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THE RELEVANCE OF ISLAMIC ECONOMICS AND FINANCE FUNDAMENTALS TO THE CONTEMPORARY ECONOMY: ISLAMIC ECONOMISTS' PERCEPTIONS

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ABSTRACT - There have been some studies related to the fundamental values of Islamic economics and finance. However, not many studies directly examine the relevance of the fundamental values of Islamic economics and finance to the modern contemporary economy. This study intends to examine the perception of Islamic economists on the relevance of the fundamental values of Islamic economics and finance to the contemporary economy. This research was conducted with a qualitative design by conducting a structured survey and in-depth interviews with 61 participants. The data were analyzed descriptively. The findings show that the Islamic economists perceived that the Islamic economics and finance fundamental values are relevant to contemporary modern economic conditions. The values are also considered better for overcoming economic and financial problems, thus achieving Islamic goals of public prosperity. The results also reveal the need for more vigorous efforts in promoting Islamic economics and finance fundamental values.
Keywords: perceptions, fundamental values, Islamic economics, Islamic finance, modern economy

ABSTRAK – Relevansi Fondasi Ekonomi dan Keuangan Islam dengan Ekonomi Kontemporer: Persepsi Ekonom Islam*. Kajian-kajian terkait dengan nilai-nilai dasar ekonomi dan keuangan Islam telah banyak dijumpai dalam literatur. Namun, tidak banyak penelitian yang secara langsung mengkaji relevansi nilai-nilai fundamental ekonomi dan keuangan Islam dalam tataran ekonomi kontemporer. Oleh karena itu, penelitian ini bertujuan untuk mengkaji persepsi ekonom Islam terhadap relevansi aspek fundamental ekonomi dan keuangan Islam dalam terhadap ekonomi kontemporer. Penelitian ini dilakukan dengan pendekatan kualitatif dimana data-data didapat dengan cara survei terstruktur dan wawancara mendalam dengan 61 peserta. Analisis data dilakukan dengan metode deskriptif kualitatif. Hasil kajian menunjukkan bahwa para ekonom Islam menganggap bahwa nilai-nilai fundamental ekonomi dan keuangan Islam relevan dengan kondisi ekonomi kontemporer. Nilai-nilai tersebut juga dianggap lebih baik dalam mengatasi masalah ekonomi dan keuangan kontemporer, sehingga mencapai tujuan syariah untuk kesejahteraan umat. Hasil kajian juga mengungkapkan tentang pentingnya upaya yang lebih gencar dalam mempromosikan nilai-nilai fundamental ekonomi dan keuangan Islam.*
Kata Kunci: *Persepsi, Nilai Fundamental, Ekonomi Islam, Keuangan Islam, Ekonomi modern.*

INTRODUCTION

The Islamic financial system is rooted in Islamic values, and it is believed to emerge as a response to the needs of Muslims to carry out their daily economic and financial activities according to Islamic teachings. After being under the colonialism of Western countries for quite some time, many Muslims have become subjected to the Western secular system and have been influenced by the Capitalist-Materialist economic practice in their daily lives. Islamic thinkers believe that implementing a system of life based on Western secular values and a Capitalist-Materialist economy is unsuitable for Muslims and it is believed to be the barrier that lead Muslims to the essential goals of life as outlined in Islamic teachings. Therefore, the urge to revive Islamic teachings in various aspects of Muslim life, including the economy, is inevitable.

Many economists have criticized the failure of conventional economics to solve human economic problems. Criticisms of economic capitalism can be classified into several aspects (Tanjung, 2014). First, from a moral aspect, such as Van Barque (as in Tanjung, 2014) and Etzioni (1988). Second, from the system aspect, such as criticism of Ul Haq (1971), Stiglitz (2002), and Klein (2007). Third, from a cultural aspect, such as criticism of Fritjop (as in Chapra, 1999), and fourth, from a theoretical aspect, such as criticism of Tanjung (2014). At least a number of these criticisms indicate that there are problems faced by the economy of capitalism in solving the problems of the human economy. That is why some experts offer alternatives to the capitalist economy, one of which is offering an Islamic economic and financial system proposed by Chapra (2000).

The journey of economic development and Islamic finance has undergone a long period since it was echoed in the form of ideas in the 1940s to the 1960s eras. It was later implemented in the form of Islamic economic and financial practices in the 1970s until it developed as it is now. The growth and development of Islamic economics and finance, followed by the growth and development of Islamic economic and financial institutions, are indeed driven by the belief that there are fundamental differences between the Capitalist-Materialism economic system and the Islamic economic and financial system.

In the Islamic economics and finance perspective, several general principles are applied in financial systems and institutions to ensure compliance with Islamic sharia (shari'ah compliant) as well as differentiate Islamic finance from conventional finance. Islamic finance principles are not only ethical but also rational. These principles exist to achieve the objectives of Islamic finance, which not only ensure that financial instruments are permitted according to sharia but also as a form of social responsibility and participate directly in the process of economic growth and development (Hock & Wang, 2008).

Islamic economic and financial goals are supported by morality (ethics) as its fundamental value. Islamic economics and finance are encouraged to be based on Islamic teachings to advance the economy (Kamri, Ramlan & Ibrahim, 2014). Morality and economy are complementary and inseparable (Furqani, Adnan, & Mulyany, 2020). Each Muslim must carry out economic activities in accordance with Islamic teachings. Islamic morality becomes the main guideline for economic actors as a guide in determining economic activities to be carried out. In Islam, the purpose of life is seeking the pleasure of God. It must underlie (inspire and direct) consistency between the intention to seek the pleasure of God and ways to achieve economic goals (Ali & Al-Owaihan, 2008). Islamic morality is then compiled and implemented into Islamic economic and financial values and Islamic economic and financial principles as guidance for Muslims to live their economic and financial activities.

Previous research discussing the relevance of Islamic economics and finance fundamentals to modern economic and financial activities is still limited. This study focuses on examining the specific Islamic fundamental principles that form the operational basis of the contemporary Islamic financial system. This discussion is essential to do at this time because Islamic economics and finance have entered a reasonably long age since the idea was initiated. If calculated from the time the idea of reviving the Islamic economy and finance began to roll out in 2020, it is already more than 70 years old. Therefore, the grounding of the fundamental characteristics of Islamic economics and finance through tracing the perspectives of Indonesian Islamic economics and finance experts is necessary. This research explores the views of Indonesian Islamic economics and finance experts in the North Sumatra region regarding their understanding of the urgency of applying Islamic economic and financial fundamentals in the context of contemporary economics and finance.

LITERATURE REVIEW

The Islamic economic and financial system can be summarized into a system that seeks to ensure the optimal formulation of economic and capital resources and their efficient use in order to achieve sustainable economic growth and fair opportunities for all parties. The fundamental values of Islamic economics and finance emphasize the attainment of spiritual, material, and social well-being simultaneously, both individually and collectively (Ahmad, 1994; Siddiqi, 2006; Khan & Bhatti, 2008; Furqani, 2012). This situation illustrates that the mission of Islamic economics and finance is in line with the mission of maqashid sharia, which is to create benefits for humanity in the economic and financial sectors (Laldin & Furqani, 2013).

Studies on Islamic economics and finance have been carried out from a number of perspectives, including Abbasi, Hollman, and Murrey Jr (1989) and Mahomedy (2013). They generally explained that Islamic economics and finance are the implementations of norms, ethics, and principles extracted from Islamic teachings to overcome problems faced in the economic and financial sectors (Ibrahim et al., 2021). Islamic economics and finance are seen as viable alternatives to the community for the realities of the economic and financial crises that have hit the global economy (Mastrosimone, 2013; Ahmed, 2010).

Islamic economics and finance are re-emerged in contemporary global society as part of an effort to restore the way of Muslim life who, after a while, have followed a secular perspective in economic life and financial activities. In the span of the life history of Muslims, for a long time, Muslims lived during the Western colonial period. Along with that, the Muslim community experienced a shift to following the Western way of life, including using interest-based financial services and speculative practices indicated by gharar and maysir, which should be forbidden and avoided (Siddiqi, 2006). The re-existence of Islamic economics and finance in the modern era is part of the Islamic revivalist movement that requests Muslims to return to Islamic teachings. The Islamic revivalist movement was driven by internal factors, including the way of life of Muslims who followed the secular way of life as well as external factors, especially the factors of the Western colonialists (Saeed, 2000; Kuran, 1986).

Regarding Islamic economic and financial fundamentals, some literature suggests many perspectives that make Islamic economics and finance different from the Capitalist-Materialism economic system. Iqbal (2005) mentioned six principles that underlie the financial system that meets the criteria of sharia, namely prohibiting interest, sharing risk, money as potential capital, prohibiting speculative behavior, the sanctity of contract, and activities in areas approved by sharia law. Ayub (2007) mentioned nine fundamentals of Islamic finance, namely avoiding usury, avoiding *gharar*, avoiding gambling and chance games (speculation), alternative financial principles, legal acquisition of investment, right to benefit related to risk and responsibility, financial institutions sharia does business with goods, not with money, transparency and documentation, additional risks faced by Islamic financial institutions. Abdullah and Chee (2010) mentioned five fundamental principles of Islamic finance: belief in divine guidance, no interest, no illicit investment, recommended risk sharing, and financing based on real assets. El-Ghamal (2002) stated that the essence of the existence of the Islamic financial industry is the urge to avoid usury and *gharar* in every economic transaction.

Based on the literature studies above, there are at least eight basic principles put forward by experts in Islamic economics and finance, which are evidence of the uniqueness of the Islamic financial system, namely Faith in Divine guidance (faith-based finance), Prohibition of *Riba*, Prohibition of Speculative Behavior, Trade Recommendations and Profit and Risk Sharing in Business, Money as "potential" capital, financing based on real assets, the sanctity of contract, Operations on activities approved by Islamic Sharia Law. These eight basic principles of Islamic finance form the basis for the Islamic financial system to offer a comprehensive financial plan. They are believed to provide complete solutions to the economic and financial problems of the people.

However, studies on the relevance of Islamic economic and financial fundamentals to the modern contemporary economy from the perspective of Islamic economists are still not widely carried out. Therefore, this more empirical research is one of the interesting studies to understand how the basic principles of Islamic economics and finance are perceived by Islamic economists, especially concerning the relevance of the basic principles of Islamic economics and finance to modern economic conditions today.

METHODOLOGY

This study used a qualitative research method by conducting a structured survey and in-depth interviews with Islamic economists. They were identified as Lecturers specializing in Islamic Economics and members of the Association of Islamic Economists of the North Sumatra region. A number of 61 economists participated as respondents for this study. Qualitative research was conducted to understand the perceptions of research subjects regarding the relevance of Islamic economic and financial fundamentals in the modern era. In the last stage, the data were analyzed descriptively.

RESULTS AND DISCUSSIONS

The fundamental values of Islamic economics and finance must be the principles that strengthen the structure or framework of Islamic economics and finance, which is reflected in the characteristics and principles of Islamic economics and finance. According to Akhtar (2008), Islamic finance characteristics include recognition of ownership rights supported by the elaboration of stakeholder obligations, principles and rules of action, a contract system and institutional framework, and regulatory enforcement procedures that simultaneously form the foundation of sharia financial business and architecture. Islam's ideological substance and legal framework are guided by the commandments and principles of sharia, which have been translated into defining public and private economies and social affairs that will support to shape of business and financial relationships. The essence of this relationship is supported by solid contract principles and the parties' rights and obligations in contract preparation. The main drivers of the enforcement of contracts and the rule of law in accordance with the Islamic system are ideology and faith influenced by the Islamic emphasis on establishing a socio-economic system that is fair, ethical, equitable, and just. This feature is what shapes Islamic finance and differentiates it from conventional finance.

Financial institutions with sharia-compliant as the intermediate institutions have the same model, duties, and functions as conventional financial institutions where they are also institutions that seek to maximize profits and offer traditional financial services with their uniqueness that distinguishes them from conventional finance (Silva, 2006; Imam & Kpodar, 2010). Islamic finance requires that every transaction have to meet the criteria of sharia and strive to achieve economic prosperity and social justice based on Islamic beliefs. Islamic finance proposes an alternative financial system governed by sharia principles derived from laws based on the Koran and its practices and explanations of the Sunnah of the prophet Muhammad. Scholars developed subsequent elaboration of sharia laws in Islamic law within the framework of the Quran and Sunnah in the form of ijtihad.

There are several general principles of sharia that are applied in finance to ensure compliance with sharia (shari'ah compliant) and differentiate Islamic finance from conventional finance. The following Islamic finance principles are not only ethical but also rational. These principles exist to achieve the objectives of Islamic finance, which not only ensure that financial instruments are permitted according to sharia but also as a form of social responsibility and participate directly in the process of economic growth and development (Kahf & Khan, 1992).

Based on the formulations set by Islamic economics and finance experts, the researcher proposed eight fundamental principles of Islamic economics and finance be consulted on the relevance of Islamic economic and financial fundamentals to a modern economy and current needs. The researcher collected the respondents' answers based on the questionnaire, as summarized in Table 1.

Table 1. Perspectives of Indonesian Islamic Economists

Questions	Agree	Disagree
It is crucial to link modern economics and finance with Islamic ethics and values.	61	0
Contemporary economics and finance should perform in line with Islamic Sharia Law.	53	8
Prohibition of interest (usury) is positive for creating better modern economics and finance	61	0
Prohibition of speculative behavior is positive for creating better modern economics and finance	61	0
Contemporary economics and finance need to Promote Trade and Profit and Risk Sharing in Business	61	0
Treat money as capital “potential” is a positive thing applied in contemporary economics and finance	59	2
Contemporary economics and finance need to apply financing that is only based on real assets/sectors	58	3
Contemporary economics and finance need to position the contract as an important aspect of every transaction	56	5

Based on the answers submitted by respondents who are academics and practitioners of Islamic economics and finance who are members of the Association of Islamic Economists in North Sumatra, the researchers conducted an in-depth study through interviews to understand the reasons behind their answers. Based on the interview results, the researcher found the reasons behind the respondents' answers as follows:

a. *It is crucial to link modern economics and finance with Islamic ethics and values*

The answer table shows that of the 61 respondents who gave answers to all respondents, 100% answered agree. The researcher then examines the reasons behind the respondents’ agreement on the question point that linking contemporary economics and finance with ethics and religious values is important. *First*, a number of respondents stated that, basically, the economy and finance as a system are not value-free. Linking contemporary economics and finance with Islamic religious values is an attempt to differentiate between economic and financial practices based on the importance of capitalism and socialism. *Second*, several respondents stated that Islam has complete teaching characteristics, including teachings in the economic and financial sectors.

Third, some respondents stated that contemporary economic and financial realities had shown the problem of economic inequality that leads to injustice. Economic capitalism places too much emphasis on the economy on individual rights, which causes control of assets and economic and financial results to be concentrated in the hands of a group of wealthy individuals, companies, and countries. The problem of unequal distribution of wealth arises. As for the economic system of socialism focuses too much on the distribution of wealth evenly to all elements of society but ignores individual rights to achieve and have individual rights. It is hoped that contemporary economics and finance will be more balanced and fair from both individual and social perspectives, linking modern economics and finance with Islamic religious values.

Fourth, contemporary economics and finance are believed to lead economic actors to achieve genuine and comprehensive economic goals. The economic and financial orientation based on the values of capitalism and socialism is solely a material good. Values like this are believed to lead economic actors to become humans who will prioritize the material aspects but ignore the moral and spiritual aspects. The inclusion of Islamic values will balance the attainment of economic goals not only for material interests but also taking into account other interests such as social and spiritual interests. The prosperity that will be realized armed with Islamic values is material and spiritual, means in the world and the hereafter.

Fifth, linking contemporary economics and finance with Islamic religious values will make contemporary economics and finance more ethical. The values of honesty, transparency, responsibility, and other ethical values will turn modern economic and financial practices into more ethical approaches to achieve broader benefits. These efforts will prevent contemporary economics and finance from fraudulent actions and behavior that harm many parties. *Sixth*, the ideological reasons for Muslims are the belief that all aspects of life, including the economic sector, are regulated in Islamic teachings. In their individual and social lives, Muslims are always required to practice Islamic teachings.

The philosophy of sharia finance comes from the belief that Islamic sharia governs all aspects of Islamic community life in economic, political, social, and cultural elements, banking, business, and law. In the conventional financial system, religion and government are separated and independent. Conventional finance is based on man-made laws, while religion must not interfere with economic decision-making. This system is to uphold religious freedom and secularity in government. The government is not influenced by any particular religion. This is the main difference with Islamic finance, which is based on divine guidance and rejects the secular concept—accepting Islam as a religion means agreeing to implement Islamic rules (sharia) in private and public matters (Iqbal & Mirakhor, 2007). Ideology and faith are the main things that must be upheld in various contracts and rules in accordance with the Islamic system. This is influenced by the emphasis of Islam on upholding a just socio-economic system. This is one of the main differentiators of the Islamic financial system from conventional finance (Khan, 1996)

b. Contemporary economics and finance should perform in line with Islamic Sharia Law

The answer table shows that of the 61 respondents who gave answers, the majority of respondents, as many as 53 people, answered agreed, and only eight people answered disagree. Based on the interviews with respondents who answered agree, there were some reasons. *First*, respondents believe that something is permissible by Islamic sharia law because it benefits humans. Likewise, on the contrary, something is prohibited by Islamic sharia law because it contains danger to humans. Therefore, in the economic and financial aspects, Islamic sharia adheres to the rule that everything is permissible (*mubah*) unless arguments show its prohibition. Respondents believe that contemporary economics and finance will avoid the various dangers that may arise in the economic sector if they limit themselves to only operating in activities approved by Islamic sharia law.

Second, the ideological demands that contemporary economic and financial practices are limited only by regulation and material profit motives. As in Islam, economic and financial practices are limited by regulations, profit and loss studies from a financial perspective, but are also required to avoid objects prohibited from being transacted, such as pigs, *khamar*, blood, and carcasses. It is also required to avoid prohibited methods in transactions such as committing fraud, fraud, interest in money, price manipulation, and other prohibited behavior.

Third, the halal industry market is a business opportunity that is currently very open globally. Many of the world's economic and business players currently participate in business in the halal industry sector, including halal products and services in the food, medicine, cosmetics, fashion, Muslim-friendly tourism, media, and recreation sectors. The global Muslim population of 1.8 billion people has boosted the world's halal industry market with a potential of up to US$2.3 trillion. Restrictions on activities and following the approval of Islamic sharia law will enable contemporary economic and financial actors to meet the potential needs of the Muslim population, which range from US$2.3 trillion.

Fourth, restrictions on activities approved by Islamic Sharia Law will encourage the creativity of business actors to develop various products and services and instruments in the halal economic and financial sector. Respondents believed that the restrictions would encourage new, more ethical innovations in the economic and financial sectors.

Investors in Islamic financial institutions pursue maintaining capital and markets related to their investment returns. These goals are the same as those of investors in conventional financial institutions. Muslim investors also want the assurance that the income they receive from their investment is only obtained from businesses compliant with sharia. The risk and return parameters can be evaluated based on the financial analysis of the credit rating agency issuing the investment instruments. Meanwhile, the evaluation of its sharia compliance is also carried out by the authority of the sharia supervisory board (Zaidi, 2008).

Islamic financial institutions are committed to contributing to economic and social development as well as generating rational economic income while operating in accordance with sharia. The Islamic financial system focuses on helping members of society who need usury-free financing, which in turn realizes social justice and more equitable income distribution. The Islamic financial system promotes a healthy and stable monetary system and protects the financial system from potential risks from financial stress caused by excess demand and speculative fiscal activity (Ahmed, 2010).

Akhtar (2008) insisted that Islamic finance specializes in broad projects and development projects. Islamic finance is not justified in investing in prohibited or socially prohibited investments. Emphasis on ethical issues and strict self-regulation in the context of sharia surveillance is to ensure fairness, fairness and offer a more robust consumer protection model. Islamic finance encourages financial discipline and establishes ethical standards that must be adhered to for all stakeholders, offering a solid and unique governance model. In more general language, this point emphasizes that Islamic finance can only involve oneself in projects that are justified by sharia and, at the same time, can function to realize economic justice and provide protection to consumers who use Islamic financial services.

c. *Prohibition of interest (usury) is positive for creating better modern economics and finance*

The answer table shows that of the 61 respondents who provided the answers, they all agreed with the statement. Based on the interviews with respondents who all (100%) answered agreed, there were several reasons. *First*, most respondents stated that interest in money was an act that is prohibited in Islamic law, both based on the Koran and the Sunnah of the Prophet. Even the prohibition of interest in money is not only the domination of Islamic teachings but is also prohibited by all religions. According to most respondents, this is clear that the practice of earning money in various modern economic and financial activities is not permitted. Respondents believe that the practice of earning money is the same as *riba* because of the similarity of the legal *illat*, namely the presence of an additional element in the payable transaction.

Second, a number of respondents stated that usury is a form of fraud that can lead to tyranny and exploitation by one party against the other and tends to cause harm and loss to the debtor. The prohibition of usury will impact efforts to save people who are down because of debt needs and limit the tyrannical behavior of those who seek profit from borrowing money from those in need.

Third, some respondents stated that prohibiting usury would bring economic and financial practices closer to achieving the goal of upholding justice. The prohibition of interest in money will encourage productive money, which requires profit-taking by the owner of the funds to flow only to the commercial sector. On the other hand, those who intend to spend money for social motives without demands for profit can take lending and borrowing transactions that are channeled to parties in need. This concept will ensure that the use of money must be clear, whether it is for commercial motives aimed at seeking profit or for social motives aimed at helping those in need without demanding benefits.

Fourth, some respondents stated that the prohibition of usury would encourage the flow of money to be used in the real sector. In Islam, the use of usury in commercial transactions is recommended to replace other transactions requiring an underlying transaction (the real sector that underlies the transaction). The real sector underlies every legitimate transaction as a substitute for usury, among others, through exchanging money for goods, services, and work or certain projects. This situation will certainly further encourage the use of money to flow into the real sector economy.

Besides being based on religious arguments, the prohibition of usury is also based on reasons of social justice, equality, and property rights. One of the important teachings in Islam is upholding justice and eliminating exploitation in business transactions (Chapra, 2005). The prohibition of usury is central to the ethics and law of Islamic finance in carrying out this mission (Kahf, 2006). The economic mission of eliminating usury is an Islamic distributive strategy for alleviating poverty. The elimination of usury on loans is an act of healing, and the elimination of *fadl* usury is a preventive measure in the Islamic strategy of distributing wealth more equitably (Tag el-Din, 2007).

In the global financial system, the prohibition of *riba* is the entrance (*raison d'etre*) to Islamic finance (Ahmad, 1994). The interest-based financial system that has been adopted by many Muslim countries from capitalist countries is one of the concentrated sources of wealth and power. Choudury

(2007) emphasized that usury is forbidden because it causes unfair prices, property ownership, and poverty. Chapra (2005) also emphasized that usury is the main source of unjust profit-taking. Ayub (2007) stressed that one of the reasons behind the prohibition of interest is the effort to uphold socio-economic justice and distributive justice. The prohibition is intended to prevent the accumulation of wealth in the hands of a few people, both institutions and individuals. Other writers such as Kahf (2006), Karsten (1982), and Zaman and Zaman (2001) had also mentioned the vices of an interest-based system. In modern literature, the use of the words usury and interest are often used interchangeably. This is because usury and interest are often considered the same. Interest is the price paid for borrowing and borrowing money. In financial transactions, *riba* that occurs at interest is generally categorized as *riba nasi'ah* because addition is promised in advance in a loan or debt solely due to the time element.

d. *Prohibition of speculative behavior is positive for creating better modern economics and finance*

The answer table shows that of the 61 respondents who gave answers, all respondents answered agree. Based on the results of interviews with respondents who all (100%) answered agreed, there were a number of reasons. *First*, a number of respondents stated that speculative behavior in the economic and financial sectors brings dangers and losses, including damaging market conditions and fostering market manipulation practices.

Second, a number of respondents stated that speculative behavior has the potential to become a source of conflict because one party's gain comes from the other's loss. *Third*, some respondents stated that speculative behavior could cause bubbles in the economic sector. Economic bubbles caused by speculative behavior generally occur in trading transactions in large volumes at very different prices from their intrinsic value. Economic bubbles appear because transactions take place for a particular commodity with a relatively high price, even though it is not followed by the true fundamentals so that in normal conditions, the price will experience a sharp decline back to its normal value.

Fourth, a number of respondents stated that the rampant speculative behavior would cause funds to flow not to the real business sector but to the financial sector, which leads to practices such as gambling. This condition will cause businesses in the real sector and the productive economic sector to be less developed because money will flow to the gambling sector, which is considered to be more profitable even though the risks that must be borne are also very large.

Islam prohibits all forms of lottery games and gambling. Speculation in Islam is often identified with the terms *gharar* and *maysir*/*qimar*. *Gharar* literally means fraud and risk. The words *maysir* and *qimar* literally mean gambling. Fraud, lottery games, and gambling are prohibited because they cause hostility and hatred and involve the vanity consumption of property and some form of oppression (Ayub, 2007; Obaidullah, 1999). The Islamic financial system rejects various forms of speculation, such as hoarding and prohibiting transactions that contain uncertainty, gambling, and very high risk. Islam does not want *gharar*, namely ambiguity in business agreements in terms of quality, quantity, delivery time, or price, resulting in losses due to this uncertainty. Likewise, the practice of gambling (*maysir*) is prohibited as a form of unfairness in taking other people's property, and in general, it has similarities with usury. Gambling sometimes refers to betting on something that will happen in the future, which is prohibited. There is no reward that accrues from the expenditure of assets that individuals may generate through gambling.

Under this prohibition, every contract must be free from ambiguity, risk, and speculation. Transacting parties must equally have perfect knowledge of the value that is the object of exchange in their business. The parties also cannot determine profits in advance. This is based on the principle of "uncertain results." The rationale behind this prohibition is the protection of the weak from exploitation. However, this does not mean that all contracts whose results are unknown in the future are prohibited (Ahmad, 1994). A number of exceptions to the *gharar* principle, such as buying and selling of *mu'ajjal*, buying and selling of greetings, and *ijarah* indicate that small *gharar* (*yasir*) is unavoidable and does not affect the legality of a business transaction is justified. However, some legal criteria must be met in the contract to minimize risks.

e. *Contemporary economics and finance need to Promote Trade and Profit and Risk Sharing in Business*

The answer table shows that of the 61 respondents who gave answers, all respondents answered agree. Based on the results of interviews with respondents who all (100%) answered agreed, there were a number of reasons. *First*, providing a variety of alternatives in an effort to eliminate the money-interest behavior. Profits are something that can be obtained through legal means, namely through buying and selling transactions, leasing, and business cooperation projects. Respondents believe that linking various contemporary economic and financial activities with trade-based transactions and sharing results is an alternative that can keep economic and financial actors away from money-lending behavior. There is no reason to say that interest-free transactions cannot be carried out because there are still other alternatives that can be used, namely replacing the money-interest system with buying and selling transactions which require the availability of productive goods, or replacing the interest system with profit-sharing transactions that require capital participation or inclusion of work skills.

Second, is the medium of enforcing justice for economic actors. Respondents believed that the interest of money was a way of obtaining an unfair advantage because the owner of the capital had the right to benefit by ensuring that the use of funds would always generate profits in the future. Even though the use of funds in the future is something that cannot be ascertained, it could experience a profit or it could experience a loss. Therefore, replacing the interest system with the sale and purchase-based transactions and sharing results will be an entry point to a transaction that is more representative of the realization of a sense of justice among the transacting parties. The meaning of the profit obtained by the asset owner is indeed based on the contribution of ownership of the asset in the sale and purchase transaction and on the contribution of capital and work shares in the profit-sharing cooperation-based transaction.

Third, efforts to increase awareness of the law of balance in the business and investment sectors, namely that there is also a high risk of loss behind the potential for high-profit levels. Conversely, behind the potential for a low loss level is also a low risk of loss. This is important to develop as a form of education for the public. Many people expect huge profits immediately without considering the risks involved in the enormous profits promised. As a result, many people are deceived by lucrative offers because of the significant benefits without being followed by an awareness of the big risks involved. Relying on interest in money does carry a small risk because the borrower fully bears the consequences of using money both for and for losses. However, this website breaks the relationship between the owner of the fund and the user of the fund. Through the promotion of buying and selling transactions and profit-sharing cooperation, the owner of the funds will understand the risks inherent from the profit opportunities that will be obtained from the transaction process based on the sale and purchase agreement and the result-sharing cooperation.

Fourth, efforts to promote a productive and real sector-oriented economy. The interest in money starts from the paradigm of making money a tradable commodity as well as goods and services. Dwelling on the interest of money will cause money to circulate in the financial sector through various instruments based on the use of money. This condition has led to a separation between the financial and real sectors. In fact, the financial sector can stand alone without being supported by the real sector with assets that are many times that of the real sector. The mechanism of avoiding interest and making transactions based on the sale and purchase of goods and services as well as profit-sharing business cooperation will certainly encourage money to flow not only to financial instruments but also to flow profusely to the productive sector of goods and services.

Fifth, promoting a fair economy, economic actors are encouraged to carry out the economic and financial sectors that balance the benefits of obtaining benefits while considering existing risks. Having an economy and doing business fairly, it is important to develop it so that people can understand the business cycle for what it is. There will be no manipulation effort that will encourage the public to commit fraudulent acts to make unfair profits. Through buying and selling transactions and sharing the results, the community will be motivated to carry out actual business activities by providing goods and services proportional to the profits obtained.

The concept of trading and sharing risks arises because of the prohibition of usury. Islamic finance has a philosophy of sharing risks and advancing social and economic welfare. Islam places the philosophy of realizing the benefit as the company's highest goal above the maximization of profits. The risk-sharing philosophy considers that a predetermined and fixed interest rate is the same as exploitation of the borrower (Warde, 2000). *Riba* is a prohibited income in Islam because investors simply distribute cash or capital to get returns in the form of cash or something that can be converted into cash without any risk borne by the owner of the money (Ayub, 2007).

Islamic finance places great emphasis on contracts for trade in goods and services and encourages profit and loss sharing as a substitute for interest instruments. The prohibition of interest does not mean that Islam prohibits a certain level of return from capital because Islam advocates making profits and sharing profits. Profits are made after the effort is made to symbolize entrepreneur success and additional wealth creation (Iqbal, 2005; Al-Jarhi, 1999). Islam recommends that fund owners act as investors rather than as creditors. Fund providers and entrepreneurs share business risks and benefits (profit and loss sharing) through various kinds of cooperation contracts such as *mudarabah* and *musharakah* (Jobst, 2007). For some sectors where profit-sharing-based financing cannot be applied or is deemed impossible to do, it is possible that several other instruments can be used for financing purposes, such as *murabaha*, *ijarah*, *salam* or *istisna'* (Usmani, 2005). In more general language, this point confirms that Islam strongly advocates the use of trade-based transactions and sharing results, which are the root of business activity in the real sector. Islam recommends that people avoid businesses that use an interest system or debt trading that will lead to a usurious financial system.

f. *Treat money as capital "potential" is a positive thing applied in contemporary economics and finance*

The answer table shows that of the 61 respondents who gave answers, the majority of respondents, as many as 59 people, answered agree, and only two answered disagree. Based on the results of interviews with respondents, most of whom answered agreed, there were a number of reasons.

First, money must be exchanged for productive goods or services in order to obtain a profit. One should not get profits solely because of added time. Therefore, money will only be treated as usable capital after it is used productively with goods and services. In conventional economic theory, it is known as the time value of money, where money in the future is considered to be lower in value than money in the present. Therefore, interest is seen as a price that should be paid as a gain in a money lending and borrowing transaction. This view is certainly different from the Islamic view, which sees that its value may not necessarily decrease or increase in economic activity in the future. The money involved in various economic and business transactions may experience less probability of losing business conditions or experiencing an increase in profitable business conditions. Therefore, in Islam, money is justified in obtaining profit when transacted in combination with goods, services, and cooperation. Suppose money takes advantage solely of increased time in lending and borrowing transactions, including usury prohibited in Islam. Therefore, if money is exchanged with a counterpart in the productive sector in the form of goods, services, and cooperation, the benefits obtained are something that is permissible.

Second, money is something that is not justified to be bought and sold. The motive for holding money should be only for transactions (means of payment), precaution, and units of calculating wealth. The speculation motive of holding money to gain profit by saving money is something that imprisons the function of money and has the potential to damage the function of money in social life. In Islam, money is known to have a flow concept. The motive of speculation has raised many problems in the economic sector. The damage that occurred in the financial sector due to currency speculation with the motive of buying cheap, hoarding, and then the price rising and then selling, in principle, damaged the function of money as a medium of exchange which should not be tolerated.

Third, the prohibition of usury is one of the prohibitions against taking profits by using interest in money. The reason for the prohibition of usury is taking advantage of lending and borrowing transactions that solely involve additional time. Having profit-taking just because there is extra time is not the right thing in Islam. The practice of interest makes the owner of the fund benefit in lending and borrowing transactions while the borrower is in a depressed position because of the need for money that drives him to borrow. In Islam, if the fund owner wishes to obtain a lawful profit, the transaction must switch from a lending and borrowing transaction to a commercial transaction with the motive of taking profits, such as buying and selling, leasing, and business cooperation.

Fourth, money must remain linked to the real sector. Therefore, money as potential capital must remain connected to certain goods and or services or projects when utilized in the business sector. If money revolves only to generating money profits, the financial sector will move independently without the need for the presence of the real sector. The separation between the financial sector and the real sector will be a separate obstacle for the economy because the dominant money owner will be the most beneficiary in economic order.

Money in Islam is treated as “potential” capital. Therefore, money will only become actual potential if money is combined with other resources to be used in productive activities. Islam recognizes the time value of money, but only if money is used as actual capital, not when money is used as “potential” capital. In Islamic law, money is not considered an asset that generates its own profit because money is not a commodity but a medium of exchange. Therefore, the result can be positive or negative depending on the actual results of the use of money in the real sector. Every financial transaction must relate to a “specific object-based asset” such as real estate or commodities (The National Bureau of Asian Research, 2008). Money represents purchasing power, therefore, it cannot be used to increase the purchasing power without going through an intermediation stage to be used to buy goods and services (Ahmad, 1994). In a more general language, this point emphasizes that the concept of money in Islam is characterized by the flow. Money can be said to function if used in the medium of exchange scheme or as an intermediary when exchanged for goods or services.

g. *Contemporary economics and finance need to apply financing that is only based on real assets/sectors*

The answer table shows that of the 61 respondents who gave answers, the majority of respondents, as many as 58 people, answered agreed, and only three answered disagree. Based on the interviews with respondents, most of whom answered agreed, there were several reasons. *First*, financing based solely on real assets/sectors ensures that the community's economic interests are maintained. A situation like this can increase society's welfare in absolute terms and prevent society from the dangers of a bubble economy. The economic turnover must harmonize the financial sector with the goods and services production sector. Money must be positioned as a lubricant that will drive the circulation of the real sector that produces goods and services. If this condition can be maintained, there will be a balance between the money supply and the real sector's demand for public goods and services. The community's needs will always follow the money flowing to society in producing goods and services. Along with this condition, the community's welfare can be maintained because the wheels of the economy rotate concretely in the midst of society.

Second, Islamic economics has prepared alternatives to interest-free transactions by applying asset-based financing or specific real sectors in the form of goods, services, or certain projects. It means that, in Islam, there are some alternative schemes to replace the interest system. Islam has prepared other transaction schemes that allow economic and business activities to continue. Instead of taking advantage of interest through money with no apparent underlying transaction, Islam encourages the public to switch to other transactions that have underlying transactions in the form of goods, services, and business cooperation.

Third, the concentration of financing is based solely on real assets/sectors, which will further clarify the object of financing and provide higher security to economic actors. One of the lessons can be taken from the global crisis in 2008, which began with the subprime mortgage problem in USA (America), an investment based on securities instruments inflated in global financial markets. The existence of an unclear financing object causes the securities instrument transaction to be vulnerable because the inflating process is not directly related to the underlying transaction's asset.

Fourth, asset-based or real sector financing will ensure that the economy grows on a strong basis. This means that the economy will be more engaged in the circulation of goods and services produced by the community. The involvement and participation of the public at large will optimize the growth and distribution of economic resources more evenly and have a strong foundation because they are based on the real sector economy.

Fifth, the financial sector should exist to support real sector economic growth. Therefore, money flow through channeling financing needs to be applied to asset-based financing or the real sector. The financial sector in the Islamic financial system cannot be separated from the real economic sector that produces goods and services. The financial sector supports the real economic sector of goods and services by providing the funds needed for economic expansion in the real sector. People who need working capital to produce goods and services are targeted for financing, the source of which comes from the financial industry sector. Thus the financial sector will be upstream as a support system for the real industrial sector in producing goods and services for the public.

Every financial transaction must be linked to real goods and identifiable assets such as real estate or commodities. Actual transactions mean purchases of real commodities and assets for cash payments or future payments (Al-Jarhi, 1999). Under sharia law, money is not classified as an asset because it is not a commodity and, therefore cannot generate profit on its own (The National Bureau of Asian Research, 2008). Financing channeled through Islamic products can only increase as the real economy improves and helps ward off speculation and excessive credit expansion.

Islamic finance strategy in minimizing and managing risk is carried out by integrating these risks into actual activities. These real activities will generate sufficient wealth to compensate for these risks. Islamic finance must be able to create harmony and linkages between the real sector and the financial sector. These two sectors must not be separated or have no connection because they will cause various negative effects that are to be prevented by this basic rule.

h. *Contemporary economics and finance need to position the contract as an important aspect of every transaction*

The answer table shows that of the 61 respondents who gave answers, most respondents, namely 56 people, answered agree, and only five people answered disagree. Based on the interviews with respondents, most of whom answered agreed, there were several reasons. *First*, the existence of a contract makes a transaction clearer and makes it easier to provide a comprehensive understanding to the parties involved. Educating the public on the existence of a contract in a transaction is essential. A transaction requires a full understanding of each transacting party so that all parties understand their respective positions in the transaction. A complete understanding of a contract in each transaction will provide a clear understanding for the parties to carry out agreements and agreements in accordance with their respective portions of rights and obligations, consciously and voluntarily.

Second, the existence of the contract will provide an understanding of the risks and benefits for the parties so that each party will be aware of their rights and obligations in every transaction they carry out. The awareness of the weight-lightness of risk and the ratio of benefits to risks borne by each party will be the initial capital for the parties to enter into the transactions they are conducting. Suppose the parties already have the same understanding regarding the risks and benefits of each. In that case, this condition will help them through the transactions they carry out, even if the mitigated risk occurs later. The parties will accept the risks and rewards according to the portion of the initial agreement.

Third, the existence of the contract in the transaction is expected to be able to prevent the parties from fraud and disputes in the future. The existence of a contract in a transaction, when agreed to and approved for implementation basically shows the willingness of each party to carry out the agreement according to the agreement in the contract. The contents of the agreement have been stated transparently and based on the sincere intention of each party to be implemented. According to the contract, the details of the agreement will protect the parties from the possibility of fraud. The contents of the engagement carried out in the contract agreement will help the parties take settlement action at a later date if there is a difference of opinion that results in a dispute between the parties.

Fourth, in Islamic law, every transaction may not be carried out if it is not based on a justified contract. The contract determines the validity of every transaction in Islam. Islam considers that the existence of a contract is considered sacred and holy. The meaning of activity is not regarded as valid and legally acceptable in Islam if it is not based on a legal contract in Islam. Islamic law regulates the existence of pillars and conditions in transactions that Muslims must obey. Therefore, Islam only recognizes a human legal action if it is carried out following the contract rules in Islamic law.

Fifth, the existence of the contract will strengthen the parties' compliance with the transactions they carry out. In the verses of the Al-Quran as well as in the hadith of the Prophet, Islam obliges Muslims to obey and fulfill the covenants they have agreed upon. This means that Muslims should not fall into the munafiq (hypocrite) who renounce the agreed agreement and are obliged to be obedient in carrying out the various agreements and agreements that have been established.

Sixth, the contract in the transaction will determine whether the perpetrators' actions are in accordance with Islamic provisions. The existence of a

> contract in the trade will prevent Muslims from prohibited transactions such as buying and selling prohibited items such as pork, wine, gambling, and the like. In addition to the prohibition of transacting on haram objects, Muslims are also prohibited from transacting in prohibited ways such as lending money (usury), cheating, stealing, robbing, corruption, price manipulation, and other banned acts that harm others.
>
> In Islam, the contract is regulated based on assets, and each transaction must meet the sharia criteria, namely prohibiting usury, prohibiting profit-taking without any underlying economic activity, and prohibiting activities that are not halal. Furthermore, the contractual relationship between the owner of funds and the user of funds is managed not based on capital-based investments obtained from the time value of money but from the sharing of risks and business profits that are financed in permitted activities (Hesse, Jobst, & Sole, 2008). Islam enforces contractual obligations and lists information as a noble duty. This is intended to reduce the risk of asymmetric information and moral hazard.

Islamic finance encourages risk management, and places trust through explicit and transparent disclosure of roles and responsibilities outlined in the contract. The main contracts that are popularly used in Islamic financial institutions include: first, profit-sharing-based contracts consisting of *musyarakah* and *mudharabah*. Second, a contract based on buying and selling consists of buying and selling of *murabahah*, *salam*, and *istisna'*. Third, a lease-based contract consisting of pure *ijarah* and *ijarah muntahiya bittamlik* (accompanied by the transfer of ownership). Islamic finance requires an agreement that forms the basis of an agreement or a business contract. The engagement is manifested in contracts that can be tailored to the needs of the parties and the characteristics of the business agreed upon by the parties. Included in the context of this point, everything that provides for the terms and conditions related to the agreed business agreement or contract must be able to fulfill the stipulated conditions.

CONCLUSIONS

This study shows that the fundamentals of Islamic economics and finance are relevant to global economic and financial conditions from the perspective of Islamic economists. The challenges faced by Muslims in the economic and financial sectors require support following the Muslim perspective of life. Based on the surveys and interviews conducted, this study found that most participants agreed that linking contemporary economics and finance with Islamic ethics and values is essential. Contemporary economics and finance need to be limited to operating only in activities approved by Islamic Sharia Law. The prohibition of *Riba* is a positive thing for modern economics and finance. The prohibition of speculative behavior is positive for contemporary economics and finance. Contemporary economics and finance need to advocate Trade and Profit and Risk Sharing in Business. Positioning money as “potential” capital is positive in modern economics and finance. Contemporary economics and finance need to apply financing based on real assets/sectors. Contemporary economics and finance need to position the contract as something important in every transaction.

Thus, this research further strengthens the need to strengthen the implementation of the fundamental values of Islamic economics and finance into the practice and operation of modern economic and financial activities. The interest of accommodating the fundamental values of sharia economics and finance is seen as an ideological interest so that Muslims can carry out their economic and financial activities in accordance with the basic values of their religion. However, in terms of economic and social interests, the implementation of the fundamental values of Islamic economics and finance is also believed to be an alternative solution to modern economic and financial problems, which have been proven to have received many criticisms due to various failures in solving contemporary economic and financial issues.

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