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Islamic Economic Reconstruction: Integrating Classical Thinking and Digital Transformation in Sharia Finance

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A B S T R A C T
Global economic development shows a shift in paradigm from a conventional economic system to one that is more focused on values, ethics, and sustainability. In this context, Islamic economics emerges as an alternative that integrates moral and material aspects. This study aims to analyze the integration between classical Islamic economic thought, specifically the ideas of Sayyid Abul A'la Maududi and Muhammad Iqbal, with modern digital economic developments in the form of Islamic fintech, cryptocurrency, and artificial intelligence (AI). The research method used is a literature study with a descriptive-analytical approach. The results show that Maududi's thought provides a framework for a Sharia-based Islamic economic system, while Iqbal provides a philosophical foundation that encourages dynamism and ijtihad. On the other hand, digital transformation presents great opportunities to enhance efficiency and Sharia financial inclusion, but also presents challenges related to sharia compliance, technology ethics, and regulations. Therefore, integrating classical values with digital innovation becomes key in building an Islamic economic system that is adaptive, fair, and sustainable.

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INTRODUCTION

The development of the global economic system over the past few decades has shown very complex dynamics, especially as a result of the dominance of capitalism and socialism, which have not fully been able to address issues of economic inequality, financial crises, and the degradation of moral values in economic activities. The global financial crisis, wealth distribution gaps, and exploitative economic practices are indications that conventional economic systems still have limitations in creating justice and sustainable prosperity. In this context, Islamic economics emerges as an alternative economic system that not only focuses on efficiency and growth but also integrates moral, ethical, and spiritual values into every economic activity.

Islamic economics is built on fundamental principles such as tauhid (the oneness of God), khilafah (the role of humans as God's representatives on earth), and social justice (al-'adl), which emphasize emphasizes the balance between individual and collective interests. This system rejects practices that go against the values of justice, such as riba (interest), gharar (excessive uncertainty), and maysir (speculation). Therefore, Islamic economics functions not only as an economic system but also as a value system that guides human behavior toward holistic well-being (falah).

In the development of modern Islamic economic thought, the contributions of figures like Sayyid Abul A'la Maududi and Muhammad Iqbal have been very significant. Maududi developed the concept of Islamic economics as a comprehensive and practical system, emphasizing the importance of applying sharia principles in all aspects of economic life. He rejected capitalist systems oriented toward unlimited individual ownership, as well as socialist systems that eliminate individual rights, and offered the Islamic economic system as a fair middle path. Meanwhile, Muhammad Iqbal contributed philosophically by emphasizing the importance of ijtihad (independent reasoning) and dynamic thinking in facing changing times. Iqbal saw that Muslims must be able to creatively reconstruct economic thought to remain relevant to modern developments without losing core Islamic values. Along with the development of information and communication technology, the world today has entered the digital economy era, characterized by the use of technology as the main basis for economic activity.

Digital transformation has fundamentally changed the way production, distribution, and consumption work, and has created new business models based on digital platforms. In the financial sector, this development has given rise to innovations such as financial technology (fintech), blockchain, cryptocurrency, and artificial intelligence (AI), which significantly enhance efficiency, speed, and access to financial services. In the context of the Islamic economy, digital transformationThis gave rise to the concept of Islamic fintech, which is the integration of financial technology and Sharia principles. Islamic fintech plays an important role in increasing financial inclusion, especially for communities that are not yet reached by conventional or Islamic banking services. In addition, technologies like AI also offer great opportunities to improve risk analysis accuracy, operational efficiency, and the quality of financial services. However, the development of this technology also brings various challenges, especially regarding compliance with Sharia principles, ethical aspects, and regulations that are not yet fully able to keep up with the speed of technological innovation. The phenomenon of cryptocurrency, for example, is still being debated from an Islamic economic perspective due to its volatile, speculative nature and the lack of a clear underlying asset. Meanwhile, the use of artificial intelligence in Islamic finance also raises ethical issues such as algorithmic bias,transparency, and data protection. On the other hand, digital Islamic finance regulations still face challenges in terms of global standardization and policy harmonization, so a more adaptive and comprehensive approach is needed.

Based on this explanation, there appears to be a need to integrate classical Islamic economic thought with modern digital economic developments. The ideas of Maududi and Iqbal provide a strong conceptual foundation, while digital technology offers innovative means of implementation. Therefore, this study aims to analyze how the integration of classical Islamic economic thought and digital transformation can shape an adaptive, inclusive, and sustainable Islamic financial system. Specifically, this study seeks to answer several key questions, namely: (1) how the ideas of Maududi and Iqbal contribute to the development of modern Islamic economics, (2) the role of digital economy in transforming Islamic finance, and (3) how the integration of sharia values and digital technology can create a fair and sustainable economic system. Therefore, this research is expected to contribute both theoretically and practically, especially in the development of Islamic economics in the digital era, as well as serve as a reference for academics, practitioners, and policymakers in formulating strategies for developing sharia finance that are relevant to global challenges.

LITERATURE REVIEW

Islamic Economics: Concepts and Theoretical Foundations

Islamic economics is an economic system based on sharia values with the main goal of achieving prosperity (falah), which includes both material and spiritual aspects. Unlike conventional economics, Islamic economics emphasizes a balance between individual and social interests and integrates moral aspects into economic activities. The main principles in Islamic economics include the prohibition of riba (interest), gharar (excessive uncertainty), and maysir (speculation), as well as an emphasis on distributive justice and social benefit.

According to Chapra (2000), Islamic economics aims to create a system that is not only efficient but also fair and oriented towards social welfare. Meanwhile, Naqvi (1981) emphasizes that Islamic economics is a synthesis of ethics and economics that cannot be separated in practice. Thus, Islamic economics is not just seen as an alternative economic system. but also as a value system that regulates human behavior in economic activity.

Classical Islamic Economic Thought

2.1 The Thoughts of Sayyid Abul A'la Maududi Sayyid Abul A'la Maududi is one of the important figures in the development of modern Islamic economics. He views Islamic economics as a comprehensive system based on the principles of monotheism (tauhid), stewardship (khilafah), and social justice. In his view, the Islamic economic system must be able to accommodate individual ownership while ensuring fair distribution of wealth. Maududi rejects a capitalist system that tends to be exploitative as well as socialism that eliminates individual rights. He proposes the Islamic economic system as a middle path that balances individual freedom and social responsibility. Furthermore, Maududi also emphasizes the importance of eliminating interest (riba) and implementing profit-sharing systems as a fairer alternative.

2.2 The Thoughts of Muhammad Iqbal Muhammad Iqbal contributed to the philosophical aspects of. He emphasized the importance of ijtihad and dynamic thinking in facing the changing times. According to Iqbal, Muslims must be able to develop economic thought that is adaptive without losing the core Islamic values. Iqbal sees humans as creative agents with the ability to develop economic systems that align with Sharia principles. Thus, Iqbal's thought becomes an epistemological foundation in developing a dynamic and contextual Islamic economy.

Digital Economy and Financial Transformation

The digital economy is an economic system based on information and communication technology, which fundamentally changes the way production, distribution, and consumption happen. Digital transformation has spawned innovations like e-commerce, fintech, blockchain, and artificial intelligence (AI), which increase efficiency and access to economic services. In the financial sector, digitalization allows transactions to be carried out quickly, efficiently, and without geographical limits. According to research, digital transformation not only improves operational efficiency but also creates new business models that are more inclusive and adaptive.

Islamic Fintech as Sharia Financial Innovation

Islamic fintech is the integration of financial technology with sharia principles. The presence of sharia fintech provides solutions to increase financial inclusion, especially for communities that have not yet been reached by banking services. Some of the main roles of Islamic fintech include:

a. increasing access to financing for MSMEs

b. speeding up financial transactions

c. reducing operational costs In addition, sharia fintech uses contracts such as mudharabah, musyarakah, and wakalah to ensure compliance with Islamic principles.

However, the development of sharia fintech also faces challenges such as sharia compliance, transparency, and consumer protection.

Cryptocurrency from an Islamic Economic Perspective

Cryptocurrency is Digital assets based on blockchain technology are used as a means of exchange as well as an investment instrument. From an Islamic economic perspective, the existence of cryptocurrency is still a matter of debate. Some scholars argue that cryptocurrency contains elements of:

a. gharar (high uncertainty)

b. maysir (speculation)

However, others believe that cryptocurrency can be acceptable if it meets the principle of benefit and is not used for speculation. Therefore, an approach based on maqashid al-shariah is needed to assess the benefits and risks of this technology.

Artificial Intelligence (AI) in Islamic Finance

Artificial Intelligence (AI) is a technology that allows data analysis and decision-making automatically. In Islamic finance, AI is used for risk analysis, fraud detection, and improving customer service. AI provides benefits in increasing efficiency and accuracy, but it also raises ethical challenges such as algorithmic bias and lack of transparency.,privacy violations. From an Islamic perspective, the use of AI must meet the principles of justice (adl), honesty (shiddiq), and responsibility (amanah).

Islamic Ethics in Digital

Technology Islamic ethics become an important foundation in the development of digital technology. Principles such as justice, transparency, and public benefit must be a guide in using technology. In the context of the digital economy, Islamic ethics serve as a controller of technology use, a guideline in decision-making, and a basis for moral regulation. Therefore, the integration between technology and ethics becomes key in creating a sustainable economic system.

Sharia Digital Financial Regulation

Regulation plays an important role in maintaining the stability of the sharia digital financial system. In Indonesia, regulations involve institutions such as the OJK, Bank Indonesia, and DSN-MUI. However, rapid technological development presents challenges such as regulatory delays, the lack of global standards, and the complexity of supervision in digital. Therefore, adaptive and comprehensive regulations are needed to ensure compliance with Sharia principles while also supporting technological innovation.

Research Gap

Based on the literature review, there are several research gaps:

1. Lack of integration between classical Islamic economic thought and modern digital economy
2. No global consensus yet on the status of cryptocurrency in Islam
3. Limited empirical studies on the implementation of Islamic ethics in AI
4. Limitations of global regulations in Sharia digital finance

The literature review shows that Islamic economics has a strong theoretical foundation from classical thinkers like Maududi and Iqbal, and also has great opportunities in the digital era through innovations like Islamic fintech and AI.

However, these developments also bring challenges that require integration between Sharia values, technological innovation, and existing regulations.

RESEARCH METHODOLOGY

Type and Research Approach

This study uses a qualitative approach with a literature study (library research) method. This approach was chosen because the research aims to analyze and integrate theoretical concepts from two main fields: classical Islamic economic thought and the digital economic transformation in Islamic finance.

The qualitative approach allows the researcher to understand phenomena deeply, analyze concepts and theories critically, and interpret relationships between variables conceptually.

Research Design

The research design used is descriptive-analytical, that is: Descriptive → describing the concepts of classical Islamic economics and digital economics, Analytical → examining the relationship and integration between these two concepts. This research is also conceptual → building an integrative model, exploratory → identifying opportunities and challenges.

Data Sources

Secondary Data

This study uses data secondary sources obtained from: a. Classical Literature: Books on Islamic economic thought (Maududi, Iqbal, Chapra, etc.) b. Scientific Journals: Reputable international journals (Scopus), Accredited national journals c. Academic Documents: Scientific articles, Dissertations, Working papers d. Institutional Reports: World Bank, IMF, OJK, Bank Indonesia

Data Collection Techniques

Data is collected through Documentation study → collecting written sources, Literature review → reviewing previous research, Content analysis → systematically examining the content of documents Steps: Identifying relevant literature, Grouping by theme, Analyzing content of literature, Synthesizing research findings.

Data Analysis Techniques

Data analysis is carried out with the approach:

5.1 Descriptive Analysis a. Explaining the concept of Islamic economics b. Explaining the development of digital economy

5.2 Comparative Analysis Comparing classical vs. modern thought, theory vs. practice

5.3 Synthesis Analysis Integrating the thoughts of Maududi, the thoughts of Iqbal, the concept of economics in i digital produces a new conceptual model

5.4 Normative Analysis Assessing the compatibility of digital technology with Sharia principles, economic practices with Islamic values

Research Analysis Framework

This study uses the following analysis framework: Classical Thought → Digital Transformation → Integration → Modern Islamic Economic Model Explanation:

a. Stage 1: analysis of classical thought
b. Stage 2: analysis of digital economy
c. Stage 3: concept integration
d. Stage 4: model formation

Data Validity and Reliability

To ensure data validity, the following are used:

7.1 Source Triangulation Comparing various sources (books, journals, reports)

7.2 Credibility Using reliable scientific sources, reputable journals

7.3 Theoretical Consistency Using relevant and tested theories

Research Limitations

This study has several limitations: Does not use empirical data, Focuses on conceptual study, Depends on available literature

Research Output

This study produces a conceptual model Digital Islamic economy, Integration of classical and modern theory, Strategic recommendations. This research methodology uses a qualitative approach with a literature study supported by descriptive, comparative, and synthesis analysis. This approach allows researchers to integrate classical Islamic economic thought with digital economic developments comprehensively, resulting in a conceptual model that is relevant to the modern context.

DISCUSSION

Integration of Classical Islamic Economic Thought in a Modern Context

Classical Islamic economic thought developed by Sayyid Abul A'la Maududi and Muhammad Iqbal has strong relevance in addressing modern economic challenges. Maududi emphasized that the Islamic economy should be built on the principles of monotheism, justice, and balance between individual and social interests. Meanwhile, Iqbal stressed the importance of dynamic thinking through ijtihad as a response to changing times.

In the context of the modern economy, these two thoughts can be integrated as:

a. Maududi → economic system framework (normative and operational)

b. Iqbal → philosophical foundation (dynamic and adaptive)

This integration shows that the Islamic economy is not static, but evolves with changing times without abandoning the basic principles of sharia. This becomes very important in facing technological disruption and economic globalization.

Digital Transformation as a Catalyst for the Islamic Economy

The development of digital technology has changed the global economic landscape, including in the Islamic financial system. Digital transformation enables the creation of a more efficient, inclusive, and transparent economic system. In this context, Islamic fintech becomes a tangible form of integration between technology and Sharia principles. Based on the material, Islamic fintech is able to increase financial inclusion, expand access to MSME financing, and reduce transaction costs. In addition, digital technology also accelerates the innovation process in Islamic financial products and services, allowing them to compete with conventional systems.

The Role of Islamic Fintech in Financial Inclusion

Islamic fintech has a strategic role in reaching communities that were previously unserved by the formal financial system (unbanked population). By utilizing digital technology, financial services can be accessed more broadly without geographical limits. Some of the main contributions of Islamic fintech include providing Sharia-based financing Thus, the use of AI also raises ethical challenges, such as algorithmic bias, lack of transparency, and potential privacy violations. From an Islamic perspective, technology must be used based on the principles of justice (adl), honesty (shiddiq), and responsibility (amanah). Therefore, the development of AI in the Islamic economy must consider ethical aspects in addition to efficiency.

Regulation as a Key Factor in Development

The rapid growth of the digital economy is often not matched by adequate regulation. In the context of Islamic finance, regulation plays an important role in ensuring Sharia compliance, protecting consumers, and creating system stability. However, the main challenges are delayed regulation, the absence of global standards, and the complexity of technology oversight. Therefore, adaptive, innovative regulation based on Sharia principles is needed.

Integrative Model of the Digital Islamic Economy

Based on the analysis, an integrative model can be outlined as follows: Classical Thought → Transformation Thus, the use of AI also raises ethical challenges, such as algorithmic bias, lack of transparency, and potential privacy violations. From an Islamic perspective, technology must be used based on the principles of justice (adl), honesty (shiddiq), and responsibility (amanah). Therefore, the development of AI in the Islamic economy must consider ethical aspects in addition to efficiency.

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Integrative Model of the Digital Islamic Economy

Based on the analysis, an integrative model can be outlined as follows: Classical Thought → TransformationDigital → Modern Implementation Or more specifically: Iqbal (philosophy) → Maududi (system) → Islamic Fintech (implementation). This model shows that classical values become the foundation, technology becomes the implementation tool, leading to the goal.

DISCUSSION

Synthesis From the discussion above, it can be concluded that Islamic Economics has a strong foundation from classical thought, Digital transformation accelerates the implementation of Sharia systems, Islamic fintech becomes a bridge between theory and practice, The main challenges lie in regulation and ethics. Integration between values and technology is the key to the success of Islamic economics in the digital era. The discussion shows that Islamic economics is not only conceptually relevant, but also has great potential in modern implementation through digital technology. The thoughts of Maududi and Iqbal provide a strong theoretical foundation, while Islamic fintech and other digital technologies serve as means of implementation. However, the success of this integration heavily depends oN acts as a bridge between sharia principles and modern economic needs, especially in supporting MSME financing and improving public financial literacy. However, this study also found that the development of digital sharia economics faces various challenges, including issues of sharia compliance, ethics of technology use, and regulatory limitations that are not yet fully able to keep up with the pace of innovation. The cryptocurrency phenomenon, for example, is still a subject of debate because it contains elements of gharar and maysir, while the use of AI raises issues related to transparency, algorithmic bias, and data protection. Overall, this study emphasizes that integrating classical Islamic economic thought with digital transformation is key to building an adaptive, inclusive, and sustainable Islamic economic system. Sharia values must remain the main foundation, while digital technology functions as a tool to enhance effectiveness Implementation of the Islamic economic system in the modern era.

SUGGESTIONS

Based on the research results, some recommendations that can be given are as follows:

1. For Academics a. Further empirical research needs to be conducted to test an integrative model between classical Islamic economics and digital economics. b. Develop interdisciplinary studies that combine Islamic economics, digital technology, and business ethics. c. Expand research related to the application of maqashid al-shariah in modern technologies such as AI and blockchain.
2. For Practitioners (Islamic Financial Industry) a. Develop innovative Islamic fintech products that still comply with sharia principles. b. Improve digital and Islamic finance literacy among the public. c. Integrate technologies like AI to boost service efficiency, while still paying attention to ethics and transparency.
3. For Government and Regulators a. Formulate regulations that are adaptive and responsive to digital technology developments In Islamic finance. b. Encouraging global standardization in Islamic fintech. c. Strengthening the role of Sharia supervisory institutions in overseeing financial technology innovations. 4. For the Community a. Increasing awareness of the importance of using Islamic financial services. b. Using digital technology wisely and in accordance with Islamic values.

NOVELTY (RESEARCH INNOVATION)

This study has several elements of novelty that distinguish it from previous research:

1. Integration of Classical and Modern Theory

This research combines classical Islamic economic thought (Maududi and Iqbal) with modern digital economic developments. Most previous studies only focus on one aspect, whereas this study integrates both within a single conceptual framework.

2. Digital Islamic Economic Conceptual Model

This study produces an integrative model: Classical Thought → Digital Transformation → Modern Implementation Or Iqbal (philosophy) → Maududi (system) → Islamic Fintech (implementation)
This model is a new contribution to the development of contemporary Islamic economics.
3. Multidisciplinary Approach
This study combines Islamic economics, digital technology, and business ethics. This approach provides a more comprehensive perspective compared to previous studies, which tended to be partial.

ADVANCED RESEARCH
Critical Analysis of Technology in a Sharia Perspective This research not only discusses technological opportunities such as AI and cryptocurrencies, but also analyzes them critically in a sharia perspective, including aspects of gharar, maysir, and technology ethics .
Contribution to the Development of Islamic Fintech

This research contributes to strengthening the theoretical foundation of Islamic fintech, connecting Islamic values with digital innovation, providing a direction for the development of Islamic finance in the future This research offers an important contribution to the development of Islamic economics by showing that the integration between classical values and digital innovation is the right strategy to face global economic challenges. With a holistic and adaptive approach, Islamic economics has great potential to become an economic system that is not only efficient, but also equitable, inclusive, and sustainable.

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