

Islamic Economic Principles: A Critical Review of Capitalism and a Vision for Justice

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Abstract: *This article addresses the paradigmatic tension between capitalism and socialism in the quest for economic and social justice, with a specific focus on critiquing financial capitalism from an Islamic perspective. Using a literature review methodology, this study explores the theoretical foundations of these paradigms and highlights Islam's distinct approach. The findings reveal that Islam critiques the financial theories underpinning capitalism, particularly its emphasis on the unrestricted pursuit of profit, accumulation of capital, and reliance on mechanisms like interest (riba) and speculative activities (gharar) that exacerbate economic inequality and social injustice. Islam does not align with the profit-driven individualism of capitalism or the state-centric control of socialism. Instead, it presents a transformative paradigm rooted in Islamic theology, advocating principles such as zakat to ensure equitable wealth distribution, the prohibition of riba to prevent exploitative financial practices, and the prioritization of shared welfare over material accumulation. This paradigm, referred to as Transformative Islam, critiques the structural inequities of financial capitalism while emphasizing the moral imperative for justice, communal well-being, and sustainable economic systems. By integrating theological principles with practical methodologies, Transformative Islam offers a comprehensive and just alternative to exploitative financial systems.*

Keywords: Financial Capitalism, Islamic Finance, Socialism, Transformative Islam

JEL: G10, P30, G20

1. INTRODUCTION

In his 2020 book *"A People's Guide to Capitalism"*, Their (2020) poses profound questions about systemic inequalities in contemporary societies: Why are resources so easily mobilized for war while fundamental human needs go unmet? Why does profit consistently take precedence over human life and ecological sustainability? Why, in the wealthiest country globally the United States do 45,000 people die annually due to lack of health insurance, including cases linked to the coronavirus? How can hunger persist as a leading cause of death among young people worldwide, despite global food production exceeding what is necessary to feed the entire population? These questions expose deep contradictions in how wealth and resources are allocated under the capitalist framework.

The persistence of such injustices calls into question the foundational principles of modern financial and economic theories that underpin global capitalism, such as the Efficient Market Hypothesis (EMH) and the Capital Asset Pricing Model (CAPM). While these theories are often celebrated for promoting market efficiency and optimizing resource allocation, they fail to account for systemic inequalities, externalities, and the structural imbalances inherent in capitalist economies. The EMH, for instance, assumes rational decision-making and perfect information dissemination, yet the concentration of capital among a few contradicts this premise, perpetuating cycles of wealth inequality and excluding marginalized groups from equitable participation (Tîţan, 2015). Similarly, the CAPM, a model that seeks to establish a relationship between risk and expected returns, assumes an efficient market and rational behavior but overlooks the unequal access to resources and information (Vergara-Fernández et al., 2023). By focusing on maximizing returns based on systematic risk, CAPM disproportionately benefits those with significant capital to invest, exacerbating wealth disparities and further marginalizing those at the economic periphery. This reveals the inadequacy of these frameworks in addressing broader socio-economic issues and promoting equitable development.

These theoretical shortcomings are substantiated by alarming global economic disparities. In the U.S., the Federal Reserve reported in 2019 that the wealthiest 1% controlled 33% of the country's

total wealth, while the bottom 90% held just 30% (Thier, 2020). Indonesia reflects similar trends of inequality, with the combined wealth of its four richest individuals equating to that of 100 million people. The country's per capita income, at USD 3,840, lags behind smaller nations such as Samoa and Fiji, as well as regional peers like Malaysia and Thailand (Merdeka.com, 2020). As of March 2023, Indonesia's poverty rate stood at 9.36%, representing 25.90 million people. Inequality has worsened, as evidenced by the Gini ratio, which rose to 0.388 in March 2023 from 0.381 in September 2022, surpassing pre-pandemic levels (Theodora & Primantoro, 2023).

The table below presents the Top 10 Richest People in Indonesia for the year 2024, according to Forbes. This ranking includes the wealthiest individuals in Indonesia, with their total wealth and the companies they are associated with. For example, Prajogo Pangestu of Barito Pacific leads the list with a net worth of US\$ 55.4 billion, followed by Budi Hartono and Michael Hartono of PT Bank Central Asia (BCA) with net worths of US\$ 27.4 billion and US\$ 26.3 billion, respectively. These figures are part of Forbes' annual assessment of global wealth, highlighting the financial success of entrepreneurs and business leaders across various industries in Indonesia (Kompas.com, 2024).

Table 1. Top 10 Richest People in Indonesia (2024)

No.	Name	Company	Total Wealth
1	Prajogo Pangestu	Barito Pasific	US\$ 55,4 M
2	Budi Hartono	PT Bank Central Asia TBK	US\$ 27,4 M
3	Michael Hartono	PT Bank Central Asia TBK	US\$ 26,3 M
4	Low Tuck Kwong	PT Bayan Resource	US\$ 24,3 M
5	Sri Prakash Lohia	PT Indo-Rama Synthetics and PT Indorama Corporation	US\$ 8,5 M
6	Agoes Projosasmito	PT Amman Mineral Internasional Tbk	US\$ 6,7 M
7	Tahir Family	Group Mayapada	US\$ 6,0 M
8	Chairul Tanjung	CT Corp	US\$ 5,2 M
9	Djoko Susanto	Alfamart	US\$ 5,2 M
10	Lim Hariyanto Wijaya Sarwono	Harita Group	US\$ 4,3 M

Source: Kompas, 2024

This table 1 highlights how a small group of individuals controls a significant share of Indonesia's wealth, predominantly through their ownership of major corporations. This concentration of wealth in the hands of a few contrasts sharply with the broader population's economic situation, emphasizing the inequality inherent in capitalist systems. This data also reinforces the argument that capitalism perpetuates wealth disparities by enabling the accumulation of vast wealth by a select few, often at the expense of the working class, who contribute to the creation of this wealth.

Unemployment trends further highlight the inherent contradictions of capitalism in the context of technological advancements. While digitalization, automation, and robotics have driven economic growth and innovation, they have also displaced workers and exacerbated income inequality. The World Economic Situation and Prospects (WESP) (2021) report emphasizes the long-term socio-economic consequences of these changes, including widening inequality and diminished labour demand in the medium term.

Given these structural and systemic failures, we must critically assess the ideological foundations of financial and economic systems. Capitalism, driven by profit maximization, and socialism, with its focus on state control, have long been viewed as competing paradigms. However, both ideologies have faced significant criticism for their inability to achieve equitable wealth distribution and holistic social welfare. In this context, it is essential to ask: Does Islam offer an alternative framework? If so, how does it reconcile wealth creation with economic justice, and how does it address the contradictions inherent in financial theories rooted in capitalistic ideals?

This study seeks to navigate these critical questions by exploring the intersection of economic justice, financial theory, and ideological frameworks. In doing so, it aims to critique the capitalistic

reliance on exploitative financial systems while examining whether Islam provides a unique perspective that transcends the binary debate between capitalism and socialism. Through this approach, the paper hopes to illuminate pathways for constructing an economic system that prioritizes equity, human dignity, and sustainability over the unchecked pursuit of profit.

2. LITERATURE REVIEW

2.1. Definition of Economy and Socio-Economic Justice

Economy is often understood as a calculative approach to managing resources, encompassing production, distribution, and consumption to meet societal needs. In this view, the economy is often separated from political and ethical considerations (Caporaso & Levine, 2015). However, when viewed through the lens of socio-economic justice, the economy must go beyond mere efficiency to focus on fair distribution of resources. Socio-economic justice emphasizes equitable access to resources, ensuring that all individuals can fulfil their consumption and production needs while fostering fair social relationships.

From a financial theory perspective, frameworks like Rawlsian justice challenge traditional market mechanisms by advocating for redistributive policies that ensure fairness and equality. Financial theories such as Modern Portfolio Theory prioritize maximizing individual utility but often neglect broader social impacts and tend to exacerbate wealth disparities (Alghifari et al., 2023). On the other hand, Bilan et al (2020) demonstrate that countries with more equitable income distribution often show a more stable relationship between labour costs and success in the social and economic spheres, including protection of social rights and sustainable economic growth.

2.2. History of Capitalism

According to Ellen Wood (2021), capitalism did not emerge naturally, but through historical processes, particularly in 16th-century England. In this system, capital owners control production and distribution, while labor is subordinated to exploitative relations. Market mechanisms are used as tools of coercion, turning nearly all aspects of human life into commodities, with the market regulating production, consumption, and social structures. This view aligns with the critique of capitalism offered by who argues that modern capitalism is more akin to organized crime than a system governed by natural laws. Rehbein traces the roots of capitalism to practices such as the sale of church and common lands, as well as the privatization of finance, including the management of public debt by private interests.

For Rehbein (2020), the goal of capitalism is not simply the accumulation of wealth, but the maintenance of domination by a small elite over most of the population. This domination is not always visible on the surface, as it is reproduced through the accumulation of wealth and control over the financial sector. Finance plays a crucial role in sustaining this domination, regulating the flow of capital and exacerbating existing social inequalities. Even Marx, while analyzing capitalism through its economic laws, did not fully anticipate how finance would become such an effective instrument of domination. In this context, the Efficient Market Hypothesis (EMH) provides a critical lens. EMH assumes that markets operate rationally and efficiently, yet this theory fails to acknowledge how power imbalances in capitalist systems allow capital owners to manipulate markets for their own benefit. As a result, EMH overlooks the way capitalism deepens social inequalities, rather than fostering the market efficiency it promises.

2.3. Socialist Critique of Capitalism

Socialist scholars such as Fine and Filho critique capitalism's core logic of accumulation for accumulation's sake. This involves the appropriation of surplus value created by labourers by capitalists to generate personal profits. The process (M-C-M') central to capitalism prioritizes monetary gain, often at the expense of ecological sustainability and social welfare. This has led to environmental degradation and resource exploitation in pursuit of unending growth. From a financial theory standpoint, *Corporate Finance* tools like *Net Present Value (NPV)* and *Internal Rate of Return (IRR)* prioritize short-term profits and fail to integrate environmental and social costs.

This critique suggests that financial theories need to incorporate broader metrics of value, including environmental and societal impact (Lagoarde-Segot, 2019).

2.4. Dialectics of Human and Nature Relations

Foster (2018) highlights the alienation between humans and nature under capitalism. He differentiates between appropriation the sustainable use of natural resources and expropriation, which involves overexploitation for profit. Capitalism focus on maximizing output disrupts the social metabolism between humans and nature, leading to ecological crises. While humans depend on nature for survival, they cannot surpass the material limits imposed by natural ecosystems. Financial theories, such as Environmental, Social, and Governance (ESG) investing, attempt to address this imbalance. However, ESG frameworks remain limited, as they are often used to justify minimal compliance with sustainable practices rather than fostering systemic change (Lagoarde-Segot, 2017, 2020).

2.5. The Impact of Digitalization on Labor

Digitalization, automation, and robotics have profoundly disrupted labour markets, particularly in developing countries. The *World Economic Situation and Prospects (WESP)* report (2021) emphasizes how these technological shifts exacerbate unemployment and inequality by displacing traditional labour while concentrating wealth among technological innovators and capital owners. Financial theories such as *Human Capital Theory* underscore the value of labour in economic development but fail to address structural challenges posed by digitalization. Investments in upskilling and reskilling workers are essential to ensure labour relevance in a digitalized economy, aligning financial policy with socio-economic justice goals.

2.6. Global Inequality and Disparity

Data underscores the profound inequalities entrenched in the global capitalist system. In the United States, the wealthiest 1% control 33% of the country's wealth (Thier, 2020). Similarly, in Indonesia, the wealth of the four richest individuals equals that of 100 million people. The Gini ratio, which rose to 0.388 in March 2023, reflects a widening wealth gap that surpasses pre-pandemic levels (Merdeka.com, 2020). The persistence of such disparities highlights the inadequacy of financial theories like *Trickle-Down Economics*, which assumes that wealth concentration among the rich eventually benefits the poor through job creation and investments. Empirical evidence contradicts this assumption, necessitating alternative models of wealth redistribution.

2.7. Islamic Perspective on Economic and Social Justice

Islam provides an alternative framework for addressing economic and social inequalities, as emphasized in the research by (Mawardi et al., 2023). Mawardi et al (2023) explores the role of zakat (obligatory almsgiving) in promoting socio-economic justice, highlighting the spiritual and moral dimensions of wealth distribution through the principles of barakah (blessings) and zakat. This approach integrates social responsibility with economic activity, ensuring that wealth creation benefits society as a whole. Unlike capitalism, which prioritizes profit maximization, or socialism, which centralizes economic control, Islam advocates a model that balances both economic and social welfare.

On the other hand, Akther (2015) discusses the fundamental principles of Islamic finance, including the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling), which differentiate it from conventional financial systems. Akther (2015) emphasizes that these principles are grounded in the primary sources of Islamic teachings, namely the Quran and Hadith, and continue to be applied by contemporary scholars in financial transactions. Islamic finance rejects interest-based transactions and speculative activities, promoting instead profit-and-loss sharing mechanisms that align economic activities with ethical principles. This system ensures that wealth generation is linked to the well-being of society, as seen in instruments like *sukuk* (Islamic bonds),

which fund social welfare projects, in contrast to conventional bonds that often prioritize returns for investors over societal needs.

Furthermore, Islamic economics offers a transformative approach that combines ethical considerations, social justice, and financial sustainability. As highlighted in the research by Tıtan, (2015), Islamic finance emphasizes the importance of transparent, fair, and cooperative financial practices, which contribute to a more responsible and inclusive financial system. It supports financial inclusion and addresses pressing social challenges, such as poverty alleviation and environmental sustainability. While challenges such as the lack of standardized global regulations for Islamic finance remain, the potential benefits ranging from financial stability to social welfare make it an increasingly viable alternative in the global financial landscape. By promoting ethical investments, reducing economic disparities, and supporting sustainable development, Islamic economics offers a robust model for a more just and equitable global economy.

3. METHODS

The research method employed in this article is a literature review, aiming to explore and synthesize the interconnected realities of injustice rooted in the capitalist system, the responses proposed by socialism, and the transformative solutions offered by Islamic theology. This method is particularly suited for providing a deeper theoretical and conceptual analysis of the paradigms of capitalism, socialism, and Islam. The choice of a literature review is supported by Snyder (2019), which highlights that this approach is optimal for synthesizing research findings at a meta-level. Such synthesis not only consolidates existing knowledge but also identifies gaps that warrant further investigation, crucial for developing theoretical frameworks and advancing novel conceptual models.

In the context of financial theory, this study also critiques the capitalist financial paradigm, which prioritizes profit maximization often at the expense of socio-economic justice. Financial theories such as the Efficient Market Hypothesis (EMH) and Trickle-Down Economics assume that markets operate rationally and equitably distribute wealth. However, evidence from growing inequality disproves these assumptions, as the concentration of capital among the wealthy perpetuates structural inequities rather than fostering shared prosperity. Furthermore, the critique extends to Corporate Finance theories, which emphasize metrics like Net Present Value (NPV) and Internal Rate of Return (IRR) without integrating broader considerations of social or environmental impact. These frameworks, while efficient in capital allocation, often exacerbate exploitation by valuing short-term profitability over long-term sustainability and justice.

By employing a literature review method, this article challenges these dominant financial theories and seeks to bridge the conceptual gap with alternative paradigms, such as Islamic finance. The latter introduces principles of equity, risk-sharing, and ethical investment, offering a more balanced approach that prioritizes both economic growth and socio-economic well-being. This integrative perspective enriches the theoretical critique of capitalist financial systems while emphasizing the need for justice-centered economic models.

4. RESULTS AND DISCUSSIONS

RESULTS

Definition of Economics In the book "Theories of Political Economy" by James A. Caporasso (2015), three definitions of economics are discussed:

1. Economic Calculation or Economic Approach Refers to the use or method of taking actions that signify efficiency, directing minimal effort with adaptation to means used to achieve goals. Economic calculation is a way to utilize available resources to meet needs. It involves assessing the extent to which institutional arrangements can utilize available resources to satisfy existing needs. The key term here is allocation, where efforts are made to allocate the resources available towards multiple objectives in order to maximize output. Weber uses the term "instrumental rationality," where reason or intellect is used to achieve specific goals.
2. Economics as the Fulfillment of Production Needs and Circulation or Distribution of Goods

3. **Economics as an Economy** This approach separates a society known as an economy from the political realm. It assumes the existence of a distinct phenomenon with its own place or market within a region, such as Marx's concept of a specific time standing apart from total time. In this context, markets can regulate themselves; for example, needle producers. An economy is where individuals pursue their own interests to reach their private goals.

Definition of Social Social refers to the relationships among individuals of the same kind or among a number of individuals to form more or less organized groups, as well as tendencies and impulses related to others. Simply put, social can be defined as the relationships among humans within the social structure of society. **Definition of Economic and Social Justice** At this point, it can be explained that economic and social justice should consider the current contextual conditions, and then explain what is meant by economic and social justice. The emphasis is on the distribution of resources based on equal access and abundance in the flow of production, reproduction, distribution, and consumption. In the long term, distributive justice in the flow of production and reproduction will create social relationships among humans filled with awareness of brotherhood, as it will be able to meet their needs for consumption from the distribution of available resources. Below will be an explanation of both, and the emphasis on the points of contention

4.1. Definition and History of Capitalism

Capitalism can be defined as a class-based society where the extraction of unpaid surplus labor from producers underpins the relationship between capitalists and the proletariat, resulting in domination and exploitation. This structure is directly linked to the owners of the means of production and the working class, revealing the underlying foundations of the entire social order. As a class-based society, capitalism is marked by the conflict of interests between the bourgeoisie (capitalists) and the proletariat (workers), which intensifies into internal crises within the capitalist system.

The relationship between capitalists and the proletariat cannot be separated from the market, which serves as a coercive force. As Ellen Wood (2021) explains, the key characteristic of capitalist markets is not the opportunity for free choice, but coercion. Under capitalism, all aspects of material life and social reproduction are mediated by the market, forcing individuals to participate in market relations in order to access their livelihoods. Market behaviour becomes the primary guiding criterion, dividing the working class into those who sell their labour (workers), those who buy labour (capitalists), and those who do not engage in either (the petty bourgeoisie).

Wood traces the origins of capitalism to 16th-century England, where the material preconditions for its emergence were set. England's gradual transition from feudalism to centralized state power created conflicts between aristocratic control over land and the growing power of the central state. Unlike other countries with military power, fragmented laws, and corporate privileges, England's aristocrats were less able to exert extra-economic power, such as monopolies and taxes. As a result, landlords were forced to rely on coercion to extract rent from tenants. At the same time, tenants had to increase productivity to survive and compete for access to land and consumer markets, thereby becoming subordinate to both landlords' and market pressures.

The impact of this transformation was that agricultural producers, including small farmers, became increasingly dependent on the market for access to land and means of production. According to Wood, this dependency is a hallmark of capitalism: goods and services, including basic human needs, are produced for exchange in profit-driven markets, with human labour and commodities following market logic. Capitalism, then, is not merely about commercialization, exchange, or the existence of markets; rather, it is a system in which every aspect of life—production, distribution, and consumption—must conform to market logic.

From a financial theory perspective, this understanding of capitalism connects closely with neoclassical economics, which assumes that markets are efficient and self-regulating. Neoclassical financial theories, such as Efficient Market Hypothesis (EMH) and agency theory, argue that financial markets reflect all available information and that asset prices are always correct, leading to optimal allocation of resources (Lagoarde-Segot, 2019). However, these theories fail to account for the structural inequalities and coercive market dynamics that Wood describes. In reality, financial markets often serve the interests of capitalists, further entrenching wealth concentration,

as seen in the growing inequality within capitalist economies. Corporate finance theories that focus on maximizing shareholder value also align with this logic, emphasizing profit generation as the primary goal, often disregarding social welfare, equity and sustainable (Lagoarde-Ségot & Revelli, 2023). These financial models prioritize efficiency and profit maximization, reinforcing the systemic exploitation described by Wood.

Furthermore, Marxist economic theory critiques these capitalist financial theories by highlighting the inherent exploitation in the extraction of surplus value from labour. The financial structures that support capitalism, such as the capital asset pricing model (CAPM), which seeks to determine the appropriate rate of return on investments, do not take into account the unequal power dynamics and social costs of market mechanisms. In essence, financial theories rooted in capitalism, while useful for understanding the functioning of markets, fail to address the broader socio-economic injustices and the coercive nature of capitalist systems, as highlighted by both Wood and Marx.

Thus, capitalism, according to this view, is not an inevitable or natural system, but one that arose out of specific historical and material conditions. Financial theories that reinforce the capitalist model must be scrutinized and re-examined, especially in the context of the growing socio-economic disparities they often overlook or perpetuate.

4.2 Socialism: Critique of the Operation of Capitalist Production and Forms of Socialist Society

Ben Fine and Alfredo Filho (2004) explain how capitalism operates, emphasizing the inherent logic of accumulation for its own sake, which inevitably leads to exploitation and the extraction of surplus value. They argue that capitalism, as a mode of production, revolves around the exchange of commodities, beginning with the interaction between workers and the owners of the means of production. For workers, the only commodity they can sell is their labour power, which is exchanged for wages. This exchange is not voluntary in the pure sense but coerced, as workers have no alternative means to fulfil their consumption needs (M-C, where money is used to purchase commodities).

The capitalist production cycle begins with the purchase of two types of commodities: means of production (tools, raw materials, etc.) and labour power. Once these commodities are combined in the production process, capital owners oversee the organization and supervision of production, selling the resulting commodities in the market. The cycle then completes when the commodities are sold for money (M-C-M'), but at a greater value, thus realizing a profit or surplus value. The goal of this process is not simply exchange, but the continuous accumulation of value, where the value after exchange (M') is greater than the value that was initially invested (M) (Duménil & Foley, 2015).

This surplus value, which arises from the socially necessary labour of workers, is the crux of capitalist exploitation. The system's drive for continuous accumulation and profit leads to an insatiable expansion into new spaces for profit generation, often at the cost of the environment and social relations (Elster, 2004). As Fine and Filho (2004) point out, the logic of capitalism not only dictates labour relations but also fuels environmental crises. This is seen in the exploitation of natural resources and the environmental degradation caused by capitalist expansion.

Such crises are further exacerbated by practices like deforestation and encroachment into wildlife habitats, which have led to the emergence of zoonotic diseases like COVID-19. Sugiyono Saputra, a microbiologist from LIPI, supports this by noting that many infectious diseases, including COVID-19, are linked to human encroachment on natural habitats, particularly forests. These activities disrupt ecosystems and facilitate the spread of viruses from animals to humans, as species such as bats and pangolins are commodified and sold in illegal markets (Wijaya, 2020). Matt Huber (2020) builds on this argument by citing Rob Wallace, who highlights that viral transmissions result from human deforestation, which replaces diverse ecosystems with monoculture plantations, such as palm oil fields, or concentrated animal feeding operations. These activities, driven by capitalist production for profit, create conditions conducive to the emergence of new diseases, further demonstrating the exploitative and destructive nature of capitalism.

This dialectical relationship between humans and nature is a key aspect of Marx's analysis of capitalism. As Foster (2018) and Marx in works like *The Poverty of Philosophy* and *Grundrisse* explain, human societies are fundamentally based on the unrestricted appropriation of nature, which serves as the material foundation for labor and production. Marx contends that human existence, production, and property are inseparable from this process of appropriating nature. The appropriation of nature, however, is not simply an external process but is bound up with the social relations of production and the ownership of the means of production. Therefore, Marx distinguishes between appropriation and expropriation, noting that appropriation in its various forms constitutes the universal basis for all societies.

Marx further argues that private ownership of the means of production is central to the functioning of capitalist societies. The capitalist mode of production extracts surplus value from workers through the exploitation of their labor. This process, as Marx outlines, is characterized by a coercive system where capitalists extract value from workers who have nothing but their labor to sell. This relationship of exploitation is fundamentally different from feudal society, where serfs might work part-time on their lord's land but also have their own land to support themselves. In capitalism, workers are wholly dependent on selling their labor to survive, and the profit generated from this labor flows into the hands of the capitalist class (Wood, 2021).

From the perspective of historical materialism, capitalism is a class society structured around the ownership of the means of production and wage labor. Unlike other societal forms, such as feudalism, where labor might have a more reciprocal or localized nature, capitalism operates through a system of private ownership and labor extraction. Capitalists live off the labor of others, creating a class divide that is foundational to the capitalist system. This surplus value is the source of capital accumulation, where capitalists not only gain wealth but also exercise power over the working class (Duménil & Foley, 2015).

This critique aligns with broader critiques of capitalist financial systems. The financial theories that support capitalist markets, such as neoclassical economics and efficient market hypothesis (EMH), often overlook or fail to account for the exploitative nature of labor relations and the systemic inequalities that arise from them. These financial theories focus on efficiency and optimal market functioning, often ignoring the environmental costs and social disparities that result from unchecked profit-seeking (Lagoarde-Segot, 2019). Capitalism's relentless drive for profit accumulation perpetuates cycles of environmental degradation and social injustice, which are integral to its functioning and expansion.

Thus, capitalism's mode of operation—driven by the pursuit of surplus value—inevitably leads to exploitation, environmental crises, and social inequalities. This process, described through the lens of historical materialism, highlights the inseparable relationship between labor, production, and the appropriation of nature, all of which are central to understanding the systemic nature of capitalist exploitation.

4.3 Communist Society

In Marx's vision of a future society, communism represents a radical break from the capitalist mode of production, where public ownership of the means of production is established to meet human needs rather than the logic of endless profit accumulation. Marx critiques capitalism for reducing human production to a mere means of extracting surplus value and perpetuating the accumulation of wealth, which serves only a small capitalist class while exploiting the majority of workers. In contrast, Marx envisions a society in which production is organized around the utility of goods to fulfil human needs rather than to generate profit (Musto, 2020).

In *The Communist Manifesto*, Marx provides a deep analysis of the transformation brought about by capitalism, surpassing the existing socialist literature of his time (Musto, 2020). One of the most compelling aspects of communism is its conception of ownership. Marx observes that communism does not represent the abolition of property in the broadest sense, but rather the abolition of bourgeois property, which enables the capitalist class to control and appropriate the labor of others. For Marx, the distinction lies not in the elimination of personal property or the ability to acquire the fruits of one's own labor, but in the dismantling of the private property system that

allows the bourgeoisie to appropriate the products of society without contributing to their production.

Marx's theory of communism is essentially a critique of the capitalist system of private ownership, where the means of production are concentrated in the hands of a few, and the labor of the working class is exploited for profit. He argues that the abolition of bourgeois property is necessary for the establishment of a classless society, where the wealth produced by labor is collectively shared and distributed based on need rather than profit. Marx succinctly summarizes the goal of communism in the phrase: "the abolition of private property," emphasizing that this refers specifically to the ownership of the means of production by the capitalist class, rather than the destruction of individual ownership or personal possessions.

In this sense, communism aims to create a society in which the means of production are owned collectively, and the surplus value generated by labor is used to satisfy the needs of all members of society, ensuring that human development is not subordinated to the imperatives of profit-making.

DISCUSSIONS

4.4 The position of Islam in Striving for justice: Transformative Islamic Theology

Transformative Islam does not solely focus on recognition politics or what Gus Alfayydl refers to as the renewal ideas and intellectual enlightenment of Islam. What is needed is a theological reading that offers solutions to concrete problems occurring in society (Alfayydl, 2015). This is what is referred to as a genuine movement that rejects the current conditions. Transformative Islam, or liberation theology, begins by examining human life in this world and the hereafter. This theology does not desire a status quo that protects the wealthy at the expense of the poor or opposes contentment. Contentment in the current context is a structural condition known as capitalism. Transformative Islam conceives that the religiosity believed by Muslims should play a crucial role in defending oppressed groups who have been deprived of their rights, as well as advocating for the interests of these groups and equipping them with strong ideological tools to combat oppressive groups (Engineer, 2009).

We must have a theological foundation, a theology aimed at transforming this structural relational system into a better system than the current one, which not only focuses on identity recognition but also on a politically sensitive project towards actual-empirical and especially structural-systemic problems, encompassed by transformative Islamic theology. Islam directs humans to achieve the goals and ideals they aspire to. For these goals and ideals, Muslims will sincerely struggle and sacrifice for their beliefs. Islamic ideology always inspires, leads, organizes struggles, resistance, and extraordinary sacrifices to challenge all status quos, shackles, and oppressions against humanity.

The explanation above is highly consistent with the words of Allah SWT in Surah Al-Isra Ayat 26-27 and Surah Al-Baqarah Ayat 177, as follows:

1. Surah Al-Isra Ayat 26-27:

الشَّيْطَانُ لِرَبِّهِ إِنَّ خُورَانَ الشَّيَاطِينِ وَكَوَاتِ ذَا الْقُرْبَىٰ حَقَّهُ وَالْمَسْكِينِ وَابْنَ السَّبِيلِ وَلَا تُبَذِّرْ تَبْذِيرًا . إِنَّ الْمُبَذِّرِينَ كَانُوا إِكْفُورًا

"And give the relative his right, and [also] the poor and the traveler, and do not spend wastefully. Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful." (Quran, 17:26-27).

2. QS. Surat Al-Baqarah ayat 177:

تَبَيَّنَ وَأَتَىٰ فِي الْآخِرِ وَالْمَلَائِكَةِ وَالْكِتَابِ وَاللَّيْسَ الْبَرُّ أَنْ تُولُوا وَجُوهَكُمْ قِبَلَ الْمَشْرِقِ وَالْمَغْرِبِ وَلَكِنَّ الْبَرَّ مَنْ آمَنَ بِاللَّهِ وَالْيَوْمِ
الْمُوفُونَ بِعَهْدِهِمْ إِذَا تُتَى الرِّكَاءَ وَدُوي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسَاكِينَ وَابْنَ السَّبِيلِ وَالسَّائِلِينَ وَفِي الرِّقَابِ وَأَقَامَ الصَّلَاةَ وَآتَى الزَّكَاةَ عَلَىٰ حُبِّهِ
لَكَ الَّذِينَ صَدَقُوا وَأُولَئِكَ هُمُ الْمُتَّقُونَ غَاهَدُوا الصَّابِرِينَ فِي الْبَأْسَاءِ وَالضَّرَّاءِ وَحِينَ الْبَأْسِ أُولَ

"Righteousness is not that you turn your faces towards the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the angels, the Book, and the prophets, and gives wealth, in spite of love for it, to relatives, orphans, the needy, the traveler (musafir), those who ask [for help], and for freeing slaves; [and who] establishes prayer and gives zakat; [those who] fulfill their promise when they promise; and [those who] are patient in poverty and hardship and during battle. Those are the ones who have been true, and it is those who are the righteous." (Quran, 2:177).

Transformative Islam focuses on seeking theological roots, methodologies, and actions that enable social transformation. Advocacy for the poor and oppressed (dhu'afa) is not only inspired by the Quran but also through critical analysis of existing structures. For this group, Islam is understood as a religion of liberation for the oppressed, transforming exploitative systems into just systems (Supriyadi, 2004). Certainly, we recognize that Muslims, especially the impoverished and oppressed, in the era of capitalist globalization, face waves of structural poverty unlike any they have experienced before. The poor Muslim community needs a theology, paradigm, and social analysis that supports them—the theology for the oppressed, liberating them from oppression and global exploitation.

In the article *The Future of Islamic Liberation Theology* by Rahemtulla (2023), the author argues that Islamic Liberation Theology (ILT) is a theological framework that seeks to reinterpret Islamic texts in the context of oppression and resistance to it. ILT is rooted in a belief in the infinite justice of God, who stands in solidarity with the oppressed. Unlike traditional theology, which often focuses on the social elite, ILT shifts the focus to the "non-persons"—those marginalized by the prevailing social order—viewing them as active agents in the struggle for justice, rather than passive recipients of charity. Rahemtulla (2023) emphasizes the importance of understanding ILT in a flexible and holistic way, not limited to a specific text or author, but as a developing theology that can be applied across various contexts of struggle, such as anti-colonial, feminist, and queer movements. Through this approach, ILT becomes not only a means of resisting external oppression but also a tool for building a more just, egalitarian, and socially solidaristic society in line with Islamic teachings

Therefore, from the explanation above, Islam offers a worldview of Tawhid, which means that the universe is unipolar and uniaxial. The worldview of Tawhid signifies that the essence of the universe originates from Allah (Imma Lillah) and will return to Him (Inna Ilaihi Roji'un). Ultimately, from this perspective, we conceive that everything will ultimately return to God. As stated in Surah Al-Baqarah (2):156:

الَّذِينَ إِذَا أَصَابَتْهُمْ مُصِيبَةٌ قَالُوا إِنَّا لِلَّهِ وَإِنَّا إِلَيْهِ رَاجِعُونَ

"Those who, when disaster strikes them, say, 'Indeed we belong to Allah, and indeed to Him we will return.'" (2:156)

Here, we see that there is no superiority of humans over other creatures of the world. For Muslims, the relationship between God and the world is the relationship between the Creator and the created, the relationship of cause and effect in creation, not like the relationship between light and lamp or human awareness towards another human. Human existence becomes profoundly relative in the presence of God, and every created human has a direct relationship with God (Shimogaki, 2011).

Criticism of capitalist financial theory from the perspective of Transformative Islam goes beyond just rejecting social injustice; it also challenges the fundamental structure of capitalism itself, which operates based on capital accumulation and the control of resources, creating socio-economic inequality. Modern capitalism, with all its financial mechanisms and theories, often places profit as the primary goal, sacrificing social and moral values that should underpin human life. In the capitalist system, the intrinsic value of human beings is often viewed as a tool to achieve economic goals—namely the accumulation of wealth and capital.

Transformative Islam presents a profound critique of this capitalist paradigm because capitalism is oriented towards the oppression and exploitation of vulnerable groups, such as the

working class, the poor, and marginalized communities. As revealed in the foundational principle of Tawhid in Islam, everything originates from Allah and will return to Him. From this perspective, the existence of humans and the resources of this world should not be privately owned by individuals or specific groups but should be viewed as a trust given by Allah for the collective welfare of all humanity. Therefore, a system that prioritizes excessive material profit and neglects fair distribution is an inequality that must be corrected (Alfayydl, 2015).

In capitalism, financial theory tends to view the market as a free and autonomous entity, where the movement of capital and goods is driven by the laws of supply and demand, without considering the impact on society as a whole (Hudson, 2021). This system exacerbates economic inequality by creating a vast gap between the rich and the poor. By promoting mechanisms that centralize wealth, capitalism also facilitates greater forms of exploitation, both of the powerless labor force and of natural resources that are irresponsibly managed (Sulistyaningrum & Tjahjadi, 2022). Transformative Islam, in this context, offers a theological and social solution that is more just and based on the principles of social justice as taught in the Quran and Hadith. As mentioned in Surah Al-Isra and Surah Al-Baqarah, Islam commands the giving of rights to those in need—such as relatives, orphans, the poor, and travelers—and warns against wastefulness. This shows that wealth should be used for the common good, not for unjust accumulation (Qurtuby, 2013).

The concept of zakat, as one of the main pillars of Islam, is a concrete example of how Islam guides its followers to balance wealth distribution. Zakat, which is obligatory for every Muslim who is capable, is designed to reduce socio-economic inequality and provide assistance to those in need. It is a form of social solidarity that not only concerns material giving but also invites every individual to feel a social responsibility for the welfare of society (Mawardi et al., 2023). This is in stark contrast to the capitalist system, which often emphasizes individual freedom and the pursuit of profit without considering its broader social impact. In this regard, explains that Islam offers a system where social justice, equity, and moral responsibility are integral parts of economic life, contrasting with the exploitative nature of capitalism that marginalizes the poor and oppressed. Qurtuby (2013) highlights that Islam's teachings on zakat, fair wealth distribution, and moral consciousness directly challenge the inequality perpetuated by capitalist systems.

On the other hand, Transformative Islam views capitalism as a system that structurally marginalizes the poor and oppressed. In this context, Islam is not just a religion that focuses on the afterlife, but also a religion that is highly relevant to efforts to establish social justice in this world. The liberation theology in Islam encourages believers not to passively accept existing structural injustices but to fight against oppression in a wise, organized manner, based on the moral principles embedded in Islamic teachings. As explained by Qurtuby (2013) the concept of tawhid (the unity of God) in Islam requires that Muslims work towards justice, freedom, and reconciliation through peaceful, nonviolent means. This aligns with the moral teachings of Islam, which emphasize the need to fight exploitation, whether in the form of structural poverty, economic injustice, or political oppression. Islam critiques the capitalist model for its focus on profit at the expense of social justice, replacing it with an economic system that prioritizes social empowerment, equitable wealth distribution, and the protection of the marginalized.

In more depth, within the context of capitalism, Transformative Islam rejects the injustice created by a system that treats humans as economic objects to be exploited. As explained in Surah Al-Baqarah, verse 177, Islam teaches that goodness is not just found in ritual worship, but in the practice of social values that prioritize the welfare of all, care for others, and sacrifice for the common good. Here, Islam teaches its followers to oppose all forms of exploitation, whether in the form of slavery, structural poverty, economic injustice, or political oppression. In this regard, Islam not only critiques capitalism but also replaces capitalist principles with a more just economic system focused on social welfare, including fair wealth distribution and the protection of the marginalized (Kato, 2022).

In a more Islamic economic system, what is prioritized is social empowerment, not the accumulation of wealth. Transformative Islam also invites its followers to build a system based on principles of social justice, balance, and sustainability. This means that the economy is not only viewed as a means of pursuing individual profit but as a way to achieve the well-being of all humanity, without compromising the environment or the interests of the less fortunate. In

conclusion, Transformative Islam offers a profound critique of capitalist financial theory, especially regarding the economic injustices created by the influence of capitalism. Islam, with its teachings that emphasize social justice, defense of the marginalized, and fair wealth management, provides guidance for humanity to strive toward a more just economic system that is oriented toward the common good (Shimogaki, 2011).

5. CONCLUSIONS AND SUGGESTIONS

CONCLUSION

This article has illustrated that the Islamic paradigm transcends the binary opposition of capitalism and socialism, offering a distinct framework grounded in Islamic theology. Unlike capitalism, which prioritizes profit maximization and the accumulation of wealth, or socialism, which often relies on state control and collective ownership, Islam proposes a balanced economic vision rooted in justice, equity, and the moral responsibility of managing resources as a trust from Allah. This vision critiques the core tenets of financial capitalism, particularly its structural inequities, focus on materialism, and neglect of social welfare.

From the perspective of Transformative Islam, the financial theories underpinning capitalism are fundamentally flawed because they prioritize the interests of the wealthy elite over the collective well-being of society. Capitalism, by emphasizing profit over people, exacerbates social inequalities, fosters exploitation of vulnerable groups, and perpetuates a cycle of economic oppression. Transformative Islam challenges these principles by re-centering the economy on Tawhid (the Oneness of God), which underscores that all resources belong to Allah and must be utilized for the common good. This theological foundation necessitates ethical stewardship, equitable distribution, and the prioritization of human dignity over material gain.

In this paradigm, the advocacy for the marginalized (dhu'afa) is not merely a moral obligation but a divine command. Islam's critical stance on capitalism stems from its rejection of systems that perpetuate social stratification, exploit labor, and commodify human relationships. Instead, Islam emphasizes principles such as justice (adl), compassion (rahmah), and mutual assistance (ta'awun), which challenge the exploitative logic of capitalism and offer a framework for a more equitable socio-economic system.

The concept of zakat, one of the pillars of Islam, exemplifies a concrete mechanism for wealth redistribution that directly counters capitalism's tendency to concentrate wealth in the hands of a few. Zakat ensures that wealth circulates among all members of society, particularly the poor and needy, fostering a sense of social solidarity and economic balance. Moreover, Islamic financial principles, such as the prohibition of riba (usury) and speculative transactions, further highlight Islam's commitment to curbing the excesses of financial capitalism and preventing economic exploitation.

In advancing this critique, Transformative Islam serves as a theology of liberation that not only exposes the moral and structural flaws of capitalism but also envisions an alternative system. This system is rooted in ethical principles that harmonize economic activity with social justice, environmental stewardship, and spiritual well-being. By advocating for a just distribution of resources, resisting exploitation, and promoting collective prosperity, Transformative Islam offers a path to dismantle oppressive financial structures and replace them with systems that uphold the dignity of all human beings.

Thus, Transformative Islam positions itself as a powerful critique of financial capitalism and a beacon of hope for those seeking a more equitable and compassionate world order. It inspires Muslims to engage in the struggle against systemic oppression and to actively participate in the creation of economic systems that are not only efficient but also fundamentally just, humane, and aligned with divine principles. Through this lens, Islam emerges as a dynamic force for social transformation, challenging the injustices of capitalism while offering a vision of economic harmony that benefits all of humanity.

SUGGESTIONS

As a continuation of this analysis, one suggestion is the need for further research on the practical implementation of Islamic economic principles in the modern world. While the basic

theories and principles of Islamic economics are clear, the greatest challenge lies in applying them within the complex global economic system. Therefore, policy experiments and case studies in various countries should be conducted to test the effectiveness and sustainability of an economic system based on justice and balance as taught in Islam. Further research is also needed to explore how mechanisms such as zakat, social investment, and wealth redistribution can be optimized within the current global economic framework.

ACKNOWLEDGMENTS

The author would like to express sincere gratitude to all those who have provided support and contributed to the completion of this article. Special thanks go to scholars and practitioners who have shared valuable insights on the application of Islamic economic principles in the modern world. The author also extends heartfelt thanks to colleagues and family members for their continuous motivation, constructive feedback, and suggestions. May this article contribute positively to enriching discussions on alternative, more just and sustainable economic systems, and inspire efforts toward creating a more equitable and prosperous society.

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