development."

contradiction to Islamic heritage.<sup>10</sup> Such practice seems to infer that IOE is approached ‘dichotomously’, instead of ‘integrative-ly’ between the conceptual (theoretical) and its empirical dimensions.

In addition, the tool of analysis is also largely viewed as purely technical procedures, lacking of any normative elements, and hence completely objective (value-neutral) and could then be adopted as it is in Islamic economics. Islamic economists simply utilize what is the latest technique available in the market and to some extent they heavily depend on those tools and the criteria, principles and paradigm that make up them. Islamic economists fail to see that methodologies culminated in the logical positive approach embodied in Western behavioralism and their conditions for using methods cannot be described as purely technical and empty of any epistemological assumptions (Sardar, 1988: 162).<sup>11</sup>

That simplistic approach in the Islamization of economics program puts Islamic economics within the fold of Western modernist discourse in terms of theoretical concerns and methodology, and has therefore been unable to develop itself as a new and better alternative.<sup>12</sup> At most, the current development of Islamic economics is working within the boundaries of neoclassical theory, with some adjustments to incorporate teachings/norms/values that reflected certain requirements of Islam (Haneef: 1997).<sup>13</sup>

As a result, Islamic economics, instead of becoming a distinct discipline that could analyze economics using its own distinct philosophy, concepts, framework and methods of analysis as intended by the project of Islamization of knowledge, has become almost a sub-discipline of conventional neoclassical economics, without Islamic justification. Instead of contesting the existing paradigm, it seeks to justify scientific practices and hence legitimizes what already took place in Islamic name (case study). The current methodology practice in Islamic economic seems conforms Lawson’s (2003: 28-9) first category of methodological discussion of economics, namely “those who accept the scientificity of economics as practiced and seek (for the time being at least) mostly to *justify* and/or *clarify* the way in which economics is already done, to demonstrate the nature and rationality of what goes on”, instead of “seek to impose onto economics conceptions of proper science or method determined

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<sup>10</sup> In Zarqa (1987: 55) observation “so far, no clear research methodology in Islamic economics has been adopted. Research in the *fiqh* component of Islamic economics follows a methodology that derives from the *usul fiqh* and from the purport of *Shari’ah*. Research in the economic-analysis component, on the other hand, has been developed in the West and seeks to draw upon an inductive method.”

<sup>11</sup> Tibi (2001: 184) in a strong statement criticizes the misleading belief that tools of analysis are value-neutral. He says “it cannot be understood if Muslims feel able to borrow and use the content of Western science, its technological tools, while rejecting its context. It is wrong to separate technical tools from the social context and attitudes that produced them or from a particular worldview that binds it” (quoted from Bennet, 2005: 125).

<sup>12</sup> Yousif (2001: 95) contends that such practice is permissive, rather than creative as it “did not stimulate further thought, spontaneity and creativity as expected, but lead to syncretism, confusion and deviation in social ideas and behavior instead.”

<sup>13</sup> Many critics could be found in the literature. Haneef (2005: 41) for example says such approach is “modeled along neoclassical lines, working almost within the boundaries of neoclassical theory, with some adjustments to incorporate teachings/norms/values that reflected certain requirements of Islam” and Alatas (2006) criticizes Islamic economics as an empirical theory with “neo-classical guise” that “merely substituted Islamic terms for neo-classical ones, retaining the latter’s assumptions, procedures and modes of analysis. As such, it has failed to engage in the analysis and critique of a highly unequal world economic order in which the gaps are ever widening.”



outside the discipline.” Islamic economists largely forgo the possibility of a significant philosophical input from Islamic perspective.<sup>14</sup>

### 3. ISLAMIZATION OF ECONOMICS: THE WAY FORWARD

While we believe that Islamic economics could benefit from modern economics in developing its body of knowledge, interaction and integration should be genuine and creative at the same time. While the need to interact with the mainstream economics is undeniable for discipline progress, the approaches in this interaction, the criteria in theory appraisal and justifications as well as the Islamic framework/foundation as benchmark in that interaction need to be specified clearly. The Islamization of economics is actually an intellectual attempt to recast the whole legacy of economics from an Islamic perspective.

This seems to be missing as Islamic economists are more interested in detailing steps and procedures in the Islamization of economics which are more about ‘methods’ rather than discussing ‘methodology’ of Islamic economics which seeks to establish the criteria and principles in theory appraisal and evaluation.

Little attempt has been made to address methodology of conventional economics and to discuss and propose economic methodology from an Islamic perspective with its underlying conceptualization of reality (the Islamic worldview) in relation to the preferred mode of reasoning as well as the standards and criteria used to appraise and evaluate theories. This meaning and understanding of methodology is not fully reflected in the works of the Islamic economics scholars although it is important to justify the ‘Islamicity’ of a theory in the process of interaction and assimilation of conventional concepts/theories into an Islamic framework.

In addition, the methodological principles or criteria that are widely discussed in conventional economics such as falsification, verification, rhetoric, and etc, have not received adequate responses from Islamic economists writing on the subject. Not only that, the discussion of what is the purpose of Islamic economic methodology (is it for understanding, description, explanation, prediction, persuasion or something else?) has also not been given sufficient attention by Islamic economists yet. What adds to the challenge faced is that those principles or criteria (that are discussed in methodology of economics) may have been designed in accordance with a Western logic and framework in mind, and in itself needs to be critically evaluated from Islamic perspectives as they may be unable to cope with contemporary complex realities, nor with the richness and multidimensional nature of Islamic concepts (Sardar, 1988: 212).

We believe that if this critical evaluation is not done, it will leave the young Islamic economists who are involved in the process of developing Islamic economics unaware of what is ‘acceptable’ or ‘unacceptable’ and why this is so. If the Islamic methodological criteria to establishing good theory over bad theory is not developed, one can only see palliative works or worse still, patchwork efforts being undertaken since Islamic economists would unwittingly use ‘Western criteria’ for building and

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<sup>14</sup> This situation also similar to Blaug’s observation (1992: xxvii) whereby: “too many writers on economic methodology have seen their role as simply rationalizing the traditional modes of argument of economists, and perhaps this is why the average modern economist has little use for methodological inquiries. To be perfectly frank, economic methodology has little place in the training of modern economists” (and likewise Islamic economists).

evaluating economic theories. Hence, this would distort the potential of Islamic economics as a distinct discipline as it would give a confusing picture and the analysis would fail to comprehend all the dimensions and the full dynamics of an Islamic system (Arif, 1987: 64).

### 3.1. A Plea for Genuine/Holistic IOE

Islamization of economics (the interaction and integration of two sources) is acceptable and needed, but the process should be creative and genuine at the same time. That is the intellectual effort that emerges should to produce a distinct (not simply a mixture) discipline of Islamic economics. In fact, al-Faruqi (1987: 15), the proponent of IOK, has warned that “the task of integration is not an eclectic mixing of classical Islamic and modern Western knowledge, but rather a systematic reorientation and restructuring of the entire field of human knowledge in accordance with a new set of criteria and categories, derived from, and based on, the Islamic worldview.” The IOK work plan (1995: 85) also outlines “it is necessary to build and restructure correct principles for genuine *Islamic intellection* and to create the conditions conducive to its existence and growth by erecting the lofty edifice of *Islamic knowledge*”. With this genuine spirit, the process involving agglomeration, augmentation, refinement, harmonization, restructuring, and finally the crystallization of the foreign element, into an Islamic framework is not simply a ‘creative borrowing and absorption’ but also a ‘creative production and construction’ of ‘new knowledge’.

The objective is to arrive at Islamic ‘authentic’ knowledge in economics whereby we are not blindly imitate and adopt the past intellectual legacy and not rejecting the mainstream economics for the sake of rejection. In this endeavor, Islamic economists should first develop an ‘Islamic economic conceptual scheme’ based on the Islamic worldview and general Islamic scientific conceptual scheme prior to interaction and integration taking place. In that ‘Islamic economic conceptual scheme’ we equip the discipline with a strong foundation of discipline which include values, principles, benchmarks, key-concepts, key-terminologies, methodological criteria, justifications and processes.

In other words, the interaction with modern economics should be preceded by a clear explication of the rule of interaction, criteria for the acceptance and rejection of conventional theory, and most importantly the Islamic benchmark as derived from Islamic worldview as the reference point and scientific conceptual scheme from where we can decide to accept or to reject a conventional theory. This is important so that the ‘creative synthesis’ is not understood as a creativity to ‘mix and match’, ‘copy and paste’ or ‘conceptual assemble of addition and subtraction dictum’ of the conventional and Islamic concept/theory, but it really comes from our intellectual effort contemplating the ‘reality’ with our ‘intellectual Islamic legacy’.

The foundation should be given attention before specifying the steps of interaction and integration of two disciplines. This is what is missing in the current IOE which according to Haneef (2009: 51) also “suffered from the same disease as the IOK itself, i.e., focus on the end-products at the expense of a thorough elaboration, discussion and eventually, application of a proper methodology/ies to economics.”

On the side of the Islamizer, likewise, we believe that he/she has to equip him/herself with a clear understanding and consciousness of the Islamic worldview (i.e.,

Islamic vision of Reality and Truth, which is a metaphysical survey of the visible and invisible worlds and life as a whole). That worldview (ontological) consciousness will then remove ‘ambiguity’ and clarify what needs to be isolated, amended, reinterpreted, and what needs to be ‘infused’, what are acceptable or not and what alternatives are acceptable or not and why this is so. With this ‘ontological’ foundation an original and integral Islamic approach to Islamize economics, which reflect the Islamic worldview, essence and ethos, could be produced and used to construct an Islamic economics.

The Islamizer, who is going to interact with modern economics, should also at the same time has a consciousness that modern conceptions of economics is the product of a historical process of evolution and reflect a western society entity, the laboratory from where it emerged (Yousif. 2001: 94). Contemporary economic science is the product of the “post-enlightenment materialistic worldview and have evolved to solve problems arising from this intellectual tradition” (Butt, 1989: 96-97). Economics, as a body of knowledge which has been crystallized into a discipline, is not value-free. It necessarily reflects the interpretation and framework of the civilization in which it is developed.

Therefore, in the Islamization of economics, al-Faruqi (1987) warns to borrow only those aspects, which are compatible with the Islamic doctrine of unity (*tawhid*) and truth (*haqq*), as defined and upheld by the *Shari’ah*. He argues that it is *tawhid* which gives Islamic civilization its identity and binds all its constituents together, making them into an integral, organic body which we call civilization. Therefore, borrowing (i.e. interaction and integration) from the mainstream economics must be exercised with *caution*. With this consciousness, ‘borrowing’ ideas from other civilizations, as Yousif (2001: 96) rightly notes “is not only permissible, but can be a powerful vehicle of stimulating new thought.”

In this process, evaluation, interaction and synthesis will normally takes place in Islamic economics discourse but always with reference to our benchmarks with Islam (and its worldview) as the reference point. In this perspective, IOE is interpreted as an epistemological and methodological concern; dealing with how Islamically creative minds can evaluate modern knowledge using Islamic benchmarks, and reformulate and reconstruct the contemporary economics in Islamic framework.

The process of theory appraisal in Islamic economics is to be preceded by developing ‘primary concepts and its philosophical foundations’ or ‘economic vision’ in Islam (Naqvi: 1981, Arif: 1987, Haneef: 1997). That foundation/vision will be a ‘conceptual framework of Islamic economics’ that function as benchmarks, parameters, scheme and guidelines for the production of Islamic economic postulates, hypothesis, precepts, assumptions and theories.

The methodological discussion in Islamic economics to appraise theories and provide justification of the reliability of that theory, in our opinion, should be directed to achieve a theory that could link the Islamic normative doctrine/values and practical reality, able to explain economic phenomena and human actions and his behaviors in making choices/decisions in a comprehensive and integrated perspective, and could help in goal realization. To produce that kind of theory, Islamic economics needs a methodology that would go beyond interaction and integration of conventional economics and Islamic heritage, to the methodology that would genuinely attempt to derive knowledge from the sources of knowledge recognized in Islamic epistemology, namely divine revelation, intellectual reasoning and fact observation as well as following the scientific criteria as delineated in Islamic epistemological tradition.

#### 4. CONCLUSION

In general, the practice of methodological discussion of Islamic economics are generally could be classified into three types: (1) the *usul al-fiqh* methodology applied in economics, (2) the methodological plurality to various methodologies developed in both western and Islamic tradition, and (3) the mainstream positive economic methodology applied in Islamic cases.

We have reviewed the conceptual foundation of each methodology and the practical application of those methodologies in theory appraisal and in developing Islamic economics in general. Each methodology poses certain methodological shortcomings that should be addressed thoroughly by its proponents, if not the scientific community who commit to develop Islamic economics. Effort should be put to develop a methodology of Islamic economics that has a solid structure and foundation where the science of Islamic economics will flourish. That methodology would not only recognize and able to derive knowledge/theories from Islamic legitimate sources of knowledge (revelation, intellectual reasoning and facts/experience), but would also reflect the Islamic epistemological principles and purposes in theory of knowledge.

That epistemological and methodological renewal should not be treated as evaluating modern economics from an Islamic perspective or restructuring of its theoretical and practical frameworks, but it should go beyond that and lay the essential foundation of an Islamic economics discipline which include the structure, content and scientific strategy of Islamic economic theory. Methodology of Islamic economics should be able to produce a distinct knowledge of economics based on Islamic epistemological sources.

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