

POSITIONING ISLAMIC GIFT ECONOMY FOR SUSTAINABLE DEVELOPMENT AT THE LOCAL LEVEL

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Abstract

Purpose: The general objective of this study is to explore the potential of Islamic Gift Economy in relation to sustainable development at the local level. This paper is therefore, highlights conceptually some preliminary insights on how the Sustainable Development (SD) and the Islamic Economy can be incorporated into a broader sustainability framework involving the three pillars of economic, social and environmental (ESE) sustainability.

Methodology: This paper is about a preliminary conceptual exploration into the meaning, and potential of Islamic Gift Economy in enhancing sustainable development at the local level.

Main findings: The central argument of this article revolves around the idea that Islamic Gift Economy with its focus on social justice (*'adl*), balance (*mizan*), and common good (*maslahah 'mmah*) can be an alternative economic paradigm and development model in this post-capitalist development agenda.

Application of the study: This study may be beneficial to policy makers from national to local/community level on how to enhance local/village economy through Islamic Gift Economy.

Novelty/Originality of the study: This paper intends to propose an integral framework on the relationship between IGE and sustainable development at the local level. Theoretical and policy implications, and opportunities for future research were also highlighted.

Keywords: *Islamic Economy, Waqf, Sustainable Development, Third Sector Economy, Micro Economy*

INTRODUCTION

Neo-liberal capitalist economy which gives primacy to maximizing private profit and blind growth has been widely held to be responsible for the modern socio-economic crisis such as the erosion of local identity and wisdom, disintegration of social cohesion and environmental degradation. In response to these detrimental circumstances many studies have been conducted in this decade to search for an alternative economic paradigm as well as a new development model in order to restore and sustain the integrity and survivability of the people and environment.

While economic growth has led in many developing countries including Malaysia to dramatic reductions of absolute poverty the persistence of income inequalities [and relative and new forms of poverty] needs to be explained in a new development paradigm that goes beyond market fundamentalism and globalization. As asserts by [Kamal \(2013\)](#) the paradox of development is caused by the failure of the prevailing capitalist system, in which the neo-liberal and globalist paradigm of economic growth produce an unequal distribution of the benefits from the development experience. [Kamal \(2013\)](#) further suggests an Islamic Economy Model under the aegis of an Islamic worldview and economic system as an alternative development discourse and practice to solve the paradox of economic growth and social justice.

This paper seeks to explore on a new economic paradigm that could redirect the economy for the common good and a sustainable future. This study will use the Malaysian case as the empirical platform to articulate the issues of development at the local level development with the aspiration to offset the uneven development at the village level. The question is, can Islamic economic model be an alternative economic model for them? This study contends that the principles underlying the Islamic Economy are another possible alternative system to neoliberal capitalist model. We have no doubt about it. What matters is; can the Islamic economic system, be modernized as an alternative paradigm to meet today's needs? We believe an Islamic Economic Paradigm is possible to guide the development of the Muslim world, if not the whole world. And it deserves a closer look.

THE PROBLEM

This century witnesses heightened debate on the capitalist economy as ideology due to the ruins it brought to humanity today. In response to these detrimental circumstances many studies have been conducted in this decade to search for an alternative economic model or the least to redesign the existing economy in order to restore and sustain the integrity and survivability of the people and environment ([Daly & Coob, 1994](#); [Costanza, R., & Alperovitz, G., Daly, H. et. al. 2013](#); [R. Furtado, J.I., Belt Tamara & Jammi, R., 2000](#)).

While most economists pay little attention to the relationship between the economy and environment, this paper argues strongly that the economy must be thought of as operating within a larger environmental system on which it depends. Another criticism is that the prevailing economics have discarded the role of metaphysics and philosophy (including

ontology and epistemology) which led to a detrimental ecological and social impacts ([AdiSetia, 2014](#)). This paper highlights that IGE, the reviving of Islamic economy is a deliberate attempt to bring economics back to into its proper engagement with the people, and the nature. It is aspired to be the best alternative economic model since it acknowledges and synthesizes the interdependence of the three pillars of sustainability. This is due to the underlying principles that IGE not only sees the environmental system as setting limits on the size of the economy but sees it as a trust that must be managed accountably by mankind as the God's vicegerent on earth.

In general, this paper may maximize the understanding and acceptance of the incorporation of IGE at the community level. It is about translating one of the *Maqasid al-Shari'ah* into practice i.e. the economic life of a Muslim. Previous research indicates that capitalism failed to bring about sustainable development to humanity and the world ([Daly & Coob, 1994](#)). Analyzing sustainable development from the IGE framework is important because it develops a more sophisticated understanding of the potentials of spiritual and ethical imperatives for the economic life for sustainable development. Although numerous studies on the environmental sustainability, community and development in the context of developed countries exist, such studies are scarce and rare in the context of developing economies particularly the Islamic nations. Hence, further research is imperative to build a better basis for sound IGE implementation in developing countries.

Additionally, many Muslims have modelled the secular ideas and concepts of Western economy and business whose values are contradict with Islam. And most unfortunate many Muslims view business as a career being incompatible to their religious devotion. Therefore very few see entrepreneurship as a way to deepen their faith and could sustain their ummah and civilization. Analytical study on such topic may highlight the potential of Islamic concepts as an alternative and unique framework for the practice of business and entrepreneurship

The first two sections of this paper examines the concepts and key principles of IGE in relations to sustainable development agenda at the local level which implicitly may also explores the potential of IGE in enhancing sustainable development at the local level. The subsequent section highlights conceptually how IGE can be incorporated in the sustainability framework of ESE. This study ends with an examination of possible plan of actions, as the practical implications and future research directions for successful incorporation of IGE for local level development.

LITERATURE REVIEW

a) *Sustainable Development: A Big Agenda*

According to [Robert, Parris & Leiserowitz \(2005\)](#), sustainable development as a concept is open to interpretation and reinterpretation. This enables participants at multiple levels from local to global within and across activity sectors, and in institutions of governance, business and civil society to redefine and reinterpret its meaning to fit their own situation. Thus the concept of sustainability has been adapted to address very different challenges ranging from the planning of sustainable cities to sustainable livelihoods, sustainable agriculture to sustainable fishing and the efforts to develop common corporate standards in the UN Global Compact and in the World Business Council for Sustainable Development.

Another criticism highlighted by previous studies are the vagueness of sustainability concept that always led it to be under the manipulation of the political sphere and disproportionality of the three pillars of SD ([Carter, A.J., Pisaniello, J.D., Burritt, R.L. 2010](#)). Despite this creative ambiguity and openness to interpretation, sustainable development has evolved a core set of guiding principles and values based on the Brundtland Commission's standard definition to meet the needs now and in the future for human economic and social development within the restraints of the life support systems of the planet.

Basically, it has three interdependent pillars; economic, environmental and social (Jayasooria, 2013) that must be equitably proportioned. It must address equitably the triple bottom line goals i.e. the social justice and equity, economic prosperity, environmental sustainability in a transparent and accountable ways. The 2002 World Summit on Sustainable Development addressed a running concern over the limits of the framework of environment and development wherein development as widely viewed solely as economic development. For many under the common tent of sustainable development such a narrow definition obscured their concerns for human development, equity and social justice.

OdehRashed (2012) argues that cultural and spiritual components are missing in Western model. He asserts that the concepts of justice (*'adl*), excellence (*Ihsan*), social capital and limit of mischiefs (*fasad*) are not only consistent with current notions of sustainable development, but may also be employed as a means to inspire others to participate more fully in the type of development that seeks to go beyond mere poverty reduction. [DzulkifliRazak \(2014\)](#) rightly asserts that sustainable development is beyond the logic of the economy. It is about the survival of humanity through all-encompassing strategic planning for inter-generational survivability. It can also embraces the socio-cultural aspects of humanity. The importance of sustaining indigenous wisdoms and knowledge are least understood in this respect.

Finally and in many ways, most importantly - sustainable development is defined in practice. The practice includes the many efforts at defining the concept, establishing goals, creating indicators and asserting values. But additionally it includes developing social movements, organizing institutions, crafting sustainability science and technology and negotiating the grand compromise among those who are principally concerned with nature and environment, those who value economic development and those who are dedicated to improving the human condition ([Robert, K.W., Parris, T.M., & Leiserowitz, 2005](#)).

b) Sustainable Development at the Local Level

From the perspective of sustainable development at the local level, economic sustainability requires a quantum leap forward in economic opportunities and a profound economic transformation to end extreme poverty and improve livelihoods. There must be a commitment to rapid, equitable growth – not growth at any cost or just short-term spurts in growth, but sustained, long-term, inclusive growth that can overcome the challenges of unemployment (especially youth unemployment), resource scarcity and – perhaps the biggest challenge of all – adaptation to climate change. This kind of inclusive growth has to be supported by a global economy that ensures financial stability, promotes stable, long-term private financial investment, and encourages open, fair and development-friendly trade.

Ite, U.E. (2004) in his article entitled Multi National and Corporate Social Responsibility in Developing Countries: A Case Study of Nigeria highlights that local community is always a disadvantaged group in developing countries. This is due to the lacking of national micro-economic planning and management that can ensure equitable resource allocation and enabling environment. To establish a framework for effective community engagement and participation in sustainable development agenda is indeed an urgent necessity for country like Malaysia. The framework must be in line with the aspiration to promote civic-driven change for sustainable development agenda in Malaysia. It must include ways to empower citizens to contribute to decision making about meeting their ends and to build the capacity of all stakeholders to contribute mutually and effectively.

In order to move towards socially just and environmentally sound world, we need greater solidarity. It is more likely an attempt to establish a civic-driven change towards developing a resilient community. It concerns with community capacity building starts with transform the mindsets, adopt effective guiding principles, develop own capital and local champions and distributive accountability, as well as develop good governance and practices.

In facing the socio-economic-environmental challenges resulted from global neo-liberal hegemony, [Kamal \(2015\)](#) calls for a need to revive the micro-economy to boost the community and their economy. As stressed out by [Schor \(2010\)](#) and [AdiSetia \(2014\)](#), the gist of the new vision is the minimal concern toward the state-led initiatives and corporate-controlled economy but to return to community-rooted initiatives and non-market practices that may answer directly the needs and problems of the local community context. It is also termed as household economy. [AdiSetia \(2014\)](#) also asserts the return to the original, classical and traditional meaning of ‘economics’ or ‘economy’ as household management and the redefinition of economics as “the science of the organization of livelihood” or the “science of earning and provisioning” in an attempt to revive economy of the local community.

Planning for sustainability is indeed a step-by-step process of managing resources in a harmonious and environmentally sustainable way by gradually uniting stakeholders and involving them in planning and decision making processes. The whole spectrum of community engagement must be understood and implemented systematically in sustainability initiative that involved changes. For successful implementation of sustainability programme at the community level, it is imperative to make people realize that their interests are involved and they are well informed, consulted, involved and engaged.

c) Islamic Gift Economy (IGE)

IGE is an integrative economic system that is built on the foundation of Islamic economic systems with ethical core values and structural principles inherent in Islam. According to [AdiSetia \(2015\)](#), the operative principles of IGE are cooperation (*taawun*), mutual consent (*taradin*), and partnership (*musyarakah*), and these are in turn founded on the principal ethics of compassion (*rahmah*), gratitude (*syukr*), generosity (*karam*), moderation (*qasd*), accountability (*amanah*) and responsibility (*khilafah*). [AdiSetia \(2015\)](#) further asserts that the gift economy is an economy of mutual giving and receiving, of earning and provisioning through fair social and commercial exchange, of natural and cultural abundance for realizing material and spiritual well-being.

The underlying principle is the promotion of healthy interdependence and togetherness between the rich and poor. It is about serving the humanity or sufficing the community or known in Arabic term as *fardhu al-kifayah*. The ultimate goals of the IGE were therefore formulated to ensure right livelihoods, availability of education and employment, poverty reduction, and continuous social and intellectual development for all individuals. It can be regarded as the socio-economic order that has been deliberately chosen to serve the needs of people and ecological sustainability as the goal of economic activities rather than maximization of profits.

Ideologically and practically IGE contradicts with capitalism and socialism models which focus on blind growth and private or government ownership. Many scholars associated the socio-economic problems of current societies to the failure of neo-liberal capitalist economy. In contrast, the IGE framework concerns on both the material and immaterial prosperity. From the sustainable development perspective, the IGE is viewed as an attempt to construct an economy where social goals and ecological values count against private profits and blind growth. Among the immaterial prosperity expressed in terms of happiness, balance and peace in relation to family cohesion, social solidarity, cultural enrichment, communal conviviality and of course environmental sustainability. Obviously it is an economy of embeddedness as the economy is embedded in spiritual, ethical, cultural, communal and ecology ([AdiSetia, 2015](#)).

This paper considers IGE as an alternative to capitalism as well as other authoritarian state dominated ecosystems. [Kamal \(2015\)](#) asserts the IGE is a viable strategy in dealing with some contemporary problems known both in industrial and developing countries. As similar to Solidarity Economy, IGE may also contextualized against the background of recent developments: the liberalization of goods and capital flows worldwide, continued industrialization, and the increased global division of labour. As concurred by [AdiSetia \(2015\)](#), IGE is an economy of virtuous circulative exchange between rich and poor, not vicious exchange between rich and rich; hence wealth is always in circulation among people and not hoarded or monopolized by a select few.

Other than *zakah*, the other main sources of IGE as the national income and transfer payments used for redistributive purposes in an Islamic economy are *waqaf*, *sadaqah* (voluntary charity), *ghanimah* (war booty), *fai* (property acquired in war without fighting), *fidth* (a part of *fai* whose distribution pattern is similar to *zakah*), *kharaj* (tax on lands conquered during war) and *'ushr* (*zakah* on crops).

The principles of social equity and brotherhood that underlay the IGE can be manifested clearly in the concept of *zakah*. It is one of the most important Quranic injunctions on Muslims is the payment of *zakah*, that is, a capital tax on accumulated wealth. *Zakah* is one of the five immutable pillars of Islamic faith. Through *zakah* the wealthy Muslims are made responsible individually and collectively for providing for the basic necessities of all members of the society. Those who are impoverished, unemployed, underemployed, or lack the ability to work are the primary beneficiaries of *zakah* payments. Surplus *zakah* funds may be saved, invested in infrastructure and development, or donated to impoverished countries.

The incorporation of IGE into the sustainable development at the local level is proposed to be founded mainly on values of *Tawheed*. The immediate corollary of the principle of *Tawheed* and Brotherhood is the predominant note of Islamic Economics, that to God alone belongs whatever is in heavens and in the earth, and that He has made the good things for the service of man. Man has been created as the vicegerent of God on earth entrusted with the just use and distribution of His resources.

The central goal of Islam is to develop an egalitarian social structure in which all men and women can maximize their intellectual capacity, preserve and promote their health, and actively contribute to the economic and social development of society. Social justice in Islam is derived through productive work, where equal opportunities exist for all, and everybody can utilize their abilities to work and gain just reward for their efforts. This may lead to entrepreneurship.

Wealth creation in the Islamic Economic System is based on the *generation of new cash flows* determined by real savings and the savings-income ratio, and not by money creation at the stroke of a pen as in the conventional system. The growth of financial activity will therefore be stable and determined by real growth in the economy, and not by unstable speculative finance or money creation by financial institutions.

Significantly, Islamic economics prohibits the compound interest which is the basic concept of the western banking system. Also, Islam provides regulatory framework that ensures the development projects are in the interest for the wider community, not for few individuals. Islam also provides a framework for valuing and weighting interest and value that transcends humans to species and natural resources and future generations.

Islamic law and institutions encourages entrepreneurship. In fact they are instrumental to pooling and managing resources on a large scale. Islam encourages small-scale development which will result in lessening the distance that goods are transported and hence lowering of greenhouse gas emissions and the ecological footprints in the business sector. Islamic economics in its profit-sharing and absence of usury provides sound constraints to prevent borrowers from running into unpayable debts whilst encouraging wealth to be distributed evenly. This in turn will help to have a greener economy that is reformed by Islam ([Kamal Salih, 2015](#)).

Islamic finance encourages entrepreneurship through risk sharing and partnership financing, and Islam's emphasis on social justice calls for facilitating financing for the poorer segments of society. Cooperatives represent one economic form to organize capital and distribute its benefits to a collective membership. How could we structure Islamic cooperatives around the village (mosque-based cooperative)? Would the "corporate wakaf" approach encourage entrepreneurship or dampen it? How to fund cooperative wakafs?

A fascinating aspect of IGE for local level development is its potential in melding the economic and the ethical and the communal. In this regard, understanding and applying the *Maqasid al-Shari'ah* in the economic sphere, the best prescription not just for the Muslim world but for the world at large must be nothing less than the establishment of a humane economy. The central doctrine of balance must be observed in order to achieve equilibrium free market capitalism and social justice.

METHODOLOGY

This paper is about a preliminary conceptual exploration into the meaning, and potential of Islamic Gift Economy in enhancing sustainable at the local level. Based on review of past literature, this paper conceptualised Islamic Economy Model under the aegis of an Islamic worldview and economic system as an alternative development discourse and practice to solve the paradox of economic growth and social justice. The Semanggol Village in Perak Malaysia has been selected as

a case study and becomes a pilot project for the implementation of IGEat the local level. As a pilot project it will act as a test-bed for a possible alternative system at the local level to the current neoliberal capitalist model to solve the paradox of development, to redirect the economy toward community, the environment and a sustainable future for the common good.

IGE IN ECONOMIC-SOCIAL-ENVIRONMENTAL (ESE) FRAMEWORK FOR LOCAL LEVEL DEVELOPMENT

The framework for incorporating IGE in local level development revolves around the triple-bottom lines goals of social equity, economic prosperity, and environmental sustainability. The proposed ISE framework (see Diagram 1) signifies in general integrated responsibility to advance and strengthen the interdependent and mutually reinforcing pillars of sustainable development - economic development, social development and environmental protection - at local, national, regional and global levels. In this regard development will not be viewed solely as economic development but also concerns for human well-being, community development, equity and social justice. The framework also signifies that sustainable development agenda involves massive interdependence of actors and factors including extensive cooperation at various level, political commitment, stewardship and energy.

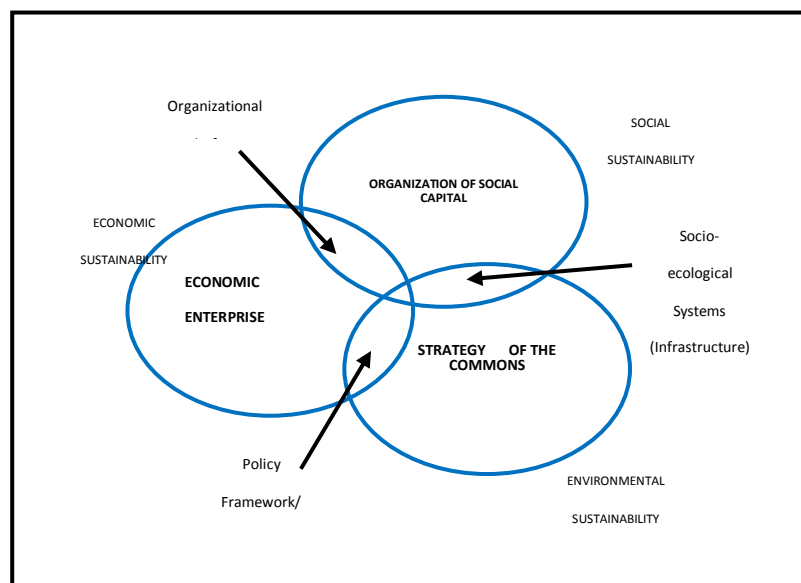


Fig 1: The proposed ISE framework

Firstly, the environmental sustainability constitutes the natural capital which consists of the natural resource stocks such as soil, water, air, genetic resources, minerals etc. According to Islam, all natural resources are blessings from the Creator for man's optimal utilization. However, man must ensure their equitable use and distribution and the promotion of all human relationships on the basis of rights and justice. With this kind of awareness production and consumption systems would be improved as to make them ecologically sustainable.

Under liberal capitalist economy people tend to ignore and always manipulate the environmental domain for the sake of profit and under the name of development. The strategy of the commons is needed to ensure the effective management and governance of the environment or the natural resources base. The worrisome is that, the rate of use of the natural resources is ever-increasing, thus depriving the future generations of a living standard comparable to that of the present, and creating inter-generational inequity.

Economic growth and ecological degradation are likely to increase scarcity over time. Common sector management is appropriate to prevent scarcity. Common sector must ensure adequate provision by preventing degradation or in vesting in provision (Costanza R (2013). Most resource allocation done today is through markets, which are based on private property rights. Private property rights are established when resources can be made 'excludable', i.e. one person or group can use a resource while denying access others. However, many resources essential to human welfare are 'non-excludable', meaning that they are difficult or impossible to exclude others from benefiting from these resources. Examples include oceanic fisheries, timber from unprotected forests, and numerous ecosystem services including the waste absorption capacity for unregulated pollutants.

In the absence of property rights, open access to resources exists – anyone who wants to may use them, whether or not they pay. However, individual property rights owners are likely to overexploit or under-provide the resource, imposing cost on others, which is unsustainable, unjust and inefficient. The solution to these problems lies with common or public ownership. Public ownership can be problematic due to the influence of money in government, which frequently results in the government rewarding the private sector with property rights to natural and social assets.

An alternative is to create a commons sector, separate from public or private sector, with common property rights to resources created by nature or society as whole, and a legally binding mandate to manage them for equal benefit of all citizens, present and future. Abundant research shows that resource owned in common can be effectively managed through collective institutions that assure cooperative compliance with established rules ([Costanza R \(2013\)](#); Ostrom E (1990); Pell D (1989).

According to the WCED Report, the present wasteful lifestyle of the developed nations is not sustainable on account of their disproportionately large per capita resource consumption that results in environmental degradation and social inequity. In order to manage and regulate human economic and industrial activities as well as to curb exploitation of the natural resources in this respect the economic domain must be constrained with the policy, legal and social sanctions at every level of the society.

It has already been established that natural resources have been provided by God for the welfare of all mankind. The monetary benefit derived from these resources should, therefore, permeate to all people and should not under any circumstances be allowed to be diverted solely to certain individuals or groups. Whether the state or private enterprise should manage the exploitation of these resources it should be determined by the criterion of efficiency.

Specific policies are needed to create and protect shared public spaces, strengthen community-based sustainability initiatives, reduce geographical labour mobility, provide training for jobs in sustainability, offer better access to lifelong learning, place more responsibility for planning in the hands of local communities, museum funding, public libraries, parks and green spaces. Efforts must also be done to remove communication barriers and improving democracy.

All stakeholders should be engaged in the formulation and implementation of decisions concerning natural and social capital assets. Full stakeholder awareness and participation contribute to credible, accepted rules that identify and assign the corresponding responsibilities appropriately.

Secondly, the social dimension of sustainability. This sphere can be operated effectively with the presence of social capital. It is important to highlight that sustainable development agenda is highly relational. It involves complex and massive interdependence of actors and factors including extensive cooperation at various level, political commitment, stewardship and energy for its successful implementation.

It is in this respect that social capital is the crucial enabler for effective functioning of the overall framework. This capital includes networks, social values and norms, affiliations etc. upon which people draw when pursuing different livelihood strategies requiring coordinated actions.

In recent years, sociologists and political scientists and some economists working within the field of the so-called “new economic sociology” have begun to discuss on the dynamics of social capital in enhancing development, performance and sustainability ([Grootaert, C. & Bastelaer, T.V. 2002](#); [Yvonne, R. & Nancy, H. 2004](#); [Seferiadis, A. et.al. 2015](#)) Despite its broad scope and undefinable definition, social capital has been widely recognized empirically to have positive consequences on development and sustainability as it encompasses mainly the norms and networks that may facilitate collective action for mutual benefit ([Yvonne R. & Nancy H. 2004](#)). In addition, the strengthening of social capital is also described in terms of group dynamic: strengthening of cooperation, social cohesion, mutual understanding, interdependence and collective response ([Seferiadis, A. et.al. 2015](#))

One institution that helps build social capital is a strong democracy. A democracy is most easily understood at the level of community governance, where all citizens are free (and expected) to participate in all political decisions affecting the community. Interactive discussions play an important role ([Alperovitz, G. \(2011\)](#)). From the framework of IGE, this democratic participation of the community will be well-guided by the concept of *Shura* – the total organizational community participation in decision making to ensure an organization gets the best views, to develop community understanding of decisions made, to achieve better implementation of decisions and strengthen the Islamic brotherhood. Moving toward a sustainable and desirable future will require a broadened base of participants and a political process that continuously keep them engaged.

Shura can also be seen as an organizational control mechanism to prevent management and individuals within the organization from deviating towards the path of ignorance, greed and oppression so that an organization can continue serving its members and the wider community and thus sustain itself.

The related social norms and values such as trust, solidarity, justice and moderation must become the foundations for the new economy. These are indeed the values enshrined in the Quran and Sunnah that is instrumental for achieving and enhancing socio-sustainability from the perspective of *Islam Rahmatanlil ‘Alamin*. It is now up to the Muslim ummah to make it happen – Islam as a blessing and mercy to the entire universe.

Under the framework of IGE, all segments of the society from labour, community, civil society, business must make sure that all economic activities must intently advance towards social and ecological sustainability. For example the sustainability initiatives must place emphasis on solving the community issues such as unemployment, housing, business venture, credits etc. and they must be driven by values of justice, inclusion, and balance.

IGE in this framework also directs every community and organization to uphold the concept of *adab* in their daily routines and operations. *Adab* is based on the existence and recognition of Allah (SWT) and recognition of his commands and laws (syari'ah). Within an organizational context, *adab* persuades man to do good and avoid evil, in accordance with the nature of man (fitrah) and nature of his action (al-amal). This enables man to be fully conscious when fulfilling his duties to his Creator, to himself, to society and other human beings and also towards universe and other creatures. This will definitely lead to a peace and order in the society as the relationships are well governed and managed.

The third sphere, the economic sustainability constitutes in it the entrepreneurial and financial activities as well as capital mobilization that involved in generating income, revenue and wealth. Under this framework, IGE represents the economic capital for sustainability agenda. The economic actors in this domain can range from small and micro business, small and medium enterprises, large businesses up to multinational corporations as well as bankers. For sustainability to be realized, all the profits accumulated in this domain must be governed properly and the prosperity must be equitably distributed to the society at large.

[Hunter, M. \(2014\)](#) in his article advocates entrepreneurship as a means to boost Islamic economy. He asserts that developing entrepreneurship based upon *Tawheed* principles may empower the ummah and as a way to integrate with the world without the need to compromise religious beliefs and values. He further contends that Islamic economy and entrepreneurship encourage *mudharabah* (profit and loss sharing) and thus lays the foundation for a cooperative society. Furthermore, business organizations must be operated on the principle of *al-Taawun* (mutual assistance and cooperation) among members of a society for common good. This clearly indicates that Islam provides a supportive value system where a person may seek guidance to achieve success economically and spiritually.

Islam espouses a market economy with freedom of the individual to operate a business with minimal outside interference. A market mechanism is urged with free flowing knowledge without exploitation by middleman. Private ownership is paramount within the economy, where the state should only interfere under exceptional circumstances. Land and capital are productive factors, only when combined with labor. Therefore, income should not just be derived from ownership. Finance, leases, loans etc. should be based on the sharing of risk and a basic principle of justice and equity.

Central to this distribution issue, the framework suggests the need to the range of formal and informal organizational and institutional platforms to mediate the process of distributing and sharing the prosperity with the society at large. Institutions are needed to facilitate the circulation and recirculation of surplus wealth through all strata of society. With the challenge of globalization, innovations in Islamic financial systems and institutions are seriously needed. It is imperative that responsibility for the proper administration of public revenue, wealth and property has been rooted in the ethico-legal precepts of the Quran, Sunnah and traditional wisdom.

In Islam, wealth can be accumulated but it must be distributed and reinvested into promoting the common good notably to uplift the socio-economic situation of the poor and needy in the communities. This can be done in various means such as charity, endowments, gift giving and bequests ([AdiSetia, 2011](#)). More importantly, it must be guided by core principles of individual and collective responsibility, empowerment and participation.

Monetary policies should only be utilized to stabilize prices. Fiscal policy should only be used to preserve an equilibrium between tax revenues and public expenditure. The state's role is solely to provide sufficient infrastructure for society to operate fairly and equitably ([Murray Hunter, 2014](#)).

Collective ownership and management are central to IGE institution such as institution of zakat, cooperatives and Baitulmal. Care for the poor and the marginalized, through sharing resources and financial contribution of *zakah* and *waqafa* key concept in Islam that need to be harnessed through institutional innovation and reform of governance.

Islam also prescribes the way organizations should be operated and managed. In this respect, an organization must base all its work on *al-amal* and *ibadah* with the ultimate goal of achieving success (*al falah*) for the organization and preserving common good for the community and ummah. It is imperative for every organization in this framework to operate on the foundation of *al Iman* and *al Ilm* and should strive towards achieving *taqwa* and avoid towards spreading *fasad* or mischiefs in this world ([Murray Hunter, 2014](#)).

Similar is the case with *zakah* expenditure in the form of an organized social assistance programme undertaken by the state. The stated categories of expenditure of the *zakah* fund can be extended to cover programmes of employment creation, family welfare, rehabilitation of the aged, unemployment insurance, and income support during times of economic losses and others. Even the rate of *zakah*, originally fixed at 2.5 per cent on all forms of assessed wealth exceeding *nisab* level at any given point of time can be varied but only marginally.

Cooperative is widely known as one of the institutional innovations, with third highest employment after private sector and government jobs. It has a potential to work towards inclusive growth, and in meeting the people centred objectives. The cooperatives in Malaysia is expected to emphasize on equitable distribution of value amongst stakeholders. It is hoped that cooperatives in the IGE framework may play a pivotal role in the mainstream of village economy, particularly in the fields of agriculture & rural credit, distribution of agricultural inputs, storage, fertilizer, marketing, labour, micro finance and housing ([MS Kimball, 1988](#); [Holloway, G, Nicholson, C., Delgado, C, 2000](#)).

The *waqaf* offers an alternative form of innovative, community-centred financial initiatives that draw upon Islamic principles of risk-sharing, participation and entrepreneurship ([Rajeswary A.B., 2008](#)). In her analysis of the *waqaf* system in Singapore, [Rajeswary \(2008\)](#) asserts that the Islamic *waqaf* acknowledges the plurality of practices, market and non-market, semi-capitalist and non-capitalist, formal and informal, which can shape capitalism. The *waqaf* system can link diverse economic, social and religious interests to promote access to finance and property. Cash *awqaf*, another financial innovation, fuelled by moneylending and remittances have supplied credit to traders and property developers to participate in inventive forms of capitalist transformation, harnessing local and transnational Islamic assets and institutions. Additionally, Islamic *waqaf* may be instrumental in promoting public sphere induced by Islam. The mosque, the madrasah, feeding the poor, festivals and rituals, are added to by the mobilization of public lands, lending visibility to the civic activities of a Muslim community.

[Schor \(2010\)](#) suggests to change our consumption and production to ecologically sustainable activities outside the market, investing in new skills, replacing expensive goods with homemade ones, and expand the scope of shared goods. These kind of i.e. the non-market practices may implicitly strengthen the social capital, relationships among the communities. Among the social capital mechanisms that may be practised such as locally grown food, recycling, repairing used items. Obviously, if we learned to share more, we would not only strengthen the community but also achieve environmental efficiencies.

DISCUSSION AND CONCLUSION

As mentioned earlier, this paper is about a preliminary conceptual exploration into the meaning and potential of IGE for sustainable local development. The ESE framework illustrates further on how we can translate all the key principles of IGE into practical applications with the help of appropriate Islamic policy instruments.

The failings of capitalism with the widening of inequalities, environmental ails and more generally value crisis triggered the rethinking of new economic order that may help to sustain humanity. Islam with its universal values is viewed by this paper as highly potential alternative to those western economic models. As mention elsewhere in this paper, IGE is an economy that is built on the foundations of ethical core values, and socially responsible governance, and it is geared towards achieving the triple bottom line goals of social development and ecological conservation. The ultimate aim of this paper is to provide a new narrative of Islamic economy specifically in the IGE framework.

This paper may shed some lights on how can we promote the growth of participatory public sphere induced by Islam as well as the revival of the concept and practice of Islamic philanthropy. The aspired public sphere where the power in symbolic and discursive forms while pursuing a dynamic economic transformation. It may include the voluntary and civic activities. Islamic taxation, zakat and *sadaqah* will be its form of wealth redistribution which may significantly lead to the vibrant economy of the Muslim community. In this respect, considerable attention and efforts must be given to develop appropriate organizations and strategic governance of Islamic public sphere and philanthropy system to ensure the achievement of the desired outcomes i.e. economic regeneration and community empowerment.

This paper also has significant relevance to the concept of social economy. It is a third sector among economies between the private (business) and public sectors (government). It includes organizations such as cooperatives, non-profit organizations, social enterprises and charities. Social economy theory attempts to situate these organizations into a broader political economic context. In particular it investigates the economic viability of cooperatives and the value of non-profit organizations and charities in traditional economic theory. In facing the challenge of capitalism the third sector must be strengthen since it prioritize the welfare of people and planet.

It is undeniable that the sustainability journey is indeed a challenging ones. It requires holistic approach and coordinated ones. A multi-dimensional or comprehensive approach to sustainability is needed. It is believed that unified discipline can give more comprehensive, deeper meaning and more enriching data for sustainability. This paper may be of significant help to bring Islamic economy, social entrepreneurship and institutions at the centre of sustainability sciences.

Sustainability initiative is highly context-dependent. Hence, research should be done on the particular context and to examine the overall policy settings, the politics, history, agro-ecology and socio-economic conditions. Having enough knowledge on the resources, strategies, the structures and process i.e. formal or informal process may facilitate the incorporation of IGE in the community level.

Undeniably, it may take some time to develop appropriate policy responses, and surely it requires strong local leadership to link the idea to the policy level. More importantly, it surely needs a combined efforts of numerous organizations, the chain of production must be tightened up from the farm-market-consumer that must inevitably be guided by the Islamic economic principles. Further clarification is also needed from related Islamic scholars notably from economic disciplines to iron out this idea more efficiently and successfully.

More importantly, it is about promoting civic-driven change. So the community must be groomed and be equipped with the necessary knowledge and skills for them to engage efficiently and effectively in the agenda. More responsibilities for planning must be placed in the hands of local communities to strengthen their sense rights and responsibilities. There is

also an urgent need to empower the local community, to nurture and develop their entrepreneurial mindsets. The local leaders must know how to optimize their potentials.

LIMITATION AND STUDY FORWARD

As mentioned earlier, this paper is about a preliminary conceptual exploration of the related and relevant literature on Islamic Economic systems and its relation to sustainable development notably at the local level. This kind of study will be complemented with the case study to examine the integration of IGE in the real settings in the next phase. Pilot projects on the ground for integrating IGE at the community level is currently underway in Semanggol, Perak Malaysia. Future articles may report on the livelihood portfolios of the chosen context, what are the enablers and constraints for incorporating the IGE framework for sustainable development at the local level of the particular community. Future research may be undertaken to examine thoroughly what are the practical, operational and policy implications of adopting IGE framework for sustainable development at the local level in a more comprehensive manner.

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