
THE CONCEPT OF DEMAND AND SUPPLY IN ISLAMIC MACROECONOMICS ACCORDING TO MUHAMMAD NEJATULLAH SIDDIQI

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Abstract

This paper is motivated by the emergence of economic problems and Islamic economic thought revived, especially after fiqh scholars and scholars in other fields of science realized that the Islamic world was lagging behind the Western world. In development, especially in modern times, fiqh scholars have a strong tendency to see various differences of opinion from various fiqh madhhabs as a unit that is not separated. Nevertheless, the difference in principles between Islamic economic figures is increasingly unstoppable in the midst of the rapid flow of the world's major ideologies, namely the economic system of Capitalism and Socialism. It is related to the emergence of economic problems, and the differences of madhhab in Islamic economic circles. Mainstream madhhab argues that overall, there is no gap between the amount of economic resources and human needs, meaning that there is a balance. This madhhab agrees that economic problems arise because of limited resources and are faced with unlimited human desires. The purpose of this paper is to understand Islamic economic thought in all its forms, to examine the concept of demand and supply of two activities that underlie economic activities, for example, the total demand and supply of rice around the world is at the equilibrium point. However, if we talk about a specific place and time, then it is very likely that there will be a scarcity of resources. This research is qualitative-research. The type of research is literature by exploring and comparing the thoughts of contemporary Islamic economic figure Muhammad Nejatullah Siddiqi. The results of this mainstream madhhab research give the most color in the discourse of Islamic economics today, so that this madhhab has no difference between conventional economics and Islamic economics. The difference is only in the mechanism for solving economic problems which according to mainstream madhhab must refer to the Qur'an and As-Sunnah.

Keywords: *Islamic Economics, Mainstream Madzhab, Supply and Demand.*

A. INTRODUCTION

The study of modern Islamic economics began when the leaders of the Islamic world (especially the Middle East) felt the inequality in the world economic system dominated by the neoclassical system, this system was considered a representation of the West and had become a hegemony against the countries of the world, especially Muslim countries. As a result, various inequalities such as the uneven prosperity of various countries in the world have become an inevitable reality. In its development, there are several figures who give responses or criticisms to Islamic economics as a scientific study, various Islamic economic thinkers such as Baqr al Sadr, Muhammad Abdul Mannan, Muhammad Nejatullah Siddiqi, Monzer Kahf, Umar Chapra, M Akram Khan, Anas Zarqa, and others (Haneef, 2006).

The direction of thinking and the construction of the Islamic economic system that they described are different. This is influenced by their socio-cultural background and previous

disciplines. However, these differences are related to the concept of Islamic economics. In the level of paradigm 3, Muslim economists do not experience significant differences. There are at least three 4 madhhabs of contemporary Islamic economics, namely: (1) madzhab Al-Iqtishaduna, (2) madzhab Mainstream, and (3) critical alternative madzhab. 5 The reason behind the division of madzhab is the difference of opinion on the concept of what and how Islamic economics is. While M. Nejatullah Siddiqi⁴ defines Islamic economics as the answer of Muslim thinkers to the economic challenges of his time, with the guidance of the Qur'an and Sunnah, reason and experience A survey on contemporary Islamic economic thought conducted by Siddiqi shows that there is agreement on the philosophical foundation for the Islamic economic system, namely monotheism, worship, caliphate, and takaful (Nawawi, 2013).

This is what is interesting to research, actually how the construction of the Islamic economic system that contemporary thinkers want to realize, starting from the basis of its footing, the process of building it, the elements used, the relationship between individuals and the state, to the concept of supply and demand (Abdurrohman, 2016). For this reason, a comparative analysis of the construction of the Islamic economic system is needed which is based on the thinking patterns of several contemporary Islamic economic figures. Likewise, there is no difference of opinion regarding things that are clearly mentioned in the Qur'an and the Sunnah, such as the market mechanism that occurs between *demand* from the consumer side and supply in the Islamic economic system from the producer side, so that the price created is a combination of the strengths of each party. Therefore, demand and supply behavior is a basic concept of broader economic activity (Fattach, 2017).

Islamic economics' view of demand and supply is relatively the same as that of conventional economics. However, the difference in principle between demand and supply in Islam and conventional lies in the main factor in influencing demand and supply. According to conventional economics, the weight is on prices, if prices are high then demand will fall, and vice versa. While in Islamic economics the emphasis is on the benefits, benefits or benefits of a good, while price is not a basic review in Islamic economics, but the religious side is the main factor. Thus, Islamic economics' view of demand, supply is relatively the same as conventional economics, but there are restrictions from individuals to behave economically in accordance with sharia rules. In Islamic economics, Islamic norms and morals, which are Islamic principles in economics, are factors that determine an individual or society in carrying out their economic activities.

According to the mainstream madzhab, this madzhab was pioneered by Capra, Manan, & Siddiqi. This madzhab can be used on the concept of demand and supply in Islamic economics and conventional economics, indeed in general theory and law are almost the same, but if deepened it will see the difference between Islamic economics and conventional economics in explaining the theory of demand and supply. Because this mainstream madzhab groups economic problems no different from conventional economics which distinguishes the two is the choice of priority scale, if the conventional economy is a priority scale based on personal tastes which in the language of the Qur'an "god lust" while the priority scale of Islamic economy is based on the values of the Qur'an and as-Sunnah (Nawawi, 2013).

B. METHOD

This paper uses a descriptive method of analysis with an approach commonly called *library research*. The research used by the author with a qualitative descriptive method is in the form of collecting supporting data, and combining from several sources then comparing with other sources, topics of discussion, *supply and demand* in the concept of Islamic figures' thought, then analyzed using toirical research, *systematic literature review*, manuscript study or philosophical research and so on.

C. RESULTS AND DISCUSSION**D. The Concept of Demand in Islam According to Muhammad Nejatullah Siddiqi**

Demand is the large number of goods that are demanded in a certain market at a certain price level at a certain income level and in a certain period (Putong, 2002: 33). 2017. Ibn Taymiyah's opinion that there are things that affect demand, namely the desire from the community regarding an item of various types, and the desire is always not the same, the number of potential buyers on an item, the quality of consumers who have income or salary is one of the characteristics of good consumer quality, the level of need for an item, the method of payment in cash or installments, The amount of transactions when the transaction cost of an item decreases, there will be an increase in demand. As quoted by Abdul Azhim Islahi, the desire for something (*raghabat fi al-shay*) is one of the factors to consider the request. The price of goods requested, income level, number of population, tastes and estimates (speculation) of the price of goods in the future, and the price of other goods or substitute goods greatly affect the demand.

The concept of demand in Islam assesses that not all commodities can be consumed or used, differentiated between halal and haram. Allah has said in Surah Al-Maidah verses 87 and 88 which means: "*O you who believe, do not forbid anything good that Allah has made lawful for you, and do not go beyond the limit. Indeed, Allah does not like those who go beyond the limit. (87) "And eat halal and good food from what Allah has provided for you, and fear Allah in whom you believe" (88).*

The meaning in question can be interpreted as you should not exaggerate in narrowing yourself by forbidding things that are permissible for you. This is the opinion of salaf scholars. It can also be interpreted as if you are not allowed to prohibit what is halal, so you should not go beyond the limit in using and consuming what is halal, but take it according to your needs and sufficiency, do not go beyond the limit.

In the demand function, it is also interpreted as a *maslahah* approach, where this *mashlahah* can be measured in nominal units, by obtaining the maximum or optimal *mashlahah* in consumption, consumers will achieve *falah* or welfare. The desire for a good or service that is in accordance with the limits of *sharia* and *halal thoyyib* is a request in the opinion of Ibn Taymiyah. The concept used in the Islamic perspective demand theory is when assessing or determining commodities (goods or services) that not all can be used or consumed, the reason is because they must be able to distinguish between *halal* and *haram* commodities (goods or services). In the demand function, it is also interpreted as a *maslahah* approach, where this *mashlahah* can be measured in nominal units, by obtaining the maximum or optimal *mashlahah* in consumption, the community will achieve *falah* or welfare with the fulfillment of needs (Fattach, 2016).

The detailed discussion is outlined in the thought of Muhammad Nejatullah Siddiqi, Siddiqi views the guarantee of the fulfillment of basic needs for all people as one of the main characteristics of the Islamic economic system. It is indeed hoped that people can meet their needs through their own efforts. However, there are those who are temporarily unable to work and therefore must be guaranteed their needs. This is clearly stated by the Qur'an and the Sunnah. The principle that the basic needs of everyone must be fulfilled is fully based on *sharia*. The individual himself, his close relatives, neighbors and the community must all know and bear their respective responsibilities. However, the final responsibility for implementing this principle lies with the Islamic state. this is part of the vision of Islam. For him, it perpetuates a false notion of conventional power, creating the illusion that society makes demands for what they want to consume, producers produce because they obey the contribution made to the production process (Sumar'in, 2013).

According to Siddiqi, demand is limited or determined by the initial distribution of income and wealth. Therefore, distribution, all its determinants and inequalities, must be

studied and corrected from the source, not just as it happens in conventional (neoclassical) economics. In reality, Siddiqi considers unbalanced and unfair initial income and wealth as one of the situations that allow state intervention to occur, in addition to meeting needs and maintaining honest market practices.

Wealth can be sought or inherited but is seen as a mandate from Allah SWT, the absolute owner. Muhammad Nejatullah Siddiqi firmly underlined that since there is no explicit statement in the Qur'an and the Sunnah that prohibits the ownership of wealth by the private sector, it is permissible. However, the right to own wealth is limited in nature. This right is limited in the sense that each individual, state and society has a claim to own which is limited by its place and relationship within the Islamic socio-economic system (Anas Zarqo, 1996). The right to own this wealth, according to Siddiqi, should not cause conflict because all levels of society will work for a common goal, namely using all the resources given by Allah SWT. For the good of everyone. If there is a conflict of interest, then the interests of the community or the public interest must take precedence considering Islam's commitment to the public interest (*maslahah 'aammah*).

E. The Concept of Offer in Islam According to Muhammad Nejatullah Siddiqi

According to Winardi (1991), offer is the number of certain products that sellers are willing to sell in a certain market at a certain time. While Bidding is goods or services that are offered at a certain amount and price level and under certain conditions (Abdurrohman Kasdi, 2016). In some ways, there is a distinction between Islamic offers and conventional offers, that the goods or services offered must be transparent and detailed in their specifications, what is the state of the goods, the advantages and disadvantages of the goods. Do not let the bidding be detrimental to the party making the request. The Prophet in making offers always details about the specifications of his merchandise. In this context, supply theory is a theory that explains the nature of sellers in offering goods to be sold. Movements along and shifts in the supply curve changes in the amount offered can occur as a result of the shift in the supply curve. In other words, the definition of supply can also be explained by the process in general, the sources and production techniques used by a producer can be used to produce various kinds and quantities produced (Adiwarman, 2007).

The Islamic supply theory is inseparable from the rules and provisions outlined by Allah to humans in carrying out production activities. In processing nature, humans must always maintain the continuity of life around them, and do not destroy them. Production activities are also encouraged for goods that are useful, and processed in a halal manner and justified in sharia. It is not allowed to carry out production activities that if consumed cause damage to others. Discussing the Islamic theory of supply, we must go back to the history of human creation. The earth and humans were not created at the same time. In utilizing the nature that Allah has provided for human needs, as stated in (QS. Ibrahim: 32) which means "*It is Allah who created the heavens and the earth and sent down the rainwater from the sky, and Allah brought forth with the rainwater various fruits to be sustenance for you, and He has subdued the ark for you so that it may sail on the sea with His will, and He has subdued the rivers for you*".

Discussing the Islamic theory of supply, we must go back to the history of human creation. The earth and humans were not created at the same time. In utilizing the nature that God has provided for human needs, the prohibition that must be obeyed is "Do not cause damage to the earth". However, the danger posed is not always known and detected by human sensory or intellectual abilities in the short term. The correct attitude in facing this problem is obedience to dictum accompanied by the search for wisdom behind it. With these two limitations, the scope of production and in turn the scope of supply itself in Islamic economics becomes narrower than that possessed by conventional economics (An'im Fattach, 2016).

Siddiqi's approach to production is immersed in the neoclassical paradigm. The change is that, in the Islamic economic system, the concept of production is related to the so-called Islamic man. This fundamental change is said to transform the production goals and behavioral norms of producers. For him, profit maximization is not the only motive and not the main motive of production. According to Siddiqi, there is a diversity of goals that include maximizing profits by paying attention to the interests of the community (maslahah 'aammah), the production of basic needs of the community, the creation of employment and the implementation of low prices for essential goods. The main goal of the company is to meet someone's needs simply, to meet family dependents, supplies to face future possibilities, supplies for descendants and social servants, and donations in the way of Allah SWT (Adiwarman Karim, 2015).

In other words, producers, like consumers, are expected to have an attitude of prioritizing the interests of others. Instead of just chasing maximum profits, producers produce a certain amount that still makes a profit, the lower limit of which is enough to survive, or satisfactory profits. So, if profit maximization is no longer the only or main motive, the concept of rationality then has a different meaning. Cooperation with other producers with the aim of achieving social goals will become the norm, thus necessitating greater access to information in the Islamic economic system. Illicit goods will not be produced, luxury goods will be minimal, and goods need to be increased in production, while honest trade practices will be encouraged by the reward of heaven promised to honest traders in the Quran. Even if each individual producer is assumed to have the desired characteristics, following the guidelines of justice and virtue, the state is still expected to ensure the provision of basic necessities and to supervise the enforcement of honesty in the market. in addition to changes in behavioral norms (Nizar, 2016).

F. Thoughts of Muhammad Nejatullah Siddiqi in Mainstream Madzhab

The Islamic economic thought itself has only begun to be documented approximately three centuries since the death of the Prophet Muhammad (saw). Some of the most famous thinkers include: Abu Yusuf (731-798), Yahya ibn Adham (818), El-Hariri (1054-1122), Tusi (1201-1274), Ibn Taymiyah (1262-1328), Ibn Khaldun (1332-1406) and Shah Waliullah (1702-1763). After that, contemporary thinkers of the 20th century emerged, including: Fazlur Rohman, Baqir As-Sadr, Ali Shariati, Khurshid Ahmad, M. Nejatullah Shiddiqi, M. Umer Chapra, M. Abdul mannan, Anas Zarqa, Monzer Kahf, Syed Nawab Haider Naqvi, M. Syafii Antonio, M. Azhar Basyir. Contemporary Islamic economic thought can be categorized into three groups of madhhab thought, namely Madzhab Baqir As-Sadr or Al-Iqtishaduna, Madzhab Mainstream and Madzhab Alternative critical.

Madzhab Mainstream. Islamic economic thought from the mainstream madhhab is what gives the most color in the discourse of Islamic economics today because most of the figures are from the Islamic Development Bank (IDB) which has funding facilities and cooperation networks with various international institutions. Mainstream madhhab figures include M. Umer Chapra, M. A. Mannan, Nejatullah Siddiqi, Khurshid Ahmad, Monzer Kahf etc. The difference with the conventional M. Nejatullah Siddiqi defines Islamic economics as the answer of Muslim thinkers to the economic challenges of his time, especially in the mechanism of solving economic problems which according to M. Nejatullah Siddiqi must refer to the Qur'an and As-Sunnah. Despite the different approaches, Muhammad Nejatullah Siddiqi based his study on modified neoclassics, while in the classical view of capitalism, the solution is through the work of market mechanisms, and classical socialism through a centralistic planning system.

As a thinker born in Gorakhpur, India in 1931, Muhammad Nejatullah Siddiqi in building an economic framework that although he recognized various approaches to Islamic economics, he has chosen to adopt an approach that uses existing analytical tools – especially

from the neoclassical-Keynesian synthesis school – but remains consistent with Islamic values, legal principles and fiqh. This is influenced by the educational background, a combination of western and Islamic education. His early education was at Darsagh Jama'at-i-Islami, Ranpur, and his university education at Muslim University, Aligarh. He began writing about Islam and Islamic economics at a time when there was no literature on it. His early works in Islamic economics are *Some Aspects of the Islamic Economy and The Economy in Islam*.

As a Muslim economist, Siddiqi is of the view that Islamic economics is modern, utilizing the best production techniques and existing organizational methods. The nature of Islam lies in the basis of relationships between human beings. The main feature that distinguishes the Islamic economy from other economic systems, according to Siddiqi, is that, within an Islamic framework. "Economic prosperity and well-being are the means to achieve spiritual and capital goals". Therefore, he proposes "the modification of conventional neoclassical theory and its tools to realize changes in value orientation, institutional structuring and goals to be achieved". Siddiqi agreed, that the Qur'an and the Sunnah of the Prophet Muhammad (PBUH) only provide basic principles related to economic activities. All of these principles have the potential to be expanded according to time, place and environment as long as they can be accepted by the principles of the Qur'an and Sunnah, he called them because of the universality of Islamic economics, the concept of Islamic economics is multidislipliner and at the same time interdislipliner (Haneef, 2010).

The two general approaches of Islamic economic thought that Siddiqi built are: First, his acceptance of neoclassical theory and his analytical tools. Even if he makes modifications to assumptions, norms of behavior and goals, to portray the Islamic perspective. Second, that Islamic economics is an agent of Islamization. This means that basing the theory as a whole on observation (empiricism) alone is unacceptable. Hypotheses that are based on a correct understanding of Islamic sources (the Qur'an and the Sunnah), if in observation are proven to be wrong, can be considered wrong because there is a greater truth in the sources of the hypothesis itself, namely the Qur'an and the Sunnah.

E. CONCLUSION

economics is modern, utilizing production techniques such as consumption (demand) and production (supply) consequences for existing organizational methods, the nature of Islam lies in the basis of human relationships, in addition to the attitudes and social policies that make up the system. In general that it is a person's worldview that determines one's economic pursuits, not the other way around. Thus, like Mannan, he also rejected Karl Marx's economic determinism.

The main feature that distinguishes the Islamic economy from modern economic systems is that in an Islamic framework, economic prosperity and welfare are the means to achieve spiritual and moral goals, therefore Muhammad Nejatullah Siddiqi proposes the modification of conventional neoclassical theory and its tools to realize changes in the orientation of institutional management values and the goals to be achieved. Muhammad Nejatullah Siddiqi views the fulfillment of economic needs as a means to achieve greater goals in life and it is a means to achieve peace, freedom from hunger, from fear and domination by anyone other than Allah SWT, it is a means for the realization of fraternal relationships that love each other with others in general.

For the realization of a life that is pleasing to Allah SWT, it is also a means to achieve human happiness in the afterlife, this greater goal is to seek the pleasure of Allah SWT by achieving divine success in this world and in the hereafter can only be realized if economic activities are determined by morality and spiritualization that economic profit is not a cost that embodies spiritual values and morals. This expanded horizon of time has life and helps others

in a conducive life of self-sufficiency, a part of self-sufficiency that is conducive to the formation of high morals.

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