

Differences In Islamic Economy, Socialist Economy and Capitalist Economy

Nursaid

Universitas Muhammadiyah Jember, Indonesia

*Corresponding author: nursaid@unmuhiember.ac.id

KEYWORDS

Islamic Economy
Socialist Economy
Capitalist Economy
Economic Systems
Social Equity
Resource Distribution

ABSTRACT This study explores the fundamental differences between the Islamic economy, socialist economy, and capitalist economy, focusing on their theoretical foundations, conceptual frameworks, and methodological approaches. The research is motivated by the need to understand how these economic systems respond to global economic challenges and their implications on social equity and resource distribution. The study employs a qualitative research design, analyzing data through comparative analysis of relevant literature, historical documents, and expert interviews. Data collection techniques include document analysis and semi-structured interviews with economists and scholars specialized in these fields. The findings reveal that the Islamic economy emphasizes ethical investment and social justice, guided by Sharia principles, while the socialist economy prioritizes collective ownership and egalitarian distribution of wealth. In contrast, the capitalist economy is driven by market forces and individual profit maximization, often leading to significant social and economic inequalities. The research concludes that each system has unique strengths and weaknesses, contributing differently to economic stability and social welfare. Key findings include the Islamic economy's focus on moral values, the socialist economy's emphasis on social equality, and the capitalist economy's innovation and efficiency. The study contributes to the existing literature by providing a nuanced understanding of these economic systems and offering insights into their potential synergies.

© The Author(s) 2024

1. INTRODUCTION

Economic issues always attract the attention of various levels, both individuals and society. Various kinds of research have been made to solve economic problems (Besnier, 2024, Zhang, 2020). However, efforts to find appropriate and accurate solutions to understand economic problems as a whole have encountered many obstacles and failures. Most of the research that has been produced has deviated far from its original motivation, namely producing its true goals. On the one hand, there is an opinion that recommends prioritizing individual rights, while on the other hand, it rejects individual privilege. There are two opposing economic systems,

namely the Socialist and Capitalist economic systems (Kelemen, 2024, Somers, 2020). Although each of these broad categories is very varied, they actually hold the same assumptions about humans, society and economic activity. Both of them believe that humans are capable of managing their economic lives without any moral constraints and this is very deviant from Islam.

The socialist economic system is a rebellion against Capitalist economic system, starting with Karl Marx who explored and discussed Capitalism and predicted its collapse and the rise of Socialism as its replacement (Vieira, 2023, Whiteside, 2024). According to Marx, this is because the capitalist

economic system has become so rampant and has caused suffering and destitution of workers who are exploited and exploited as well as inequality and social disparities. However, in reality, the struggle between the two economic systems shows the opposite direction, namely the collapse of socialism. The impact on economic development is a symptom of the increasing belief in capitalism as a basis for development in several countries (Tase, 2022, Nuredini, 2022). However, economic experts still see inequality and poverty that plague human life throughout the world as well as unforeseen economic shocks, including in countries that implement the capitalist economic system itself.

The capitalist lifestyle is an implication of our current system of life, so it is not surprising that nowadays we increasingly see the fading of the moral values of national life which are full of mutual cooperation values from a religious atmosphere, ultimately leading to a culture of permissiveness, hedonism, poverty in the midst of prosperity. Of course it is contrary to human/religious moral values. The Socialist economic system which is based on materialism and collectivism is the same materialism as Capitalism, because it believes in economic factors as the sole factor that determines human destiny (Dang, 2021, Healy, 2021). Economic collectivism is a view of economic organization where everything belongs to the state and the state will coordinate economic activities. This definitely contradicts the basic nature of human social organization. He not only failed to run hard but also face disaster and will ultimately collapse (fail).

In the midst of the current human crisis which started the most critical but creative history, namely the value-free contemporary system, found Islam as an alternative system that is full and complete according to the moral values of life. Its uniqueness lies in the Islamic approach to the system that colors economic behavior or life which contains instrumental values and operational norms to be determined in the economic institutions of society. In contrast to capitalist and socialist economic systems, the Islamic economic system is a godly system. Apart from the material, it does not ignore the spiritual aspect (worship). The cornerstone of the spiritual aspect is the Muslim individual's awareness of

obedience to Allah SWT and His Messenger. By placing Allah SWT at the top, all economic activities in Islam will not be separated from the supervision and guidance given in the Qur'an and al-Hadith, both regarding production, distribution and consumer issues (Musa, 2020, Forste, 2022).

This is because Islam has a different concept from the capitalist and socialist economic concepts, where individual and general (collective) rights are not absolute but are linked by ties to realize them. The interests of the people and preventing danger by containing property is the community's duty based on the Shari'ah (Watkins, 2020, Chachi, 2021). Islam encourages, regulates and protects it, but does not liberate it without control as in Capitalist and Socialist economic systems. Islam should also recognize public property rights in the form of assets specifically for the benefit of society. Public ownership, especially mining and petroleum goods, must solely belong to the state or Baitul Mal and their use must be in accordance with the Shari'ah. An economy based on sharia, which was revealed by Allah SWT, must be believed to be the best system which is expected to bring society to a just economic order (Alqashouti, 2022, Rusydiana, 2021). Because if we look back at the economic system that was in effect during the time of Caliph Umar bin Abdul Aziz, it is explained that the sharia economic system has been proven to have brought society into an Islamic order, living in prosperity and inner and outer peace. Departing from this problem, the implementation of the Islamic economic system at this time is very significant as a preventive step or action against the growth and development of the capitalist economic system which is clearly very unprofitable (Shoaiabeth, 2020, Muhammed, 2024).

2. METHODS

This section outlines the research methodology employed in the study, detailing the design, process, and components critical to achieving the objectives. The methodology is structured to facilitate a comprehensive understanding of the differences between the Islamic economy, socialist economy, and capitalist economy.

2.1 Research Design

The research employs a qualitative approach characterized by a comparative analysis framework. This design is strategically selected for its capacity to yield profound insights into the theoretical underpinnings and practical

applications of different economic systems. A qualitative approach allows for a nuanced operate within various contexts. The research design unfolds through several critical stages, each contributing to the overall depth and rigor of the study.

1. Literature Review:

The initial stage involves conducting an extensive literature review. This encompasses a thorough examination of existing literature, historical documents, and academic publications relevant to the economic systems under investigation (Goudarzi, 2020, Liang, 2024). The purpose of this review is to grasp the foundational theories and concepts that inform each system. By delving into past research and theoretical frameworks, the literature review establishes a solid groundwork for understanding the evolution of economic thought. It highlights key scholars, seminal works, and pivotal moments in the history of economic theory, providing a context for the contemporary analysis.

2. Data Collection:

Following the literature review, the next stage is data collection, which involves a dual methodology. Semi-structured interviews are conducted with economists and scholars who possess expertise in the respective economic systems. This qualitative method allows for open-ended responses, encouraging participants to share their insights and experiences in a detailed manner. The semi-structured format strikes a balance between guiding the conversation and allowing for the emergence of new ideas. In addition to interviews, document analysis is employed to gather data from relevant texts, reports, and policy documents. This comprehensive approach ensures a robust data set, capturing

exploration of complex concepts, facilitating a better understanding of how these systems both theoretical perspectives and practical implications of the economic systems being studied.

3. Data Analysis:

Once the data is collected, the analysis phase begins, employing thematic analysis as the primary method. Thematic analysis allows researchers to identify and interpret patterns within the data, focusing on the core principles and methodologies of the economic systems. This process involves coding the data, which entails categorizing responses and identifying recurring themes that emerge from the participants' insights. By systematically analyzing the data, the researcher can highlight both contrasts and similarities across different economic systems (Rinaldi, 2021, Yousefpour, 2020). This comparative lens enables a deeper understanding of how each system addresses issues such as resource allocation, production, and distribution, as well as their respective impacts on society.

4. Validation:

Validation is a critical stage in the research design, ensuring the reliability and credibility of the findings. This involves cross-referencing the emergent themes and conclusions with empirical evidence from previous studies. By triangulating the data collected from interviews and document analysis with existing research, the study reinforces its claims and provides a more comprehensive perspective. This validation process not only enhances the trustworthiness of the findings but also situates the research within the broader scholarly discourse, demonstrating its relevance and contribution to ongoing debates in economic theory

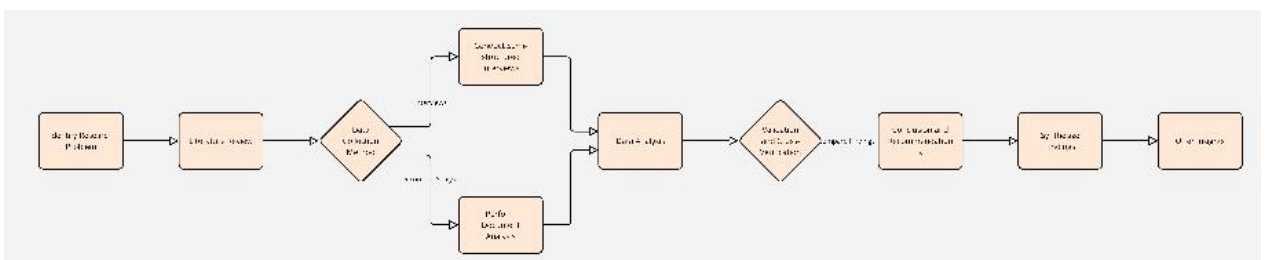


Figure 1 Research Proses

Research Process

1. Identification of Research Problem

- Understand the need to compare different economic systems.

2. Literature Review

- Gather information from books, journals, and online databases.

3. Data Collection

- Conduct semi-structured interviews.
- Perform document analysis.

4. Data Analysis

- Code and categorize data.
- Identify themes and patterns.

5. Validation and Cross-Verification

- Compare findings with existing research.

6. Conclusion and Recommendations

- Synthesize findings and offer insights.

2.2 Data Collection

Data collection is a crucial aspect of any research methodology, as it provides the necessary information to analyze and understand the subject at hand. In this study, two primary techniques will be employed: document analysis and interviews. Both methods are designed to gather comprehensive data that contribute to a deeper understanding of the economic systems being examined, specifically Islamic, socialist, and capitalist economies (Piškurić, 2020, Somers, 2020).

Document Analysis:

Document analysis serves as a foundational technique in this research. It involves a thorough examination of various written materials, including scholarly articles, historical writings, and policy documents that pertain to the economic systems under study. This method is essential for several reasons:

1. Foundational Understanding: By analyzing existing literature, researchers can gain insights into the core principles, theories, and historical contexts of Islamic, socialist, and capitalist economies. This foundational understanding is critical for framing the research questions and identifying the key issues to explore further.

2. Comparative Insights: Document analysis allows for a comparative perspective, enabling the researcher to juxtapose

different economic systems. By examining how various authors and scholars articulate the principles and practices of these economies, the study can highlight similarities and differences that may not be immediately apparent through other data collection methods.

3. Historical Context: Historical writings provide a backdrop against which contemporary economic practices can be understood. By reviewing historical texts, the researcher can trace the development of economic theories and practices over time, which is particularly important for understanding the evolution of Islamic economics and how it contrasts with socialist and capitalist frameworks (Benamraoui, 2021, Davani, 2020).

4. Policy Implications: Analyzing policy documents is crucial for understanding how economic theories translate into practice. These documents can reveal how different economic systems are implemented in various contexts, the challenges they face, and the outcomes they produce. This information is invaluable for assessing the real-world implications of theoretical concepts.

5. Rich Data Source: The vast array of available documents provides a rich source of qualitative data. This allows the researcher to draw on diverse perspectives and analyses, enhancing the depth and breadth of the research findings.

Interviews:

The second primary technique employed in this study is conducting semi-structured interviews with economists and scholars. This method is particularly beneficial for the following reasons:

1. Diverse Perspectives: By interviewing at least 15 economists and scholars, the research ensures a range of perspectives is represented. This diversity is essential for capturing the complexity of economic thought and practice across different systems. Each interviewee may bring unique insights based on their backgrounds, experiences, and areas of expertise, enriching the overall analysis.

2. **Nuanced Views:** Semi-structured interviews provide the flexibility to explore nuanced views that may not be captured in written documents. The conversational nature of interviews allows for follow-up questions, enabling the researcher to delve deeper into specific topics or clarify points of ambiguity. This depth of inquiry can lead to unexpected findings and a more comprehensive understanding of the subject matter.
3. **Expert Insights:** Engaging directly with experts allows the researcher to tap into their knowledge and experience. Economists and scholars often have firsthand experiences and insights that can illuminate theoretical concepts in ways that academic literature may not fully capture. Their perspectives can also highlight contemporary issues and debates within the field, providing a current context for the research.
4. **Interactive Process:** The interview process itself can generate new ideas and hypotheses. As the researcher interacts with interviewees, they may discover new angles to explore or questions to pursue, which can enhance the overall quality of the research. This interactive process fosters a dynamic exchange of ideas that can lead to innovative insights.
5. **Personal Narratives:** Interviews allow for the collection of personal narratives, which can humanize the research and provide relatable examples of how economic theories manifest in real life. Understanding individual experiences within the framework of broader economic systems can add depth to the analysis and highlight the practical implications of theoretical concepts.

2.3 Data Analysis

Data analysis is a critical component of research that allows researchers to draw meaningful conclusions from the data they collect. In this context, the analysis process is broken down into three main steps: thematic coding, comparative analysis, and empirical validation. Each step contributes uniquely to understanding the data, particularly in relation to economic principles,

ethical considerations, and societal impacts.

The first step in the data analysis process is thematic coding. This involves identifying significant themes and patterns within the collected data. Thematic coding is essential because it transforms raw data into manageable categories that reflect the core aspects of the research. For instance, a researcher might analyze interviews or survey responses to extract recurring themes related to economic principles such as supply and demand, market dynamics, or regulatory impacts.

In addition to economics, ethical considerations are also central to thematic coding. Researchers must be attentive to the moral implications of economic practices and policies, examining how they affect different segments of society. For example, themes may emerge regarding fairness, equity, and justice in economic systems, prompting discussions about the ethical responsibilities of policymakers and businesses. Furthermore, societal impacts are another vital area of focus during thematic coding. Researchers analyze how economic systems influence social structures, community well-being, and individual livelihoods. By identifying these themes, researchers can better understand how economic decisions reverberate throughout society, affecting everything from job creation to wealth distribution.

Once significant themes have been identified through thematic coding, the next step is comparative analysis. This systematic approach involves comparing the identified themes across different economic systems. By doing so, researchers can highlight both the differences and similarities that exist between these systems, fostering a deeper understanding of how they operate.

Moreover, comparative analysis can reveal how cultural, historical, and political contexts shape economic systems and their outcomes. By understanding these factors, researchers can provide insights into why certain systems may be more effective in addressing specific economic challenges than others. This step is crucial for informing policy recommendations and guiding future research. The final step in the data analysis process is empirical validation. This involves cross-referencing findings with empirical data and case studies from previous research to

ensure the validity of the conclusions drawn. Empirical validation is vital because it grounds the research in real-world evidence, making the findings more robust and credible. During this phase, researchers look for existing data that can corroborate or challenge their findings. This may include statistical analyses, historical case studies, or contemporary examples that illustrate the themes identified in the earlier steps. For example, if a researcher finds that a particular economic policy leads to increased income inequality, they would seek out empirical evidence from various contexts to support or refute this conclusion.

Additionally, empirical validation helps identify potential biases or gaps in the initial data analysis. By comparing findings with established research, researchers can ensure that their conclusions are not only well-supported but also comprehensive. This step enhances the overall quality of the research, making it a valuable contribution to the field.

2.4 Components of Research Methodology

Research methodology is a systematic approach that outlines the methods and techniques used to conduct research. It encompasses several key components that work together to achieve the overall objectives of the study. These components include the theoretical framework, sampling strategy, data collection instruments, and analytical tools. Each aspect plays a crucial role in ensuring that the research is valid, reliable, and relevant.

Theoretical Framework

The theoretical framework serves as the foundation of the research methodology. It is grounded in economic theory, which provides a lens through which the research is conducted. This framework guides the comparative analysis and interpretation of data, allowing researchers to position their findings within existing economic paradigms. By establishing a clear theoretical foundation, researchers can formulate hypotheses, identify variables, and develop a coherent narrative that aligns their research with broader economic principles.

In economic research, the theoretical framework is particularly significant as it helps to explain the relationships between different economic systems, behaviors, and outcomes. For instance,

theories related to market structures, consumer behavior, or the impact of policy changes can inform the research questions and the analytical lens applied to the data. This structured approach not only enhances the credibility of the research but also facilitates a deeper understanding of the economic phenomena under investigation.

Sampling Strategy

The sampling strategy is another vital component of research methodology, which outlines how participants are selected for the study. A purposeful sampling approach is employed to ensure that only knowledgeable individuals are included in the research. This strategy aims to gather insights from participants who have a deep understanding of the economic systems being studied. By focusing on individuals with relevant experience or expertise, researchers can obtain high-quality data that is rich in context and depth.

Purposeful sampling is particularly beneficial in qualitative research, where the goal is to explore complex phenomena rather than to generalize findings to a larger population. This targeted approach allows researchers to delve into specific areas of interest, ensuring that the data collected provides meaningful and relevant insights. Through thoughtful participant selection, researchers can uncover nuances and complexities within the economic systems, leading to more robust conclusions and recommendations.

Data Collection Instruments

The data collection instruments are essential tools used to gather and organize information during the research process. In this methodology, interview guides and document analysis frameworks are utilized to systematically collect data. Interview guides are designed to facilitate in-depth conversations with participants, allowing researchers to explore their perspectives, experiences, and insights related to the economic systems being studied.

The use of document analysis frameworks complements the qualitative data gathered through interviews. By examining relevant documents—such as policy papers, economic reports, and historical records—researchers can

triangulate their findings and enrich their understanding of the context. This combination of data collection methods ensures a comprehensive approach, capturing both subjective experiences and objective evidence. Effective data collection instruments are critical for the success of the research. They not only provide structure to the data-gathering process but also enhance the validity of the findings. By employing well-designed tools, researchers can minimize biases, ensure consistency, and extract meaningful information that aligns with the research objectives.

Analytical Tools

The analytical tools employed in research methodology are essential for processing and interpreting the collected data. In this context, qualitative data analysis software is utilized to facilitate the coding and thematic analysis process. Such software provides researchers with the capability to organize large volumes of

qualitative data efficiently, allowing for the identification of patterns, themes, and relationships within the data.

Thematic analysis is a widely used method in qualitative research that involves identifying and analyzing themes within the data. By coding the data into categories, researchers can discern overarching trends and insights that emerge from the participants’ responses. This analytical approach not only enhances the rigor of the research but also provides a structured means of interpreting complex qualitative data.

Moreover, the use of qualitative data analysis software streamlines the analytical process, enabling researchers to focus on the interpretation and implications of their findings rather than getting bogged down in manual data management. This technological support is particularly valuable in economic research, where the complexity of data can often be overwhelmin

Tabel 1 Components of Research Methodology

Component	Description
Theoretical Framework	Based on economic and ethical theories
Sampling Strategy	Purposeful sampling of 15 expert participants
Data Collection	Document analysis and semi-structured interviews
Analytical Tools	Qualitative analysis software for data coding

3. RESULT AND DISCUSSION

3.1 Understanding Economic Systems

An economic system is a structured way a society organizes and allocates resources, goods, and services. It encompasses various elements such as economic units, agents, and institutions, which

not only interact but also support and influence each other to varying degrees. These systems are the backbone of economic activities within any society, determining how wealth is produced, distributed, and consumed (Hametner, 2022, van Zanten, 2021).

3.2 Types of Economic Systems



Figure 2 https://awsimages.detik.net.id/community/media/visual/2020/09/22/resesi-ri-1_169.jpeg?w=1200

Economic systems are fundamental frameworks that dictate how resources are allocated, goods and services are produced, and wealth is distributed within a society (Rodríguez-Gallegos, 2020, He, 2020). The three primary types of economic systems are capitalism, socialism, and Islamic economics, each with distinct characteristics that shape their functioning and impact on society (Bonizzi, 2022, Islam, 2024).

Capitalism is an economic system where private individuals or businesses own and control the means of production and distribution. This system emphasizes free markets, competition, and consumer choice, which can drive innovation and efficiency (Panayotakis, 2021, Asdal, 2022). One of the advantages of capitalism is its ability to create wealth and promote individual entrepreneurship.

However, it also faces criticism for leading to income inequality and neglecting social welfare, as profit motives can sometimes overshadow the needs of the community. Socialism, on the other hand, is characterized by collective or governmental ownership of the means of production. In a socialist system, the government often plays a central role in planning and regulating economic activity with the aim of reducing inequality and ensuring that basic needs are met for all citizens (Desai, 2024, Li, 2020). The strengths of socialism include a focus on social welfare and equitable resource distribution. However, challenges arise in the form of bureaucratic inefficiencies and potential limitations on individual freedoms and incentives.

Islamic economics incorporates principles derived from Islamic teachings, emphasizing ethical guidelines and social justice within economic activities (Chachi, 2021, Lokmanoglu, 2024). This system advocates for the prohibition of interest (riba) and encourages charitable giving (zakat) as a means to promote equity and social responsibility. Islamic economics aims to balance profit motives with moral values, fostering a sense of community and responsibility (Hariyanto, 2020, Saripudin, 2020). However, the interpretation and application of Islamic economic principles can vary, leading to diverse practices across different cultures.

3.3 Comparative Analysis

In his 1990 work, Esping-Andersen conducted a comparative analysis that categorizes different welfare systems based on their underlying regimes. This analysis provides valuable insights into how various countries manage their social policies and tackle issues of social equity. At the heart of this categorization are three distinct economic systems: capitalist, socialist, and Islamic economics, each with its unique approach to welfare and social justice.

Capitalist economies are predominantly characterized by market-driven policies that prioritize individualism and economic freedom. In these systems, the market plays a central role in resource allocation, and individuals are encouraged to pursue their economic interests (Kato, 2022, Bonizzi, 2020). This often leads to a competitive environment where success is determined by personal initiative and market dynamics. While capitalism can drive economic growth and innovation, it may also result in significant disparities in wealth and access to essential services, raising concerns about social equity and the welfare of the less fortunate (Burciu, 2020, Hassel, 2021). On the other hand, socialist systems emphasize collective ownership and state intervention as a means to achieve equitable distribution of resources. In these economies, the government often plays a crucial role in regulating the market and providing social services, ensuring that all individuals have access to basic needs such as healthcare, education, and housing. This approach seeks to minimize income inequality and promote social welfare, although critics argue that it can stifle individual initiative and economic efficiency.

Lastly, Islamic economics presents a unique framework guided by Sharia law, which integrates ethical investment and social justice into its economic practices (Musari, 2023, Kateb, 2023). This system aims to balance spiritual and economic objectives, promoting financial activities that are socially responsible and equitable. By emphasizing ethical considerations, Islamic economics seeks to create a just society where wealth is distributed fairly and everyone has the opportunity to thrive. Each of these systems offers distinct perspectives on welfare and social equity, reflecting diverse societal values and priorities.

3.4 Capitalist Economic System



Figure 3 <https://asatunews.co.id/images/Bamsoet/IMG-20211209-WA0021.jpg>

The capitalist economic system is primarily characterized by private ownership of the means of production, which allows individuals and businesses to control resources and make decisions regarding their use ("MODEL OF THE ECONOMIC DYNAMICS OF A CAPITALIST ECONOMY," 2024). This system emphasizes economic freedom, where individuals have the liberty to pursue their own interests, engage in trade, and operate businesses with minimal government intervention. A key feature of capitalism is its profit-driven market, where the motivation for profit leads companies and entrepreneurs to innovate and improve efficiency (Yoshihara, 2021, Almeida, 2024). Such competition encourages technological advancements and can stimulate significant economic growth, as businesses strive to attract consumers and increase market share. However, while capitalism fosters innovation and economic prosperity, it also has notable

weaknesses. One of the primary drawbacks is the potential for income inequality. As individuals and businesses accumulate wealth, disparities can emerge, leading to a society where a small percentage of the population holds a substantial portion of the wealth (Sidek et al., 2024, Agrawal, 2022). This concentration of wealth can create social tensions and contribute to divisions within society, as those with fewer resources may struggle to access the same opportunities as the affluent.

Additionally, the capitalist system can result in significant social and economic disparities (Walker, 2024, Jara, 2024). The focus on individual wealth accumulation may cause neglect of broader societal needs, leading to inadequate support for public services such as education and healthcare. As a result, those who are less fortunate may find it increasingly difficult to improve their circumstances, perpetuating cycles of poverty and limiting social mobility.

3.5 Socialist Economic System



Figure 4 <https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEhVZxOP8GXFcG1S-liruF95GlrkFaXt1bWV8R2aGG7LaLrLspn2xv8VgkyhqnmoyOqk9QerpNbbk5dBDY-SU9hiFKLutlGSSDargsHKQq0svaeAUvBhQVR4FT-6xGlE1Nt9hO6uru8Sjc0/s1600/Sistem+Ekonomi+Sosialis.jpg>

The socialist economic system is characterized by collective ownership and state control of resources, with the primary goal of achieving equitable wealth distribution among the population (Chepurensko, 2023, Siu, 2020). In this system, the government assumes a pivotal role in planning and regulating economic activities, focusing on social welfare and striving to minimize economic disparities among individuals. This approach seeks to create a society where everyone has access to essential resources and services, thereby fostering a sense of community and shared responsibility.

One of the key advantages of socialism is its commitment to ensuring an equitable distribution of resources (Lungu, 2024, Haberler, 2023). By promoting policies that aim to reduce income inequality, socialism works towards enhancing social welfare and improving the quality of life for all citizens. This system can provide essential services like healthcare, education, and housing, making them accessible to everyone, regardless of their economic status (Hipp, 2024, Trung, 2021).

However, socialism is not without its weaknesses. One significant drawback is that it can lead to inefficiencies in the economy (Madhukullya et al., 2024, Yeo, 2022). With the government controlling production and distribution, there may be a lack of competition, which can stifle innovation and hinder economic dynamism (Nguyen, 2023, Li, 2023). Additionally, the emphasis on collective ownership and state control may limit individual freedoms, as personal choices regarding entrepreneurship and wealth accumulation can be restricted.

3.6 Islamic Economic System

The Islamic economic system is characterized by its unique blend of spiritual and material dimensions, operating under the guidance of Sharia principles (Nursaid et al., 2023, Raimi, 2023). This system places a strong emphasis on ethical investment and social justice, ensuring that economic activities are not only profitable but also align with moral and religious values. One of the core tenets is the equitable distribution of wealth, which seeks to prevent excessive concentration of resources in the hands of a few and promote a fairer society (Zeitun, 2024, Alam, 2021).

Among the advantages of the Islamic economic system are its focus on ethical investment and social justice (Yurtseven, 2021, Haneef, 2021). By prioritizing these values, it fosters a sense of responsibility among investors and entrepreneurs, encouraging them to consider the societal impact of their financial decisions. This approach can lead to a more balanced and fair economic environment, where wealth is distributed more evenly, thus reducing poverty and enhancing community welfare.

However, the Islamic economic system also faces several challenges (Chachi, 2021, Ghaouri, 2023). One notable weakness is the limited availability of literature and practical examples that illustrate how these principles can be implemented effectively in real-world scenarios. Additionally, there are significant hurdles in integrating Islamic economic practices with conventional economic systems, which can create friction and limit collaboration. Overall, while the Islamic economic system offers a framework for ethical and just economic interactions, its practical application remains a complex issue that requires further exploration and development (Aysan, 2021, Ali, 2021).

4. CONCLUSION

The Islamic economy is deeply rooted in ethical investment and social justice, primarily guided by Sharia principles. It emphasizes moral values and seeks to ensure fair distribution of resources while prohibiting exploitative practices such as interest (riba). This system encourages economic activities that align with ethical and social welfare considerations, making it unique in its approach toward achieving economic stability and social justice. On the other hand, the socialist economy is characterized by its focus on collective ownership and egalitarian distribution of wealth. This system advocates for the control of economic resources by the state or collective entities to eliminate class distinctions and ensure equal access to resources for all members of society. The emphasis on social equality seeks to address disparities in wealth and power, aiming for a more balanced and just society. In contrast, the capitalist economy is driven by market forces and the pursuit of individual profit maximization. It champions private ownership and free market principles, often resulting in significant social and economic inequalities. However,

capitalism is also credited with fostering innovation, efficiency, and economic growth due to its competitive nature and focus on individual entrepreneurial efforts. Each economic system presents unique strengths and weaknesses. The Islamic economy's moral values and focus on social justice provide a framework for equitable economic practices. The socialist economy's commitment to social equality offers a model for reducing disparities and promoting inclusivity. Meanwhile, the capitalist economy's emphasis on innovation and efficiency drives economic progress and development.

5. REFERENCES

- Agrawal, R. (2022). Attaining sustainable development goals (SDGs) through supply chain practices and business strategies: A systematic review with bibliometric and network analyses. *Business Strategy and the Environment*, 31(7), 3669–3687. <https://doi.org/10.1002/bse.3057>
- Alam, M. K. (2021). Independence and effectiveness of Shariah supervisory board of Islamic banks: evidence from an emerging economy. *Asian Review of Accounting*, 29(2), 173–191. <https://doi.org/10.1108/ARA-01-2020-0005>
- Ali, S. N. (2021). Islamic Finance and Circular Economy: An Introduction. *Gulf Studies*, 5, 1–7. https://doi.org/10.1007/978-981-16-6061-0_1
- Almeida, B. B. d. (2024). Rethinking the Informal Economy: Discussions in a Neoliberal Capitalist Era. *Forum for Social Economics*. <https://doi.org/10.1080/07360932.2024.2429577>
- Alqashouti, B. M. (2022). THE ROLE OF ISLAMIC FINANCIAL INSTITUTIONS ON THE EMPOWERING OF THE SUSTAINABLE DEVELOPMENT GOALS: EVIDENCE FROM QATAR ECONOMY. *International Journal of Economics and Finance Studies*, 14(3), 99–116. <https://doi.org/10.34109/ijefs.20220065>
- Asdal, K. (2022). From scarce resources to 'the good economy': a new 'version of economization' replacing Weber's rational ascetism as the capitalist spirit? *Journal of Cultural Economy*, 15(6), 849–853. <https://doi.org/10.1080/17530350.2023.2167853>
- Aysan, A. F. (2021). Sustainability, Trust, and Blockchain Applications in Islamic Finance and Circular Economy: Best Practices and Fintech Prospects. *Gulf Studies*, 5, 141–167. https://doi.org/10.1007/978-981-16-6061-0_9
- Benamraoui, A. (2021). The World Economy and Islamic Economics in the Time of COVID-19. *Journal of King Abdulaziz University, Islamic Economics*, 34(1), 67–78. <https://doi.org/10.4197/Islec.34-1.4>
- Besnier, E. (2024). Exploring economic empowerment and gender issues in Lesotho's Child Grants Programme: a qualitative study. *Health Policy and Planning*, 39(2), 95–117. <https://doi.org/10.1093/heapol/czad009>
- Bonizzi, B. (2020). Subordinate financialization in emerging capitalist economies. *The Routledge International Handbook of Financialization*, 177–187. <https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85127998064%5C&origin=inward>
- Bonizzi, B. (2022). Financialised capitalism and the subordination of emerging capitalist economies. *Cambridge Journal of Economics*, 46(4), 651–678. <https://doi.org/10.1093/cje/beac023>
- Burciu, A. (2020). Social trust and dynamics of capitalist economies in the context of clashing managerial factors with risks and severe turbulence: a conceptual inquiry. *Sustainability (Switzerland)*, 12(21), 1–28. <https://doi.org/10.3390/su12218794>
- Chachi, A. (2021). The World Economy and Islamic Economics in the Time of COVID-19: Few Remarks and Observations. *Journal of King Abdulaziz University, Islamic Economics*, 34(1), 125–131. <https://doi.org/10.4197/Islec.34-1.9>
- Chepureenko, A. (2023). PARALLEL PROCESSES AND DIVERGENT OUTCOMES: The Transformation of the Economies of Former Socialist Countries. *The Routledge Handbook of Comparative Economic Systems*, 411–431. <https://doi.org/10.4324/9781003144366-25>
- Dang, H. N. (2021). Do socially responsible firms always disclose high-quality earnings? Evidence from an emerging socialist economy. *Asian Review of Accounting*, 29(3), 291–306. <https://doi.org/10.1108/ARA-11-2020-0174>
- Davani, M. R. e. (2020). Ethics and economy of Islamic government. *Handbook of Ethics of Islamic Economics and Finance*, 544–572. <https://doi.org/10.1515/9783110593419-027>
- Desai, R. (2024). Outlines of a geopolitical economy of Chinese socialism against US-led capitalist imperialism: a reply to 'China's development path, 1949–2022' by Mick Dunford. *Global Discourse*, 14(2), 347–354. <https://doi.org/10.1332/20437897Y2023D00000034>

- Forste, K. M. (2022). Urban agricultural economy of the Early Islamic southern Levant: a case study of Ashkelon. *Vegetation History and Archaeobotany*, 31(6), 623–642. <https://doi.org/10.1007/s00334-022-00892-z>
- Ghaouri, M. H. (2023). Waqf-Linked Islamic Fintech Microfinance as a Business Enabler in Post-pandemic Economy: The Experience of Hal Microfinance, Kenya. *Studies in Systems, Decision and Control*, 470, 357–370. https://doi.org/10.1007/978-3-031-28314-7_30
- Goudarzi, S. (2020). Economic system justification predicts muted emotional responses to inequality. *Nature Communications*, 11(1). <https://doi.org/10.1038/s41467-019-14193-z>
- Haberler, G. (2023). Theoretical Reflections on the Trade of Socialist Economies. *International Trade and Central Planning: An Analysis of Economic Interactions*, 29–46. <https://doi.org/10.2307/jj.8306239.5>
- Hametner, M. (2022). Economics without ecology: How the SDGs fail to align socioeconomic development with environmental sustainability. *Ecological Economics*, 199. <https://doi.org/10.1016/j.ecolecon.2022.107490>
- Haneef, M. A. (2021). The Circular Economy and Its Possible Collaboration with Islamic Economics and Finance. *Gulf Studies*, 5, 73–90. https://doi.org/10.1007/978-981-16-6061-0_6
- Hariyanto, E. (2020). Effectiveness of the economic system to Zakat and Waqf for empowerment of the Ummah in Indonesia. *International Journal of Advanced Science and Technology*, 29(6), 1910–1916. <https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85084458992%5C&origin=inward>
- Hassel, A. (2021). Growth and welfare in advanced capitalist economies: How have growth regimes evolved? *Growth and Welfare in Advanced Capitalist Economies: How Have Growth Regimes Evolved?*, 1–451. <https://doi.org/10.1093/oso/9780198866176.001.0001>
- He, L. (2020). Environmental economic dispatch of integrated regional energy system considering integrated demand response. *International Journal of Electrical Power and Energy Systems*, 116. <https://doi.org/10.1016/j.ijepes.2019.105525>
- Healy, G. (2021). Touring the socialist world: The political and cultural economy of China's outbound tourism, 1956–1965. *Twentieth-Century China*, 46(1), 83–102. <https://doi.org/10.1353/tcc.2021.0005>
- Hipp, A. (2024). Innovation and Growth of a Socialist Economy: New Evidence from Revised Data. *Eastern European Economics*. <https://doi.org/10.1080/00128775.2024.2322949>
- Islam, M. M. (2024). Islamic Marketing and Circular Economy to Foster Sustainability of Product Life Cycle Enhancement. *Contributions to Management Science*, 125–141. https://doi.org/10.1007/978-3-031-61778-2_7
- Jara, J. N. (2024). Ecofeminism and the Popular Solidarity Economy in Latin American Social Work: Resistance to the Patriarchal and Capitalist System. *The Routledge International Handbook of Feminisms in Social Work*, 587–597. <https://doi.org/10.4324/9781003317371-57>
- Kateb, I. (2023). Earnings management practices and effectiveness of auditing mechanisms in Islamic and emerging economies. *Journal of Islamic Accounting and Business Research*. <https://doi.org/10.1108/JIABR-01-2023-0013>
- Kato, T. (2022). Islamic and capitalist economies: Comparison using econophysics models of wealth exchange and redistribution. *PLoS ONE*, 17(9). <https://doi.org/10.1371/journal.pone.0275113>
- Kelemen, K. (2024). The role of the socialist second economy experience in an entrepreneurial career after 1989. *Journal of Contemporary Central and Eastern Europe*, 32(2), 293–309. <https://doi.org/10.1080/25739638.2024.2374152>
- Li, Y. (2020). Market Socialism in Belarus: An Alternative to China's Socialist Market Economy. *World Review of Political Economy*, 11(4), 428–454. <https://doi.org/10.13169/WORLREVIPOLIECON.11.4.0428>
- Li, Y. (2023). FADE-AWAY OF SOCIALIST PLANNED ECONOMY: CHINA'S PARTICIPATION IN THE WTO. *International Economic Law with a Human Face*, 453–478. <https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=75949125177%5C&origin=inward>
- Liang, H. (2024). Energy management system based on economic Flexi-reliable operation for the smart distribution network including integrated energy system of hydrogen storage and renewable sources. *Energy*, 293. <https://doi.org/10.1016/j.energy.2024.130745>
- Lokmanoglu, A. (2024). Monetary economics, illicit

- economies, and legitimation: The case of Islamic state. *The Rule Is for None but Allah: Islamist Approaches to Governance*, 167–186. <https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85210316362%5C&origin=inward>
- Lungu, A. (2024). Foreign Direct Investments in the Post-socialist Economies of Central and Eastern Europe. *Springer Proceedings in Business and Economics*, 85–100. https://doi.org/10.1007/978-3-031-58967-6_8
- Madhukullya, S., Mahanta, A., & Hazarika, A. (2024). Navigating Aging in Mumbai's Modern Urban Landscape: A Study of the Upper Economic Class. *Assyfa Journal of Multidisciplinary Education*, 2, 63–78.
- MODEL OF THE ECONOMIC DYNAMICS OF A CAPITALIST ECONOMY. (2024). *The Works of Nikolai D. Kondratiev: Volume 1, 1*, 255–258. <https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85206022609%5C&origin=inward>
- Muhammed, I. A. (2024). INFORMAL ECONOMY, ISLAMIC FINANCE DEVELOPMENT, AND SUSTAINABLE DEVELOPMENT IN MUSLIM-MAJORITY COUNTRIES. *Journal of Islamic Monetary Economics and Finance*, 10(1), 193–220. <https://doi.org/10.21098/jimf.v10i1.1987>
- Musa, G. I. (2020). The impact of islamic capital market on malaysian real economy. *Jurnal Ekonomi Malaysia*, 54(2). <https://doi.org/10.17576/JEM-2020-5402-08>
- Musari, K. (2023). The evolution of waste bank in Indonesia: An (Islamic) local wisdom based on circular economy towards a climate-neutral economy. *Perspectives on the Transition Toward Green and Climate Neutral Economies in Asia*, 234–249. <https://doi.org/10.4018/978-1-6684-8613-9.ch014>
- Nguyen, C. P. (2023). Institutional frameworks and the shadow economy: new evidence of colonial history, socialist history, religion, and legal systems. *Journal of Industrial and Business Economics*, 50(3), 647–675. <https://doi.org/10.1007/s40812-023-00274-0>
- Nuredini, B. (2022). BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY COMPARATIVE APPROACH BETWEEN CAPITALISM, SOCIALISM AND ISLAMIC ECONOMY. *Corporate Governance and Organizational Behavior Review*, 6(4), 208–220. <https://doi.org/10.22495/cgobrv6i4sip2>
- Nursaid, N., Haanurat, A. I., & Rahman, A. (2023). Exploring the Shari'ah economic learning model through virtual learning: Initiatives and challenges. *Assyfa Journal of Islamic Studies*, 2.
- Panayotakis, C. (2021). Beyond the Capitalist Workplace: How the Production of Surplus across the Economy Keeps Producers Divided. *Review of Radical Political Economics*, 53(1), 77–94. <https://doi.org/10.1177/0486613420915982>
- Piškurčić, J. (2020). "The system of socialist democracy and development of the socialist economy strives for the formation of economically strong municipalities" or, How the Municipality of Ljubljana Vič-Rudnik Was Formed. *Dileme: Razprave o Vprasanjih Sodobne Slovenske Zgodovine*, 4(1), 155–175. <https://doi.org/10.55692/d.18564.2020.5>
- Raimi, L. (2023). Halal Entrepreneurship in Islamic Digital Economy from a Cultural Perspective. *Contemporary Discourse of Halal and Islamic Entrepreneurship: Trends and Future Opportunities*, 115–132. https://doi.org/10.1007/978-981-99-6427-7_8
- Rinaldi, F. (2021). Economic feasibility analysis and optimization of hybrid renewable energy systems for rural electrification in Peru. *Clean Technologies and Environmental Policy*, 23(3), 731–748. <https://doi.org/10.1007/s10098-020-01906-y>
- Rodríguez-Gallegos, C. D. (2020). Global Techno-Economic Performance of Bifacial and Tracking Photovoltaic Systems. *Joule*, 4(7), 1514–1541. <https://doi.org/10.1016/j.joule.2020.05.005>
- Rusydia, A. S. (2021). Islamic Moral Economy: A Scientometric Using R. *Library Philosophy and Practice*, 2021. <https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85109832153%5C&origin=inward>
- Saripudin, U. (2020). The Zakat, Infaq, and Alms farmer economic empowerment model. *Library Philosophy and Practice*, 2020, 1–13. <https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85083726075%5C&origin=inward>
- Shoabeth, R. D. (2020). Financial policy in the Islamic economy-Special reference to financial policy ahead of Ali Bin Abi Talib. *International Journal of Innovation, Creativity and Change*, 10(11), 41–49. <https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85079663182%5C&origin=inward>
- Sidek, S., Abdullah, M. R., & Leong, E. C. (2024).

- SUSTAINABLE DEVELOPMENT IN BUSINESS. In *Sustainable Development in Business*. Universiti Putra Malaysia Press. <https://www.scopus.com/inward/record.uri?eid=2-s2.0-85207535598&partnerID=40&md5=4a56734b799c5a5e4cfe2984340b28a8>
- Siu, R. C. S. (2020). Policy Dimensions of Progressive Institutional Change: Lessons from China's Construction of a Socialist Market Economy. *Journal of Economic Issues*, 54(2), 472–479. <https://doi.org/10.1080/00213624.2020.1752543>
- Somers, M. R. (2020). The moral economy of the capitalist crowd: Utopianism, the reality of society, and the market as a morally instituted process in karl polanyi's the great transformation. *Humanity*, 11(2), 227–234. <https://doi.org/10.1353/hum.2020.0017>
- Tase, M. (2022). The Effect of Perceptions on Tourism: An Econometric Analysis of the Impacts and Opportunities for Economic and Financial Development in Albania and Kosovo. *Sustainability (Switzerland)*, 14(13). <https://doi.org/10.3390/su14137659>
- Trung, D. Van. (2021). Social Enterprises Development in the Vietnamese's Socialist Oriented Market Economy. *Review of Economics and Finance*, 19, 271–280. <https://doi.org/10.55365/1923.X2021.19.38>
- van Zanten, J. A. (2021). Towards nexus-based governance: defining interactions between economic activities and Sustainable Development Goals (SDGs). *International Journal of Sustainable Development and World Ecology*, 28(3), 210–226. <https://doi.org/10.1080/13504509.2020.1768452>
- Vieira, P. A. (2023). Divergent Trajectories: Latin America and East Asia in the Capitalist World-Economy. *Colombia Internacional*, 113, 23–59. <https://doi.org/10.7440/colombiaint113.2023.02>
- Walker, R. F. (2024). The discursive emergence of 'the market' in capitalist political economy: crisis system and the Longue Durée. *Journal of Critical Realism*, 23(1), 1–17. <https://doi.org/10.1080/14767430.2023.2289783>
- Watkins, J. S. (2020). Islamic finance and global capitalism: An alternative to the market economy. *Islamic Finance and Global Capitalism: An Alternative to the Market Economy*, 1–524. <https://doi.org/10.1007/978-3-030-59840-2>
- Whiteside, H. (2024). Capitalist political economy and the political economy of capitalisms: 2022 Rik Davidson/Studies in Political Economy Book Prize. *Studies in Political Economy*, 105(1), 1–17. <https://doi.org/10.1080/07078552.2024.2325284>
- Yeo, Y. (2022). Varieties of State Regulation: How China Regulates Its Socialist Market Economy. *Varieties of State Regulation: How China Regulates Its Socialist Market Economy*, 1–204. <https://doi.org/10.1163/9781684176243>
- Yoshihara, N. (2021). On the labor theory of value as the basis for the analysis of economic inequality in the capitalist economy. *Japanese Political Economy*, 47(2), 190–212. <https://doi.org/10.1080/2329194X.2021.1952081>
- Yousefpour, A. (2020). A fractional-order hyperchaotic economic system with transient chaos. *Chaos, Solitons and Fractals*, 130. <https://doi.org/10.1016/j.chaos.2019.109400>
- Yurtseven, M. (2021). Islamic finance system as a catalyst for sustainability in the economy. *Islamic Finance and Sustainable Development: A Sustainable Economic Framework for Muslim and Non-Muslim Countries*, 285–303. https://doi.org/10.1007/978-3-030-76016-8_12
- Zeitun, R. (2024). Do product offering and service quality affect customer satisfaction in Islamic and conventional banks? Evidence from an oil-based economy. *Journal of Islamic Marketing*, 15(11), 2959–2987. <https://doi.org/10.1108/JIMA-10-2022-0285>
- Zhang, Z. (2020). The Spreading of Stalin's Issues on the Socialist Economy in the Soviet Union in China in the 1950s and the Discussion on the Issue of Basic Economic Principles During the Transitional Period Triggered by Such Spreading. *Historical Perspectives on Chinese Economics (1949–2011)*, 1–9. https://doi.org/10.1007/978-981-15-8163-2_1