

Is Islamic Economics Truly an Alternative to Capitalism? A Critical Review of Contemporary Islamic Economic Literature

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ABSTRACT

The debate over whether Islamic economics can serve as an alternative to capitalism is increasingly relevant amid problems such as unequal wealth distribution, asset concentration, financial dominance, resource exploitation, and social inequality. Islamic economics is often presented as an alternative because it is grounded in tawhid, falah, maslahah, maqashid al-shariah, justice, amanah, and restrictions on riba, gharar, and maysir. However, many Islamic economic institutions operate within global market and financial structures shaped by capitalism, raising questions about the extent of their transformative capacity. This study critically examines the potential of Islamic economics as an alternative to capitalism by analyzing the gap between its normative principles and institutional implementation. It employs a critical literature review using a qualitative descriptive-analytical approach, focusing on Islamic economic philosophy, capitalism, ownership, markets, wealth distribution, Islamic finance, maqashid al-shariah, maslahah, and social justice. The findings indicate significant philosophical and normative differences between Islamic economics and capitalism, particularly regarding economic objectives, wealth, social responsibility, and moral limits. Nevertheless, Islamic economics has not yet developed into a fully independent alternative system. It is therefore more appropriately understood as a transformative alternative paradigm whose systemic realization depends on institutional innovation, public policy, equitable wealth distribution, and justice-oriented development.

Keywords: Islamic Economics, Capitalism, Islamic Finance, Critical Review, Maqashid al-Shariah, Maslahah, Economic Justice

INTRODUCTION

Capitalism is one of the most dominant economic systems in shaping the structure of the modern global economy. The development of this system has been characterized by recognition of private ownership, freedom to conduct economic activities, market mechanisms, capital accumulation, competition, investment, and the pursuit of profit as major drivers of economic activity. Throughout its historical development, capitalism has made significant contributions to productivity, industrialization, technological innovation, international trade, and economic growth. Market mechanisms provide incentives for individuals and firms to improve efficiency, develop new products, discover more productive technologies, and respond to changes in consumer demand. From this perspective, capitalism has a strong capacity to generate economic growth and expand productive capacity. However, the success of capitalism in generating growth is not necessarily synonymous with its success in creating equitable distribution, social justice, and welfare that can be proportionally experienced by all segments of society. Economic growth may occur alongside increasing wealth concentration, unequal asset ownership, the marginalization of certain economic groups, and environmental problems associated with excessive resource exploitation. Criticism of capitalism does not necessarily mean that all aspects of capitalism should be viewed negatively. One of the strengths of capitalism lies in its ability to create economic incentives that encourage innovation and efficiency (Abidin, 2020).

The problem arises when market mechanisms and capital accumulation interests are not balanced by adequate moral, social, and institutional mechanisms. Under certain

conditions, the pursuit of profit may encourage firms to reduce labor costs, exploit natural resources, engage in aggressive marketing practices, lower product quality, or develop financial instruments that prioritize profits over real economic activities. Markets can allocate resources efficiently under certain conditions, but they do not always guarantee that the outcomes of such allocation will be socially just. Therefore, criticism of capitalism is not merely concerned with questions of efficiency, but also with who benefits from economic processes, who bears the social costs, and how wealth is distributed within society. The global financial crisis has also strengthened debates concerning the structure of the modern economy. The crisis demonstrated that the financial sector can develop with a level of complexity far greater than that of real economic activities. Dependence on debt, speculation, financial derivatives, leverage, and profit-seeking behavior may increase efficiency under certain conditions, but may also amplify systemic risks when not properly managed. From a critical perspective, this raises the question of whether a financial system that becomes increasingly detached from real economic activity can continue to serve as a sound foundation for economic development (Nuredini & Matoshi, 2022).

This question represents one of the areas in which Islamic economics offers a different perspective through its emphasis on the connection between financial transactions and real economic activities, risk sharing, the prohibition of *riba*, *gharar*, and *maysir*, and the principle of justice in contractual relationships. Islamic economics emerged in this context as an approach that offers not merely a technical alternative to conventional financial systems, but also a paradigm concerning how economic activities should be conducted. Islamic economics is based on the view that economic activity is part of human life and cannot be separated from moral and spiritual values. Economic objectives are not limited to the accumulation of wealth or the maximization of material utility, but are directed toward the achievement of *falah*, namely well-being that encompasses material, social, moral, and spiritual dimensions. This perspective gives Islamic economics a different point of departure from economic approaches that place material interests at the center of analysis. Human beings in Islamic economics are not viewed merely as economic agents who pursue self-interest, but also as moral beings who bear responsibilities toward God, other human beings, and the environment (Sholihin et al., 2023).

This paradigm difference is clearly reflected in the concept of ownership. Islamic economics recognizes individual ownership and provides broad opportunities for trade, investment, entrepreneurship, and profit-making activities. In this respect, Islamic economics cannot be equated with an economic system that eliminates private ownership. Nevertheless, ownership in Islam is not understood as an absolute right without responsibility. Wealth is regarded as a trust (*amanah*), and human beings have moral obligations regarding its use. Individual ownership rights exist alongside social responsibilities, including the obligation of *zakat* and encouragement to distribute wealth through *infaq*, charity (*sadaqah*), and *waqf*. Thus, Islam seeks to establish a balance between individual rights over wealth and social responsibility toward society. The issue of distribution is one of the important aspects distinguishing Islamic economics from capitalism. Under capitalism, market mechanisms play a major role in determining resource allocation and income distribution, although governments may intervene through fiscal policies, taxation, subsidies, and social programs. In Islam, market mechanisms remain legitimate, but there are explicit distribution mechanisms based on religious values. *Zakat* is one of the instruments demonstrating that individual wealth has a social dimension, while *waqf* can serve as an instrument for establishing social assets whose benefits may continue over the long term. Conceptually, the existence of these instruments demonstrates that Islamic economics does not completely entrust welfare distribution to market mechanisms. However, the critical question is whether these instruments have been developed into sufficiently strong economic institutions to transform the structure of wealth distribution in modern society (Aravik et al., 2021).

This question is important because contemporary Islamic economics has experienced significant development in the form of Islamic banking, Islamic capital markets, sukuk, takaful, zakat institutions, productive waqf, Islamic fintech, and various halal business models. Such development demonstrates that Islamic economics is no longer merely a theoretical idea, but has developed into a tangible industry and institutional structure. At the same time, however, this development creates new questions regarding the identity and direction of Islamic economics. Many Islamic institutions operate within capitalist economic environments, facing demands for profitability, market competition, investor pressures, efficiency requirements, and regulations that are largely constructed around modern economic structures. This situation raises a fundamental question: is Islamic economics building an alternative system, or is it merely adapting Islamic principles to an existing economic structure? This debate is most clearly visible in the Islamic financial industry. Normatively, Islamic finance offers a different framework through the prohibition of *riba*, restrictions on *gharar* and *maysir*, and encouragement of risk sharing and the connection between financial transactions and real economic activities. In practice, however, Islamic financial institutions must address issues of risk, liquidity, income certainty, efficiency, and investment returns. These conditions encourage the development of various instruments that formally comply with Sharia requirements, but from a critical perspective may sometimes possess economic characteristics that are very similar to conventional instruments. This does not necessarily indicate a formal violation of Sharia, but it raises critical questions regarding the extent to which Islamic financial innovation truly produces economic transformation (Soemitra, 2021).

Criticism of this tendency needs to be approached proportionally. It would be inaccurate to regard all contemporary Islamic economic developments merely as capitalism given an Islamic label. The distinction between Islamic economics and capitalism remains significant at the level of principles and objectives. However, it is equally inappropriate to assume that all Islamic economic institutions automatically represent the realization of an ideal Islamic economic system merely because they use Sharia-compliant contracts or products. The distinction between formal legality and economic substance is therefore an important issue requiring critical analysis. If the objective of Islamic economics is to achieve *maslahah*, justice, welfare, and *falāh*, then the success of Islamic economics cannot be measured solely by the growth of industry assets or the number of Islamic products. It must also be assessed based on its impact on wealth distribution, social welfare, access to financing, consumer protection, labor conditions, and environmental sustainability. Within this context, *maqashid al-shariah* occupies an important position as a framework for evaluation. The *maqashid* approach allows Islamic economics to move beyond an approach that focuses solely on the halal or haram status of an economic transaction. Economic activities can be assessed according to the extent to which they protect wealth, life, intellect, lineage, and religion while creating broader social benefits. In contemporary intellectual development, this framework can be expanded to evaluate whether an economic system is capable of providing basic needs, reducing poverty, improving human capabilities, maintaining economic stability, creating economic opportunities, and protecting the environment. Thus, *maqashid al-shariah* can serve as a bridge between religious norms and economic policy evaluation (Fahrudin, 2024).

The question of Islamic economics as an alternative to capitalism cannot be separated from the relationship between markets and the state. Islamic economics does not reject market mechanisms, but neither does it legitimize an unrestricted free market without moral boundaries. In the history of Islamic thought, markets have played an important role in economic activities, but mechanisms of supervision also existed to prevent fraud, manipulation, harmful monopolies, and unfair trading practices. The state has a responsibility to create an economic environment that allows people to engage in economic activities fairly while protecting vulnerable groups. This demonstrates that Islamic economics does not stand

entirely on the side of either the market or state control, but seeks to establish a balance between economic freedom and social responsibility (Suar et al., 2020).

The challenge that then emerges is how these principles can be applied within an increasingly complex global economic system. Modern economies no longer consist merely of simple transactions between buyers and sellers, but involve multinational corporations, capital markets, global supply chains, digital payment systems, financial technology, artificial intelligence, platform economies, and cross-border capital mobility. These developments require Islamic economics not only to preserve its normative principles but also to develop institutions capable of responding effectively to contemporary economic challenges. If Islamic economics can only offer prohibitions and restrictions without providing efficient alternative mechanisms, its capacity to become a systemic alternative will remain limited. Based on these issues, this study conducts a critical review of contemporary Islamic economic literature with the aim of evaluating the extent to which Islamic economics can genuinely be positioned as an alternative to capitalism. The study does not begin with the assumption that Islamic economics is necessarily superior to capitalism, but seeks to examine this claim through an analysis of differences in paradigms, institutional mechanisms, and contemporary Islamic economic practices. The primary focus is to determine whether Islamic economics has succeeded in developing a systemic alternative or whether it remains at the stage of developing an alternative paradigm that interacts with capitalist structures (Ul-Haq et al., 2022).

METHOD

This study employs a critical literature review method using a qualitative descriptive-analytical approach. The selection of this method is based on the conceptual and evaluative nature of the research question. The study is not intended to statistically test relationships between Islamic economics and capitalism, but rather to evaluate arguments developed in the literature regarding the position of Islamic economics as an alternative to capitalism. Therefore, the literature is used not only to obtain information concerning Islamic economic concepts but also as an object of critical examination in order to assess the consistency between normative claims, institutional design, and contemporary Islamic economic practices. The literature examined focuses on academic sources discussing Islamic economics, capitalism, the philosophy of Islamic economics, *maqashid al-shariah*, *maslahah*, ownership, wealth distribution, *zakat*, *waqf*, Islamic finance, Islamic banking, Islamic capital markets, economic justice, governance, sustainability, and the development of the halal industry. The literature is selected based on its relevance to the main research question, namely whether Islamic economics possesses sufficiently distinct characteristics to be considered an alternative to capitalism and whether these characteristics have been realized in contemporary economic practice (Assyakurrohim et al., 2022; Connaway & Radford, 2021).

The analysis is conducted through several interconnected stages. The first stage involves identifying the fundamental concepts of capitalism and Islamic economics, particularly concerning economic objectives, human nature, ownership, markets, profit, distribution, and the role of the state. The second stage analyzes Islamic economic instruments and institutions that are considered potential alternatives, such as *zakat*, *waqf*, profit-sharing systems, Islamic finance, and other distribution mechanisms. The third stage critically evaluates contemporary Islamic economic practices by considering the possibility of a gap between formal structures and economic substance. The final stage synthesizes the findings to determine the position of Islamic economics in relation to capitalism, whether as a completely alternative system, a complementary system, or a transformational paradigm that remains under development. The critical approach employed in this study is intended to avoid two extreme tendencies. The first is an apologetic approach that assumes Islamic economics is automatically more just simply because it is derived from Sharia principles. The second is a reductionist approach that assumes Islamic finance and economics are nothing more than

capitalism using Islamic terminology. Both positions are considered inadequate because they fail to explain the complexity of the relationship between Islamic values and modern economic structures. Therefore, this study adopts an analytical position by acknowledging the normative strengths of Islamic economics while simultaneously evaluating the limitations of its implementation.

RESULTS AND DISCUSSION

RESULTS

The findings indicate that Islamic economics has fundamental paradigm differences from capitalism, although the two systems share several instruments and mechanisms. The first difference concerns the objectives of economic activity. Capitalism generally provides broad space for the pursuit of individual interests, capital accumulation, efficiency, and profit as drivers of economic activity. Islamic economics does not reject individual interests or profit, but places them within the framework of *falah*, *maslahah*, and moral accountability. Therefore, economic success in Islam is not determined solely by the ability to generate wealth, but also by how wealth is obtained and its consequences for human life. The second difference concerns the concept of ownership. Capitalism strongly protects private property rights because ownership is considered one of the foundations of economic freedom and investment incentives. Islamic economics also recognizes private ownership but places normative limits on its use. Wealth is regarded as a trust (*amanah*), and its use must take social rights into consideration. This principle produces a concept of ownership that is not entirely absolute because individuals have responsibilities toward society. Zakat, *infaq*, *sadaqah*, and *waqf* demonstrate that ownership in Islam has an explicit social dimension (Oreibi, 2025).

The findings further demonstrate that Islamic economics does not reject markets. Market mechanisms, trade, competition, and entrepreneurship remain important elements of Islamic economic activity. However, markets from an Islamic perspective are not spaces free from moral norms. Market activities must be conducted with honesty, transparency, justice, and a prohibition against manipulation. Thus, the difference between Islamic economics and capitalism does not lie in the existence of markets, but rather in the principles governing how markets should function. In terms of distribution, Islamic economics possesses considerable potential as an alternative. The existence of zakat and *waqf* provides distribution mechanisms that do not depend entirely on market forces. Zakat has a redistributive function, while *waqf* has the potential to establish productive social assets whose benefits can extend across generations. However, the findings demonstrate that these potentials depend heavily on institutional quality. Without professional governance, transparency, data integration, and productive asset-management strategies, zakat and *waqf* may not be capable of producing structural changes in economic inequality (Hamzani et al., 2020).

In the financial sector, the findings reveal clear normative differences between Islamic and conventional finance, particularly concerning the prohibition of *riba*, *gharar*, and *maysir*. Islamic economics also emphasizes the importance of connecting financial transactions with activities that have real economic value. At the practical level, however, Islamic financial institutions tend to use transaction structures that provide high levels of certainty and return characteristics similar to conventional systems. This situation does not necessarily represent a formal violation of Sharia principles, but it raises critical questions concerning the extent to which Islamic financial innovation has genuinely produced economic transformation. The study also finds that contemporary Islamic economic development faces the issue of form versus substance. Compliance with the formal structure of a contract is an important aspect of Islamic law, but formal compliance is not necessarily identical to the achievement of Islamic economic objectives. If a transaction formally meets Sharia requirements but substantively produces inequality, disproportionate burdens, or very limited social benefits, then it requires deeper evaluation based on *maqashid al-shariah*. This finding demonstrates that the

development of Islamic economics requires a balance between compliance with formal rules and the achievement of the substantive objectives of Sharia (Shabbir & Ahmed, 2020).

The findings also indicate that Islamic economics has significant potential as an alternative in the field of social development. The principle of *maslahah* allows economic activities to be directed toward creating broader benefits rather than merely generating profits for capital owners. From this perspective, companies may continue to pursue profit, but their activities should generate value for consumers, workers, communities, and the environment. Therefore, Islamic economics can offer a multidimensional concept of development compared with approaches that rely primarily on indicators of economic growth and profitability. Nevertheless, there remains a gap between this potential and contemporary implementation. Many Islamic institutions remain highly dependent on capitalist economic structures in terms of regulation, markets, technology, sources of financing, and performance indicators. This dependence causes Islamic economics to develop more frequently as a specialized sector within the capitalist system rather than as a completely separate economic system. Therefore, the main finding of this study is that Islamic economics possesses the characteristics of an alternative paradigm but has not yet fully become a systemic alternative to capitalism (Nurizka et al., 2025).

DISCUSSION

The question of whether Islamic economics truly constitutes an alternative to capitalism must begin with the recognition that the term “alternative” can be understood at several levels. If an alternative is defined as a system that must completely replace all capitalist institutions, then contemporary Islamic economics cannot yet be considered a full alternative. Most Islamic institutions continue to operate in the same markets, use similar technologies, comply with the same national legal systems, and face the same pressures of profitability as conventional institutions. However, if an alternative is understood as a paradigm that offers different objectives, values, moral boundaries, and distribution mechanisms, then Islamic economics possesses a strong foundation for being considered an alternative. At the paradigmatic level, the difference between Islamic economics and capitalism can be seen in how the two approaches understand the objectives of economic activity. Capitalism generally provides substantial space for individual interests, capital accumulation, and market efficiency. Islamic economics recognizes the importance of these elements but places them within a broader framework. Economic activity must contribute to *falah*, meaning human well-being that is not merely material but also moral and spiritual. Thus, Islamic economics does not consider wealth to be inherently negative, but rejects the idea that wealth should become the sole measure of economic success (Iqbal, 2024).

This paradigm difference has important implications for the understanding of human beings. In conventional economic perspectives, human beings are often analyzed as rational individuals seeking to maximize utility based on preferences and resource constraints. Islamic economics also recognizes human rationality, but does not separate rationality from morality. An individual cannot be considered fully rational if profit is obtained through fraud, exploitation, or prohibited transactions. Thus, Islamic economics expands the concept of economic rationality by incorporating ethical and spiritual considerations. This concept also influences the meaning of profit. Islam does not prohibit profit and does not require entrepreneurs to disregard economic interests. Profit is part of the sustainability of business and can become a source of investment, innovation, employment, and economic growth. The issue concerns the manner in which profit is obtained. Profit derived from productive activities, honest trade, innovation, efficiency, and value creation can be accepted. Conversely, profit obtained through fraud, exploitation, manipulation, *riba*, *gharar*, or unfair practices contradicts the principles of Islamic economics (Al-Daghistani, 2021).

Therefore, the fundamental difference between capitalism and Islamic economics does not lie in whether both recognize profit, but rather in the position of profit within the broader objectives of the economy. Capitalism can treat profit-seeking as a primary force driving economic activity, whereas Islam places profit as one objective that must operate within moral and social boundaries. In this context, Islamic economics does not reject capitalist market mechanisms in their entirety, but seeks to establish limits on market tendencies that may generate injustice. Ownership is another aspect demonstrating the alternative character of Islamic economics. Capitalism develops private property rights as a central foundation of economic activity. Such rights provide incentives for individuals to invest and improve productivity. Islam recognizes these benefits but views ownership as a trust. This means that individuals possess rights over wealth, but those rights do not eliminate social responsibilities. Wealth has a social function because certain groups within society possess particular needs and rights in relation to economic resources (Hidayat, 2023).

From this perspective, zakat is not only understood as an individual religious obligation but also has economic consequences. Zakat can serve as a mechanism for transferring wealth from economically capable groups to those in need. If managed professionally and integrated with poverty-reduction policies, zakat has the potential to become a significant redistributive instrument. However, zakat cannot be regarded as a single solution to structural inequality. Inequality is also related to access to education, healthcare, capital, land, technology, and employment opportunities. Therefore, Islamic economics needs to integrate redistributive instruments with broader development policies. Waqf may possess an even more strategic potential in this context because it allows the establishment of assets whose benefits can continue over the long term. Productive waqf can support education, healthcare, microenterprises, public facilities, and various socio-economic activities. However, realizing the potential of waqf requires institutional reform, improved managerial competence, transparency, and innovation in asset development. Without institutional transformation, waqf may remain in the form of passive assets with limited economic benefits (Anjum, 2022).

In the context of markets, Islamic economics adopts a relatively moderate position. Islam does not eliminate market mechanisms because trade and exchange are important components of economic activity. However, markets are not regarded as institutions that are entirely morally neutral. Information asymmetry, manipulation, fraud, harmful monopolies, and exploitation may cause markets to generate unjust outcomes. Therefore, Islamic economics recognizes the importance of regulation and supervision to ensure that markets function properly. This perspective provides room for the state to play a role in the economic system. The state does not need to control all economic activities, but it has a responsibility to establish institutions that prevent injustice and protect the public interest. In the modern context, this function can be expressed through competition regulation, consumer protection, labor policies, financial-sector supervision, environmental policies, and social protection systems. Thus, Islamic economics can be positioned between the extremes of unrestricted free markets and excessive state control (Athief et al., 2025).

Financial systems represent one of the most important areas in the debate over Islamic economics as an alternative. The prohibition of *riba* demonstrates that Islam contains a fundamental critique of certain forms of financial relationships considered unjust. However, the greatest challenge is not merely to eliminate interest formally, but to build a financial system capable of providing financing efficiently while sharing risks fairly. Profit-sharing systems can theoretically create a closer relationship between capital owners and entrepreneurs because profits and risks can be shared according to business performance. Nevertheless, implementing such systems requires transparent information, strong governance, effective monitoring mechanisms, and sophisticated risk-management capabilities. The tendency of Islamic financial institutions to use instruments with relatively

high levels of return certainty can be understood from the perspective of risk management. However, from the perspective of Islamic economic development, this tendency raises questions regarding whether Islamic financial systems have optimally utilized their conceptual advantages. If Islamic systems primarily focus on reproducing the same economic functions as conventional systems through different contractual structures, their contribution as a systemic alternative becomes limited. This issue represents one of the most important criticisms in contemporary Islamic economic literature (Awan et al., 2023).

The concept of *maqashid al-shariah* can provide a basis for addressing this issue. The *maqashid* approach allows Islamic economics to evaluate not merely whether a product complies with formal requirements, but also whether the product produces benefits and reduces harm. For example, Islamic financing can be evaluated not only based on the contract used, but also according to whether the financing increases public access to capital, supports productive enterprises, creates employment, and improves welfare. This approach can shift the orientation of Islamic economics from merely Sharia compliance toward Sharia impact. The criticism of form versus substance becomes increasingly important because the growth of the Islamic industry may create a paradox. On the one hand, industry growth demonstrates that Islamic economics has successfully adapted to the needs of modern society. On the other hand, the increasing similarity between Islamic and conventional products raises questions about the extent to which the identity of Islamic economics remains substantive. This paradox does not necessarily have to be resolved by rejecting innovation or modern technology. More importantly, it requires ensuring that innovation does not eliminate the fundamental objectives of Sharia (Hidayat, 2023).

In this context, Islamic economics should not be positioned as a system that rejects all mechanisms of capitalism. Markets, technology, corporations, investment, innovation, and competition are not inherently incompatible with Islam. The central issue is the values and objectives guiding their use. Financial technology can be used to increase financial inclusion, but it can also be used to exploit consumers through hidden fees. Consumer data can be used to improve efficiency, but it can also be used unethically. Markets can create prosperity, but they can also generate wealth concentration when poorly regulated. Therefore, Islamic economics can be understood as a paradigm seeking to transform existing economic mechanisms. Under a transformational approach, Islamic economics does not have to create every institution from scratch. It can utilize modern mechanisms considered beneficial and then provide them with direction, limits, and objectives consistent with Islamic principles. This approach is more realistic than the view that Islamic economics must be completely separated from the global economic system. However, the transformational approach carries risks if Islamic principles are used merely as a means of legitimization. When religious values are used primarily to build consumer trust without corresponding substantive changes in business practices, Islamic economics may lose its critical function toward capitalism. A halal or Sharia label should not merely indicate that a product meets formal requirements, but should also reflect a commitment to quality, justice, transparency, social responsibility, and sustainability.

In this regard, Islamic companies face a particularly complex challenge. Companies must remain economically sustainable, generate profits, compensate workers, invest, and compete in the market. At the same time, they must meet broader ethical expectations. This challenge does not mean that profit and ethics must always conflict. Companies can generate profits through innovation, efficiency, improved quality, good service, and fair relationships with stakeholders. Problems arise when companies use unethical practices as their primary source of competitive advantage. The relationship between profitability and justice should also be viewed from a long-term perspective. Exploitative business practices may generate short-term profits, but they can damage reputation, reduce consumer loyalty, increase labor conflicts, and create legal risks. Conversely, investments in quality, employee welfare,

environmental protection, and transparency may increase costs in the short term but can create more stable value in the long term. From an Islamic perspective, such considerations are consistent with an orientation toward sustainability and *maslahah*. Sustainability is an increasingly important dimension in discussions of Islamic economics. An economic system that produces growth while damaging the environment may ultimately generate substantial social costs. The principle of *amanah* regarding resources indicates that human beings have a responsibility to use resources without excess and without causing harm. In the modern context, this principle can be translated into environmentally friendly production, energy efficiency, waste reduction, worker protection, and sustainable investment.

Thus, Islamic economics has the potential to provide constructive criticism of capitalism. Such criticism does not have to take the form of total rejection of markets and private ownership, but can instead address the limits of capital accumulation, wealth distribution, social responsibility, and long-term orientation. Islamic economics can accept mechanisms that have demonstrated their ability to generate efficiency while rejecting the assumption that efficiency automatically means justice (Iqbal, 2024). The greater challenge concerns the ability of Islamic economics to develop institutions capable of translating these principles into practice. Criticism of capitalism becomes less meaningful if Islamic economics cannot provide alternative mechanisms that function effectively in the real world. Therefore, the challenge facing Islamic economics is not merely theoretical but also institutional. Institutional designs are needed that can combine market efficiency, distributive justice, social responsibility, and sustainability. Within this context, integration between the commercial and social sectors is important. The Islamic economic system should not sharply separate business activities from social objectives. Zakat, waqf, Islamic microfinance, small-business financing, social investment, and sustainable businesses can be developed as components of an interconnected economic ecosystem. Such an approach can expand the role of Islamic economics from merely an Islamic financial industry into a broader model of socio-economic development.

Accordingly, criticism of contemporary Islamic economics should not be understood as an attempt to weaken Islamic economics, but rather as part of the process of developing its theory and institutions. Criticism is necessary so that Islamic economics does not stop at symbols and terminology. Islamic economics will gain stronger legitimacy if it can demonstrate that Sharia principles can produce institutions that genuinely improve welfare, reduce inequality, expand economic access, protect the environment, and create more equitable economic relationships. Based on the overall discussion, the position of Islamic economics toward capitalism can be understood at three levels. At the level of values and paradigms, Islamic economics has substantial differences because it places economic activity within the framework of *tawhid*, *falah*, *maslahah*, *amanah*, justice, and moral accountability. At the level of mechanisms, Islamic economics provides several alternatives such as zakat, waqf, profit-sharing financing, and restrictions on certain transactions. However, at the level of institutional implementation, Islamic economics continues to interact extensively with capitalist structures and has not yet produced a fully independent system. This position indicates that Islamic economics is more appropriately described as a transformational alternative rather than a revolutionary alternative. Islamic economics does not have to replace all modern economic mechanisms, but can change their orientation, rules, distributional effects, and objectives (Fadillah et al., 2024).

Markets can continue to be used, but they should be directed so that they do not produce exploitation. Private ownership can continue to be recognized while being accompanied by social responsibility. Profit can remain a business objective but must be obtained through *halal* activities and value creation. Finance can continue to develop through innovation but should remain connected to real economic activities and avoid generating injustice. Through this approach, Islamic economics is not merely an alternative for Muslims,

but has the potential to offer a perspective relevant to global economic problems. Inequality, financial crises, climate change, labor exploitation, and wealth concentration are not problems experienced only by Muslim societies. Therefore, Islamic economic values such as distributive justice, social responsibility, restrictions on speculation, the connection between finance and the real sector, and sustainability have the potential to contribute to broader economic discourse. However, this potential should not be treated as evidence that Islamic economics has already succeeded in becoming an alternative. Potential and reality must be clearly distinguished. Islamic economics possesses strong normative and intellectual resources, but transforming an economic system requires institutions, policies, human resources, technology, governance, and social consensus. Without these elements, Islamic economics risks remaining an alternative sector operating within capitalism without fundamentally changing its underlying structure (Suar et al., 2020).

CONCLUSION

Based on the critical review of contemporary Islamic economic literature, it can be concluded that Islamic economics possesses a sufficiently strong philosophical and normative foundation to be positioned as an alternative to capitalism, but this status must be distinguished between the paradigmatic and implementation levels. At the paradigmatic level, Islamic economics offers a different perspective on the objectives of economic activity, the relationship between human beings and wealth, the function of markets, wealth distribution, and the relationship between individual and social interests. The concepts of *falah*, *maslahah*, *maqashid al-shariah*, *amanah*, justice, and social responsibility provide a foundation that differs from the capitalist orientation toward capital accumulation and individual economic interests. Islamic economics also cannot be understood as a system that rejects profit, private ownership, trade, markets, investment, and innovation. Instead, Islamic economics recognizes all of these activities as components of economic life while placing moral and social boundaries on their use. Therefore, the alternative offered by Islamic economics is not the elimination of markets or individual ownership, but the transformation of how markets, ownership, and profit are directed. Islamic economics seeks to integrate economic interests with moral and social responsibility.

In terms of distribution, *zakat* and *waqf* provide significant potential for Islamic economics to offer mechanisms that do not depend entirely on market forces. *Zakat* can function as a redistributive instrument, while *waqf* can be developed as a productive social asset. However, these potentials do not automatically generate structural change because their effectiveness depends heavily on institutional quality, governance, transparency, professionalism, and integration with development policies. Therefore, the normative advantages of Islamic economic instruments must be translated into institutions capable of functioning effectively within the modern economy. In the financial sector, Islamic economics offers significant criticism through the prohibition of *riba*, *gharar*, and *maysir*, as well as its emphasis on contractual justice and connections with real economic activities. However, the development of Islamic financial industries demonstrates a gap between ideal principles and practice. Some Islamic institutions continue to operate with profitability-oriented models and market structures that closely resemble conventional institutions. This condition demonstrates that contemporary Islamic economics remains in the process of finding an institutional form capable of combining Sharia compliance with more substantive economic transformation.

The criticism of form versus substance is one of the important findings of this study. Formal compliance with contracts and Sharia requirements remains important, but it should not become the sole measure of Islamic economic success. Islamic products and institutions should also be evaluated based on their impact on welfare, justice, wealth distribution, consumer protection, access to financing, worker welfare, and environmental sustainability.

In this regard, maqashid al-shariah can function as an evaluative framework that brings together legal, moral, social, and economic dimensions. Therefore, the answer to the question of whether Islamic economics is truly an alternative to capitalism cannot be given simply as “yes” or “no.” Islamic economics can be considered an alternative at the paradigmatic level because it possesses different objectives, values, and conceptions of economic activity from capitalism. However, Islamic economics cannot yet be fully regarded as a systemic alternative at the implementation level because most Islamic economic institutions continue to operate within a global economic structure dominated by capitalism. Contemporary Islamic economics is more appropriately understood as a transformational project attempting to translate Islamic values into modern economic institutions.

The main implication of this finding is that the future of Islamic economics should not be directed solely toward increasing the number of Islamic institutions, products, or market share. The more important challenge is to improve the quality and substance of Islamic economic institutions. The growth of the Islamic industry should be accompanied by greater contributions to distributive justice, economic inclusion, poverty reduction, productive-sector financing, worker welfare, consumer protection, and environmental sustainability. Thus, the success of Islamic economics should not be measured merely by the size of Islamic industries, but also by the extent to which such growth produces *maslahah*. Ultimately, Islamic economics does not need to choose between being modern and being Sharia-compliant. Its primary challenge is to build a synthesis between modern economic innovation and Islamic values. Markets can be utilized without making market interests an absolute objective, private ownership can be maintained without eliminating social responsibility, and profit can be pursued without sacrificing justice. Through this approach, Islamic economics can develop as an alternative that offers not merely “halal” products, but also a different way of understanding the objectives and responsibilities of economic activity.

Therefore, Islamic economics is more appropriately understood as an alternative paradigm with the potential to become a systemic alternative, rather than as a system that has already completely replaced capitalism. The greatest challenge facing Islamic economics is no longer merely to demonstrate the weaknesses of capitalism, but to develop economic institutions capable of demonstrating that Islamic values can produce a system that is efficient, competitive, just, inclusive, sustainable, and capable of responding to contemporary economic challenges. If the gap between normative principles and institutional practices can be reduced, Islamic economics will have greater opportunities to develop not merely as a specialized economic sector for Muslim societies, but as an alternative paradigm capable of contributing to the search for a more just and sustainable economic model.

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