

ISLAMIC ECONOMIC THOUGHT OF MUHAMMAD ABDUL MANNAN

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ABSTRACT

Background. Muhammad Abdul Mannan is one of the contemporary economic figures who exist today, he belongs to the mainstream. According to M. Mannan, what distinguishes Islamic economics from other modern economic systems, according that, in the Islamic framework, economic prosperity and welfare are means to achieve spiritual and moral goals, and economic prosperity is a means to achieve spiritual goals and moral goals.

Research Purpose. To describe the Islamic Economic Thought of Muhammad Abdul Mannan.

Research Method. Gather some literature in books, the internet, and journals on the same topic and make an analysis based on context. Literature that has been used for 5 years ago.

Findings. Muhammad Abdul Mannan's thoughts on the Islamic paradigm, distribution in Islam, and consumption from an Islamic economic point of view. Muhammad A. Mannan considers the concept of development in Islam to have advantages over modern development concepts. In the context of economic development planning, fiscal policy design refers to policies made by the government to direct a country's economy through government spending and revenue (in the form of taxes).

Conclusion. M. Mannan proposes modifications to conventional Neo-Classical economic theory and its tools to bring about changes in value orientation, institutional arrangements, and achievable goals.

Keywords: Economic, Islamic, Muhammad Abdul Mannan.

BACKGROUND

In short, production is the process of converting inputs into outputs. Activities to produce goods or services that can then be used by consumers are called production. Production plays an important role in determining the welfare and standard of living of a nation. In Islamic economics, production activities include human existence in the creation of wealth using existing resources [1].

In Islam, production activities are allowed under the condition that the products are halal and in accordance with Sharia. Islam holds the view that everything that is done to create objects or services that are beneficial to humans can lead to prosperity and happiness. Abdul Mannan defines Islamic economics[2] as "a social science that studies the economic problems of people imbued with Islamic values." According to him, Islamic economics is a social science, that provides lessons on economic problems experienced by people and inspired by Islamic values. In Islamic economics, economic activities include production, consumption, and distribution. Regarding production, Mannan emphasizes the principle that really needs to be maintained, namely economic health. Production with good economic

principles is not only for profit but also for the surrounding environment. Looking at Mannan's thoughts above, there is one problem that has not been resolved at this time, namely production.

Current production has not been successful, as evidenced by the large amount of production that damages the environment and *ecosystems*. As for here, I as the author want to provide further discussion about Muhammad Abdul Mannan's views on production and the relevance of Mannan's thinking to today's economy. Regarding the issue of the prohibition of the interest system, Mannan offers an alternative solution by changing the interest system into a profit/loss sharing system. According to Mannan, this system is fairer because it does not harm any party. This offering is known as Mudharabah Collaboration. In addition to realizing the spirit of the Qur'an, Mudarabah collaboration would create new jobs and make the economy more in line with Islamic laws of cooperation. Mannan not only provided the Musyarabah Cooperative Trading System, but also other systems such as Ijarah, Musyarakah, Wakalah, Kafalah, and Hiwalah. Mannan's offer gave rise to the idea of establishing Islamic banks which are growing rapidly, not only in Indonesia but all over the world. Islamic banks, the system used by Islamic banks in the event of a currency crisis, are not affected as they can maintain a balance between the business and financial sectors. This is also a clear advantage of the Islamic economic system over the traditional economic system[3].

During his 30-year career, Muhammad Abdul Mannan has been instrumental in a large number of economic education organizations. In 1970, he published his first major book, *Islamic Economics, Theory and Practice*. This book is considered by most students and scholars of Islamic Economics as the first textbook of Islamic Economics. The book received international recognition and has been published 12 times, revised in 1986. and has been translated into Arabic, Turkish, Bengali, and Malaysian. For his contribution to the development of Islamic economics, Muhammad Abdul Mannan was awarded the "Highest Academic Award of Pakistan" in 1974 which for Muhammad Abdul Mannan was equivalent to the Pulitzer Prize. The book *Islamic Economics, Theory and Practice*, makes Muhammad Abdul Mannan's main work of reference, and its obvious success must be examined in the context and period in which it was written. In 1970, Islamic Economics was in its formative stages, evolving from statements about general economic principles in Islam to more precise descriptions of the framework and other specific characteristics of Islamic Economics [4]. It must be noted that at that time there was not a single university that taught Islamic Economics such as now, which is an era when *fiqh mu'amalat* (not business) was still being reviewed as Islamic Economics. Some writers in that era have not elaborated Islamic economics into a system. Some of them thought that Islamic economics was limited to *muamalah* issues.

RESEARCH METHOD

Researchers use the literature study technique to compile literature (material materials) from books, journals, and other sources related to the area Islamic economic thought of Muhammad Abdul Mannan. more detailed information Islamic economic thought of Muhammad Abdul Mannan materials will be obtained from these sources in order to construct the article. After that, the content will be organized and changed to make sense of the talks.

FINDINGS

The Making of Islamic the Islamic Society, a book by Muhammad Abdul Mannan can be seen to be a more focused and detailed attempt at mentioning the first book. As a scholar, he shares Islamic economics based on several original rules, namely: a. al-Qur'an b. Sunnah of the Prophet c. Ijma' and/or Qiyas d. Other sources of rules. From the origins of Islamic Law above, Muhammad Abdul Mannan puts forward some basic estimates on Islamic Economics, namely: 1) Muhammad Abdul Mannan does not believe in the harmony of Interests (i.e. the nature that is only concerned with personal affairs) that made by market procedures for example Adam Smith's theory. Therefore, Islamic economics is required to work within the intersection and central planning. 2) His rejection of Marxism. The Marxist theory of change will not lead to change for the better. This Marxist theory tends to be inhumane because it ignores the instincts of human nature, where every human being has advantages over one another and needs to receive meaningful rewards. Muhammad Abdul Mannan argues, only Islamic economics can provide a better change. Muhammad Abdul Mannan's primary reason is that Islamic economics has ethical values and motivational capabilities. 3) Muhammad Abdul Mannan developed the idea of the need to break away from the neoclassical positivist framework, using states that mandatory observations are shown on historical data and revelations. 4) Muhammad Abdul Mannan rejects the idea of producer power or consumer power. In terms of individual and private ownership, Muhammad Abdul Mannan is of the opinion that Islam allows private ownership as long as it is subject to the law. 5) In moral and ethical obligations. Developing the science of Islamic economics, Muhammad Abdul Mannan's first step is to choose a basic economic function that is by the principles of Islamic economics. Simple includes three functions, namely consumption, production, and distribution. 6) The Frontiers of Islamic Economic, along with the time then the Islamic economy is growing and taught in universities. As well as using the second book, this book is a continuation for the deepening of Islamic economics at that time. Where in this book provides. A broad and clear description of Islamic economics and helps to uphold honesty in Islamic economics.

M.A Mannan's concept of the nature characteristics and framework of institutions Islamic economics as follows: First, Mannan argues that the individual is the main actor in the creation of society and the state, and therefore, according to him, the economy is centered on the individual. Therefore, religiously observant and socially responsible individuals should be the driving force of the Islamic economy. Social and religious controls guarantee the freedom of the individual to fulfill his duties under Sharia. Mannan ensures that there will be no conflict between the individual, society and the state if they act according to their position in accordance with Sharia. In the application of the Islamic economic system, the goal is achieved jointly between individual freedom and complementary societal control. The weakness here is that Abdul Mannan has not explained how to achieve this harmony because today individual Muslims do not have a Muslim outlook. Similarly, state and social control is not based on Islamic principles. So Mannan's opinion will become a reality if people have an Islamic mindset, and Muslim feelings and also control an Islamic society and State.

Second, Market mechanisms and the role of the state. The optimal combination of competition, planned control, and voluntary cooperation. These three are Mannan's solutions to the intersection of state planning and the price system. However Mannan does not specify how this mix can be achieved. There is more to Mannan's normative thinking, the implementation of which still requires additional steps with specific approaches and techniques. What is clear, however, is that Mannan disagrees with determining prices and

output solely by market mechanisms. This is considered to lead to arrogance and injustice. Mannan also added that the failure of the market mechanism is due to efficient demand which underlies income inequality and the market mechanism (Ulum, 2009). The state has a key role in the economic system (Ali, 2013); (Tho'in, 2015). Therefore, Mannan argues that equity is more important than efficiency, especially when it comes to basic needs and basic necessities. Mannan advocates state control over the economic system. Mannan's view is based on his analysis that he views efficiency as a situation in which to produce goods or services and make a fair and equitable distribution. His concept of efficiency is different from other fundamentalist economists.

Third, the conditional and relative nature of private ownership. In this case, Mannan believes that everything belongs to Allah alone. Humans as Khilafah are commanded only to use the resources that Allah SWT has created for good purposes and benefits (Muhammad, 2019). The legitimacy of property rights is not absolute, although its existence is officially recognized in Islamic economics. Within this legitimacy are obligations based on religion, morality, and society. Within property itself, there are conditions or precautions that must be followed, namely not depriving others of their rights and exploiting. Every individual has the same rights in carrying out productive activities, including in the use of resources. Mannan gives his views on the control of private property, among others: prohibited idle property, profitable use, harmless use, legal ownership of wealth, payment of zakat, balanced use of balance, fair and targeted income distribution, application of Islamic law on inheritance. It is not allowed to concentrate wealth on one side. Mannan's proposal certainly has consequences, namely the opening of the door to government intervention.

Fourth, the application of zakat. Some Muslims still avoid paying zakat. Mannan's view is to treat zakat as a religious obligation enshrined in the pillars of Islam, not as a tax. Even though at that time the main source of income for Muslim countries was zakat. The recipients of zakat have been identified, namely the eight asnaf. Zakat itself is permanent. Zakat can be a driver to increase work motivation, because no individual wants to be a recipient of zakat, so he will work harder instead of being a recipient of zakat. Anyone who owns property is not allowed to keep their property, because the property is still subject to annual zakat. Therefore, property owners should make their assets more efficient. Mannan added that zakat also has a role for the distribution activities of the state, because zakat redirects some of the wealth from the rich to the poor. However, unfortunately Mannan has not explained in his books the relationship between zakat and fiscal or state policy. The discussion of the position of zakat and state policy is very important, considering that it is able to provide a basis for how zakat should have a role in a country's fiscal policy. A more in-depth discussion of the role of zakat in fiscal policy can be done one of them with to trace the Muslim community from the time of the Prophet Muhammad until now. The issue is important because zakat has two functions, namely non-secular and social. Non secular function is the relationship of a creature with the Creator while the social function of zakat is in the fulfillment of social software.

Fifth, the prohibition against usury. Usury is prohibited in the Islamic economic system. Economists along with Mannan explained that the interest system in Islamic economic transactions should be removed, because it is included in usury. Although in reality it is still a debate about the interest system called usury or not. One of those who say interest is not usury is Kuran. Therefore, there are still many Muslims who violate the interest system. Regarding the issue of the prohibition of the interest system, Mannan offers an alternative solution by changing the interest system into a profit/loss sharing system. According to Mannan, this system is fairer because it does not harm any party. This offering

is known as Mudharabah Collaboration. In addition to realizing the spirit of the Qur'an, Mudarabah collaboration would create new jobs and make the economy more in line with Islamic laws of cooperation. Mannan not only provided the Musyarabah Cooperative Trading System, but also other systems such as Ijarah, Musyarakah, Wakalah, Kafalah, Hiwalah. Mannan's offer gave rise to the idea of establishing Islamic banks which are growing rapidly, not only in Indonesia but all over the world. Islamic banks, the system used by Islamic banks in the event of a currency crisis, are not affected as they can maintain a balance between the business and financial sectors[5, 6]. This is also a clear advantage of the Islamic economic system over the traditional economic system.

DISCUSSIONS

Relevance of Muhammad Abdul Mannan's Thought for Contemporary Economics

According to Mannan, the basic principle of production that must be considered is economic stability. Similarly, in the capitalist system, there are recommendations regarding the production of goods and services that are made based on the principle of economic prosperity[7]. The difference is that in the Islamic economic concept, the economic principle of happiness lies in the fact that it focuses on a broader general happiness, which addresses issues related to religion, morality, education, and more[2]. In addition to Mannan, Chapra introduced the concept of welfare, specifically the relationship between Shariah principles and the interests of the Ummah. Chapra states that Islamic economics is a part of Islamic law, which has as its main objectives fallah (happiness in this world and the hereafter) and alhayat athayyibah (a better life).

According to Mannan, the basic principle of production that must be considered is economic stability. Similarly, in the capitalist system, there are recommendations regarding the production of goods and services made on the basis of the principle of welfare. very economical. In every country, the concept of happiness is really the main theme, including Indonesia. Indonesia includes the formulation of the ideals for the welfare of the people in the Preamble of the 1945 Constitution, then in the body of chapter XIV, article 33 related to the economy and national welfare. So, in this context, the government has a key role in providing social services fairly to its citizens. Indonesia measures happiness yearly through BPS (Central Bureau of Statistics) so that every year it can be known whether the year increases or decreases. BPS measures happiness through indicators, namely household expenditure, family income, family education level, housing conditions and household facilities. Currently, the level of community welfare has increased, namely in 2019 it jumped 4 points from 61.0 to 65.4. However, the poverty rate has also increased, namely in March 2020 the percentage of poor people was 9.78 % increased by 0.56 % points from September 2019. In the author's opinion, this situation is due to the distribution that has not been fully equitable, from income distribution to production distribution. This can be proven by Indonesia's gini ratio level until March 2020 of 0.381[8]. Based on the above conditions, when compared to Mannan's theory of production which prioritizes welfare, Mannan's concept is still very relevant if this concept is applied to a country today. However, to support efforts to achieve prosperity, it must increase state intervention compared to economic activities both material and immaterial.

Muhammad Abdul Mannan's Thoughts on Production, Consumption and Distribution

1) Consumption

Muhammad Abdul Mannan states that consumption is a very important part of Islamic economic studies. For him, consumption activities are not just about how to use production output. More than that, Islamic consumption must be able to form a fair distribution of income and (economic) wealth. The existence of any form of prohibition of the consumption of luxury goods in Islam without accompanying redistribution of wealth and income will not at all solve economic problems. Thus, according to Mannan, consumption is demand while production is supply, the present and calculated needs of consumers are the main bonus for the Islamic economy.

It's economic activities. In a primitive society, consumption was simple because needs were simple, but modern civilization has destroyed the simplicity of these needs. The materialistic civilization of the Western world derives specific pleasures by creating a variety of needs, and one's well-being is almost measured by the nature of the needs one seeks to satisfy using specific efforts.

2) Distribution

In the aspect of distribution, Mannan views Islam's pragmatic and realistic involvement of the poor as so genuine that income distribution is central to the revolving pattern and organization of production in an Islamic state[9]. He points out that it is in production that distributive considerations must influence the priorities of production of goods and services, and use this as an indicator of consumption.

In contrast to other Islamic economists who argue that distribution is the fundamental basis for resource allocation, Mannan argues that wealth distribution depends on non-uniform ownership. Here justice, "absolute justice requires that rewards should also be different, and that some people have more than others, is only reasonable, provided that human justice is enforced using the principle of equal opportunity for all. So, a person can still have a surplus of his receipts as long as he has fulfilled all his obligations. Therefore, inequality is legitimate, and according to Mannan's rule of 'absolute justice' is caused by different contributions. But it is these inequalities, especially the extremes, that are the primary concern of Islamic economics. Mannan further states that "in an Islamic economy, the crux of the matter lies not in the prices offered by the market, but in the inequality of income distribution. That is what matters most in Islamic economics". The problem of distribution in neoclassical economics, Mannan argues, arises because it fails to address information related to resource ownership. Although Mannan talks extensively about the importance of distribution and the need to establish guidelines on who owns what, he does not discuss resource ownership except for land. According to Mannan, land can generally be owned through one's labor. However, since Mannan recognizes ownership by non-cultivators, it is also permissible for the owner to either rent or produce crop output, even if he agrees to use the latter[10].

3) Production

Mannan sees production as the creation of utility. In order to be seen as creating utility, and thus increasing economic welfare, the goods and services produced must be only those that are permissible and profitable (i.e. halal and good) according to Islam. For him, "the Islamic concept of welfare consists of increasing only good production, through the maximum utilization of resources (human and material) as well as through the participation of the maximum number of people in the production process".

It's own economic activities. In a primitive society, consumption was simple because needs were simple, but modern civilization has destroyed the simplicity of these needs. The materialistic civilization of the Western world derives specific pleasures

by creating a variety of needs, and one's well-being is almost measured by the nature of the needs one seeks to satisfy using specific efforts[11].

Contribution for the company is not only for profit but also must pay attention to moral, social, and institutional barriers. According to Muhammad Abdul Mannan, the impact based on a combination based on profit-seeking, correlation, and social responsibility, combined using moral encouragement, is what will spur the production and distribution process to a maximum. diversity of goals, which is the goal to be achieved, must be profit maximization combined using the entire value framework in Islam.

The production process based on Muhammad Abdul Mannan is a cooperative business between members of the community to create goods and services for their welfare. The togetherness of community members when applied to the economic environment will create an environment of cooperation and expansion of means of production, not the concentration and utilization of the origin of resources and other factors of production. Such a situation will lead to efficiency (justice considerations). Goods will not be obtained by considering effective demand, but effective needs, which are needs that are defined based on the signs of Islamic customs and values.

Muhammad Abdul Mannan reveals production as a social process. Where the production process is also obliged to pay attention to the interests of the poor by placing a moral responsibility on the rich to pay attention to the poor. In this case, Muhammad Abdul Mannan also agrees to use the division of labor and specialization to produce efficiently and fairly but continuously emphasizes the need for humanization of the production process, namely the interaction between work energy and employers who are partners or business partners, and the application of Islamic moral/ethical values in the production process. Production itself. As Muhammad Abdul Mannan revealed, production will run if the factors of production such as land, work energy, capital & and organization exist. These four factors play a very crucial role in efforts to increase production.

Muhammad Abdul Mannan clearly states, that conducting the Islamic production process aims to achieve economic welfare. Where a production process is a business of collaboration between members of society to make a profit. goods and services for their economic well-being[12]. Producers are no longer just suppliers of goods or production output but also work together using the government to be able to make economic welfare for the community. We can see especially producers how good the Islamic production system proposed by Muhammad Abdul Mannan can also be compared with the capitalist and socialist production systems that aim for the economic welfare of the community but give birth to economic inequality.

CONCLUSION

Muhammad Abdul Mannan as a scientist, developed Islamic economics based on several sources of law, namely: al-Qur'an, Sunnah of the Prophet, Ijtihad, or Qiyas. Muhammad Abdul Mannan opines that in determining the profit or price level there is no restriction but what needs to be considered is thinking about the interests of others, namely using the provisions for not thinking about yourself may result in the company making goods and services that do not allow the company to increase profits and sales. The company must also be satisfied with a profit value even though it can still increase its benefits due to excessive demand to fulfill the public interest.

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