



**ISLAM AND ECONOMIC DEVELOPMENT:  
The Contribution of Islamic Values in Encouraging Sustainable  
Economic Development**

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Article Information	Abstract
Article History: Received : - Accepted : - Published: -  Keywords: Islam, Economic Development, Islamic Economics, Ummah's Well-being, Economic Justice	Economic development is an important agenda in improving people's welfare and creating social justice. However, the dominant conventional approach is often materially oriented towards the growth of the material, without considering the ethical and long-term sustainability dimensions. Islam as a comprehensive system of life offers a paradigm of economic development that integrates spiritual, social, and environmental aspects. This article aims to examine the contribution of Islamic values, especially monotheism, justice, and social responsibility in shaping a sustainable and inclusive economic development system. In addition, the strategic role of Islamic economic instruments such as zakat, waqf, infaq, and alms as pillars of wealth distribution and community empowerment was also discussed. Based on literature studies and conceptual analysis, it was found that Islamic economic values and instruments not only support economic growth, but also ensure equity, maintain social stability, and preserve natural resources. Therefore, the integration of Islamic economic principles into development policies is an important step to create a fair, dignified, and sustainable economic model. This study is expected to contribute to the development of economic development strategies that are more ethical and in accordance with the sharia maqashid.

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## INTRODUCTION

The concept of economic development has long been the center of attention in global discourse, with the main goal of improving people's quality of life and well-being. Various theories and systems have been introduced, ranging from capitalism, socialism, to mixed economy, each of which emphasizes the aspects of efficiency, growth, and distribution. However, in the context of Muslim society, economic development is not only interpreted in a material framework, but must be in harmony with the spiritual and ethical values regulated by Islamic teachings. Islam as a comprehensive religion provides a comprehensive normative and practical foundation in regulating economic, social, and environmental aspects as a whole that cannot be separated.

Islam views economic activity as part of worship and moral responsibility to Allah and fellow humans. Values such as monotheism, justice, trust, and balance are the basis in every aspect of development. Tawheed as the core of Islamic teachings leads the ummah not to pursue worldly profits alone, but to see economic activities as a form of devotion to God and a mandate in managing resources (Chapra, 2008). Therefore, economic development in Islam must pay attention to spiritual, ethical, and social dimensions in order to create a balance between material progress and the inner well-being of the community.

Furthermore, the principles of sharia maqashid such as maintaining religion, soul, intellect, descendants, and property are important indicators in determining the direction of sustainable and just economic development. Islam emphasizes that every economic activity must be directed to the public good (maslahah 'ammah) and prevent damage (mafsadah), both to individuals, society, and the environment (Zaman, 2015). This shows that the Islamic economic system does not allow economic activities to take place without ethical control, but rather combines them with moral values and social responsibility.

Islamic economic instruments such as zakat, waqf, infaq, and alms are not only worship, but also play a strategic role in supporting inclusive and sustainable economic development. Zakat, for example, in addition to cleaning wealth, is also a very effective wealth distribution mechanism in reducing poverty and social inequality (Kahf, 2004). Waqf has also been proven to be able to support the development of the education, health, and public infrastructure sectors in the long term. The potential of this instrument, if optimized, is able to become an economic power of the ummah that does not depend on the capitalistic system.

Islamic history also shows that Islamic economic principles and instruments have brought economic glory in the past. The role of institutions such as Baitul Mal and ethically-based economic practices have supported rapid economic growth in various centers of Islamic civilization such as Baghdad, Cairo, and Andalusia. In that history, economic development cannot be separated from the values of honesty, justice, and social concern that are internalized in every economic activity (Cizakca, 2011). This proves that Islamic values and economic systems are not only theoretical, but have been historically tested.

Unfortunately, in the contemporary context, many Muslim-majority countries are still grappling with development issues such as poverty, inequality, and economic dependence. This gap shows that the actualization of Islamic economic values and instruments in the national economic system has not been optimal. In fact, the integration

of Islamic principles into development strategies can offer a more equitable, inclusive, and sustainable model than conventional approaches. Therefore, it is necessary to re-examine and recontextualize Islamic economic principles in order to be able to play an active role in presenting the welfare of the ummah in this complex global era (Dusuki & Bouheraoua, 2011).

With the theme of the contribution of Islamic values in promoting sustainable economic development, this article aims to examine how the basic values of Islam and its economic instruments can make a real contribution to economic development that is not only growth-oriented, but also emphasizes social justice, environmental sustainability, and the spiritual well-being of humanity.

## **RESEARCH METHODS**

This study adopts a descriptive qualitative approach to in-depth analyze the interaction and contribution of Islam to economic development. The qualitative approach was chosen because it allows for the exploration of the complex concepts, values, and practices that make up the relationship between Islam and economics, which cannot be measured quantitatively alone. Descriptive methods are used to describe existing phenomena, identify patterns, and present rich interpretations of the collected data. Primary data were collected through an extensive literature review against a variety of primary and secondary sources. Primary sources include religious texts such as the Qur'an and Hadith (through relevant commentary and lectures), as well as the classic works of Islamic scholars who discuss economics. Meanwhile, secondary sources include books, scientific journal articles, research reports, and publications from leading institutions in the fields of Islamic economics, development, and contemporary Islamic studies.

The data collection process involves identifying, selecting, and critically analyzing literature relevant to Islamic themes and economic development. The collected data is then analyzed using thematic content analysis. This stage includes repeated reading of the text, identification of key themes that emerge (e.g., distributive justice, the role of zakat and waqf, business ethics, the prohibition of usury, the role of the state), the coding of data based on these themes, and the interpretation of their meanings and implications for economic development. This approach allows researchers to build coherent and comprehensive arguments on how Islamic principles can be integrated and contribute to a more holistic and equitable model of economic development. The validity of the findings is strengthened through triangulation of data from various literature sources to ensure consistency and depth of analysis.

## **RESULTS AND DISCUSSION**

The interaction between Islam and economic development shows that Islam is not just a ritual religion, but rather a comprehensive living system that offers a strong moral and ethical framework for economic activity. Basic principles such as the prohibition of *riba* (interest), zakat obligations, waqf recommendations, fair distribution of wealth, and business ethics that emphasize honesty and trustworthiness, fundamentally aim to create a just, inclusive, and sustainable economy (Kahf, 1999). In contrast to conventional economic models that often center on capital accumulation and growth alone, Islamic economics emphasizes *falah* (holistic success in the world and the hereafter) and *maslahah*

(the common good), which integrate material goals with spiritual and social well-being. This concept encourages responsible economic behavior, not only towards individuals but also towards society and the environment.

Nevertheless, the actualization of Islamic economic principles in real economic development in Muslim-majority countries still faces various challenges and shows mixed results. On the one hand, the presence of Islamic financial institutions such as Islamic banks, Islamic insurance (*takaful*), and Islamic capital markets has grown rapidly and contributed to financial inclusion (Ascarya, 2018). Islamic philanthropic instruments such as *zakat* and *waqf* also show great potential in community empowerment and social development, with the potential value of *zakat* and money *waqf* in Indonesia reaching hundreds of trillions of rupiah per year (Puskas Baznas, 2024; BWI, 2023). However, the macroeconomic impact of these instruments is not fully optimal. There are still obstacles in governance, distribution efficiency, and community literacy that cause this large fund to not fully become a driver of massive and equitable economic development.

One of the crucial issues in Islamic-based economic development is the gap between normative idealism and implementive reality. Many Muslim countries are still trapped in the development model adopted from the West, which often ignores the ethical and social justice dimensions of Islam. Corruption, income distribution inequality, and lack of innovation in the real sector are still chronic problems (Chapra, 2008). This is not due to the weakness of Islamic teachings, but rather the result of institutional and governance weaknesses that hinder the effective application of Islamic principles. Transformation towards a true Islamic economy requires political commitment, institutional reform, and the development of human resources who understand and are able to implement the principles of Islamic economics practically.

Further discussion shows that sustainable economic development in an Islamic perspective places great emphasis on the real sector and micro, small, and medium enterprises (MSMEs). The concepts of *mudharabah* (profit sharing) and *musyarakah* (joint ventures) provide a foundation for a fair partnership between capital owners and entrepreneurs, encouraging productivity and job creation (Antonio, 2001). The role of MSMEs is vital in reducing poverty and inequality, and *sharia* financing can be an inclusive alternative to interest-based loans. In addition, Islam also encourages innovation and scientific development as the foundation of development. The history of Islam proves how Muslim civilization advanced thanks to support for research, education, and technological development, all of which were directed for the benefit of the *ummah*.

To optimize the role of Islam in economic development, several strategic recommendations become relevant. First, strengthening the regulation and governance of Islamic financial and philanthropic institutions to increase accountability, transparency, and efficiency. Second, increasing public literacy and education about various Islamic economic and philanthropic instruments so that active participation can increase. Third, the development of *sharia* business models that are innovative and relevant to contemporary economic challenges, especially in supporting MSMEs and the real sector. Fourth, encouraging research and scientific development that is integrated with Islamic values to create sustainable solutions. Thus, Islam is not only a spiritual identity, but also an integral paradigm that guides economic development towards just and sustainable prosperity for all people.

## **The Value of Tawheed and Ethics in Realizing a Sustainable Economy**

The value of monotheism is the main principle in the Islamic economic system that positions Allah as the center of all human activities, including economic activities. In the context of sustainable economic development, monotheism encourages humans to manage resources responsibly as a mandate from Allah SWT. This means that economic development aims not only at material growth, but also at balance with spiritual and social values. By understanding the concept of monotheism in depth, economic actors will realize the importance of a balance between the needs of this world and the hereafter.

Islamic ethics such as honesty, justice, and social responsibility are important principles in shaping moral economic behavior. An economy that only pursues profit tends to produce exploitation and inequality. However, by adhering to Islamic ethics, economic development is geared towards creating distributive justice and collective welfare. The Prophet PBUH emphasized the importance of honesty in business, as he said: *"Honest and trustworthy merchants will be with the prophets, the shiddiq, and the martyrs"* (HR. Tirmidhi).

These moral values reject all forms of usury, fraud, and resource exploitation that damage nature and society. Therefore, from an Islamic perspective, economic development must consider its impact on future generations, not just pursue short-term economic growth. This principle is in line with the concept of sustainable development which emphasizes the importance of balance between economic, social, and environmental (Chapra, 2008).

Tawhid also forms the realization that man is only a caliph on earth, not an absolute owner. In QS. Al-Baqarah verse 30, Allah states: *"Surely I will make a caliph on earth..."*. This reinforces the human responsibility to use resources fairly and wisely. This means that economic development in Islam must not cause damage (*façade*) to the environment or humans.

Thus, Islamic values provide moral direction to economic activities, limit greed, and lead to the general welfare. Development that is not accompanied by spiritual ethics will only cause inequality, environmental damage, and social crises. Islam provides a solid moral framework to realize a just, sustainable, and humanitarian-friendly development (Zaman, 2015).

The contribution of monotheistic values and Islamic ethics in economic development is a solution to the impasse of the materialistic modern economic system and the value crisis. The Islamic economic system offers a new paradigm that unites spiritual, social, and economic aspects in a whole. This is the main foundation for sustainable economic development from an Islamic perspective.

## **Instrumen Ekonomi Islam sebagai Pilar Pembangunan Berkelanjutan**

Islam provides various economic instruments that can encourage sustainable development, such as zakat, waqf, infaq, and alms. This instrument not only functions as individual worship, but also as a tool for wealth distribution and poverty alleviation. In the context of economic development, zakat plays a role as an effective equitable mechanism

in strengthening the purchasing power of the poor and growing the local economy (Kahf, 2004).

Zakat has a dual function, namely spiritual and economic. On the one hand, zakat purifies property and souls, and on the other hand it becomes a source of social funds to finance the productive sectors of society. When managed productively, zakat funds can reduce dependence on state aid and encourage the economic independence of the people. Strengthening national zakat institutions and productive zakat management are the keys to the success of zakat contribution to development (Antonio, 2001).

In addition to zakat, waqf also has great potential in supporting sustainable economic development. Productive waqf, such as land waqf for agriculture, education, hospitals, and small businesses, has proven to be an alternative economic force. The existence of waqf reflects Islamic concern for long-term development, because waqf assets should not be sold or inherited, so that the benefits are sustainable across generations (Cizakca, 2011).

The use of money waqf for investment in the real sector such as MSMEs and social infrastructure further shows that Islamic economics is a solution in overcoming modern socio-economic problems. Countries such as Malaysia and Turkey have developed modern waqf systems that contribute to economic growth and poverty alleviation. This proves that the Islamic economic system is able to synergize with the modern system without losing the spirit of sharia.

Infak and alms also strengthen social solidarity and reduce inequality. In Islam, excess wealth is recommended to be distributed for the sake of blessing and mutual welfare. When this culture of sharing grows in society, social stability will be created which is an important prerequisite for inclusive economic development (Dusuki & Bouheraoua, 2011).

Overall, Islamic economic instruments are not only spiritual, but have a strong economic dimension to support sustainable development. This approach places humans, nature, and God in a harmonious system. Thus, the integration of Islamic economic values and instruments is a systemic solution to build an economy that is not only growing, but also just and sustainable.

## CONCLUSION

Economic development in the Islamic perspective is not just the growth of macroeconomic figures, but also includes balanced spiritual, social, and environmental dimensions. Islam views development as part of the mandate of human beings as caliphs on earth, which must be carried out with the values of monotheism, justice, honesty, and social responsibility. These values become a very important moral foundation in directing economic behavior to be not only profit-oriented, but also to the common good and sustainability of resources. The concept of sustainable development in Islam is reflected in the prohibition of destructive economic practices, as well as in the drive to create a balance between the interests of the individual and the community. This principle reinforces the importance of an ethical approach in economic activities. Islamic ethics rooted in the value of monotheism forms a new paradigm of development that is not only human-centered, but also on vertical responsibility to Allah SWT. Islamic economic instruments such as zakat, waqf, infaq, and alms prove that the Islamic economic system has a powerful tool to encourage wealth distribution, community economic empowerment, and the achievement of sustainable welfare. These instruments,

when managed professionally and productively, can be an important pillar in overcoming structural poverty and creating inclusive development that reaches all levels of society. Thus, Islam offers a complete and sustainable paradigm of economic development, which harmoniously combines spiritual, social, and material aspects. In the context of today's moral crisis and global economic inequality, Islamic economic values and instruments are not only relevant, but also indispensable to create a just, ethical, and sustainable economic order.

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