

The Perspective of Islamic Economic Philosophy, Management, and Investment Decisions in Critique of Conventional Systems

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Abstract.

This article examines the critique of conventional economic and strategic management paradigms and extends the discussion by integrating Islamic investment decision making. The study is conducted through library research by drawing on core books in Islamic finance and international journal articles on governance, investor behavior, Shariah markets, and portfolio decision making. The findings indicate that conventional systems are largely grounded in profit maximization, instrumental rationality, and value-neutral assumptions, making them prone to inequality, risk shifting, speculation, and the neglect of moral responsibility in decision processes. In contrast, the Islamic perspective regards economic, strategic, and investment activities as a trust that must be managed within the framework of justice, public welfare, blessing, and maqasid al-shariah. Ontologically, human beings are viewed as caliphs; epistemologically, decisions are formed through revelation, reason, and empirical experience; and axiologically, investment and organizational management must conform to trustworthiness, transparency, risk sharing, prudence, and moral-spiritual accountability. This integration offers a more holistic paradigm for organizational management and investment decision making, since it evaluates not only financial outcomes but also process quality, contractual justice, social impact, and ethical accountability.

Keywords: Islamic economics; Islamic strategic management; investment decisions; decision making; ontology; epistemology and axiology.

I. INTRODUCTION

Background of the problem

In modern practice, conventional economics and strategic management have evolved under the influence of Western paradigms that emphasize efficiency, growth, market dominance, and profit maximization. Within this framework, humans are often reduced to rational, calculative actors, while organizations are understood primarily as economic entities tasked with pursuing competitive advantage. This line of thinking encourages success to be measured primarily through material and financial indicators. Problems arise when this orientation is not accompanied by a strong ethical foundation. Markets left solely to operate through the logic of self-interest and the invisible hand do not always produce collective well-being, but can instead give rise to monopolies, price distortions, social inequality, speculation, and the shifting of risk to the weaker party. In the realm of management, legal and profitable strategies are often considered correct, even though they have the potential to cause social injustice, environmental damage, or stakeholder exploitation. In this context, investment decisions are a crucial entry point. Investment is not simply the placement of funds to obtain a return, but rather the process of selecting the best alternative course of action amidst limited information, risk, and uncertainty.

Therefore, discussions of investment cannot be separated from the science of decision-making, which examines how individuals or organizations identify problems, set goals, develop alternatives, evaluate choices, and account for the results of decisions. Islam offers an alternative perspective that views economic activities, strategies, and investments as part of humanity's mandate as caliphs on earth. The goal of economic activity is not limited to the accumulation of profit, but is directed towards *falah*, *maslahah*, and blessings. Thus, investment decisions are not only assessed by whether they are profitable, but also whether

they are halal, fair, transparent, based on real activities, and beneficial to society.

(QS. An-Nisa: 58)

"Indeed, Allah commands you to convey a message to those who are entitled to receive it, and when you determine a law between people, you must determine it fairly."

This verse emphasizes that the management of resources, contracts, wealth, and strategic decisions must be carried out within a framework of trust and justice. Therefore, the study of Islamic economics, management, and investment decisions must be placed not only at the technical-operational level, but also at the philosophical level, concerning the nature, sources of knowledge, and goals of action.

Urgency and Relevance of Research

This study is important because many contemporary Islamic economic and management practices still predominantly adopt conventional analytical tools, then add partial Sharia compliance. However, the basic literature on Islamic finance emphasizes that Islam offers a more comprehensive conceptual framework, ranging from the objectives of economic activities, risk management principles, contract structures, to governance and accountability in decision-making (Ayub, 2007; Iqbal & Mirakhor, 2011; Hassan & Lewis, 2007). The relevance of this research is also evident in the needs of Muslim businesses, financial institutions, and investors for a more just, responsible, and sustainable paradigm. In conditions of social inequality, market volatility, and increasing demands for business ethics, the integration of spiritual values, material efficiency, and decision quality is becoming increasingly urgent.

International empirical findings reinforce this urgency. Behavioral experiments by Brière, Ciftci, Macé, and Pouget (2024) show that investors with stronger religious preferences tend to choose Islamic funds even when their performance is lower, suggesting that investment decisions cannot be reduced solely to financial return calculations. Furthermore, an Indonesian study by Oktabriana, Salim, and colleagues (2024) demonstrated that internet-based investors' attention to Islamic markets is related to market performance and crucial for more adaptive decision-making. Meanwhile, Shah, Qureshi, Memon, and Uddin (2024) emphasized that financial literacy and financial self-efficacy play a role in shaping goal-oriented investment behavior in an environment influenced by religious sentiment.

Research Gap

Discussions on Islamic economics generally focus on the prohibition of usury, zakat, or Islamic financial instruments, while writings on Islamic strategic management often highlight the dimensions of values and leadership. Furthermore, discussions of investment decisions are often limited to analysis of returns and risks without a thorough integration with Islamic ontology, epistemology, and axiology. Recent literature on Islamic capital markets also emphasizes the need for a synthesis that connects normative foundations, governance, investor behavior, and asset allocation strategies within a coherent framework (Supriani, Fianto, & Alshater, 2025).

Research purposes

This study aims to analyze the perspectives of Islamic economic philosophy, management, and investment decisions in criticizing conventional systems through the integration of ontological, epistemological, and axiological dimensions, and to explain its contribution to the development of a just, ethical, and sustainable organizational and investment paradigm.

II. LITERATURE REVIEW

Conventional Economics and Critique of the Market Paradigm

The basic literature on Islamic finance explains that the Islamic paradigm is built on the prohibition of usury (riba), gharar (gharar), and maysir (gambling), as well as on the principles of justice, linkage to real activities, and proportional risk sharing. Therefore, criticism of the logic of profit maximization in conventional systems stems from the argument that market efficiency alone is insufficient to guarantee distributive justice and social welfare (Ayub, 2007; Iqbal & Mirakhor, 2011).

Modern Strategic Management and Its Limitations

In Islamic banking and management literature, strategy is not understood solely as a technical tool for pursuing market dominance, but also as a means of realizing trustworthy, transparent, and accountable

governance. The Handbook of Islamic Banking Studies positions governance, risk management, and Sharia compliance as integral elements of the success of Islamic financial institutions (Hassan & Lewis, 2007).

Investment Decisions and Decision Making Science

International literature adds depth to this argument. Shah et al. (2024) found that goal-oriented investment behavior is influenced by financial literacy and an individual's confidence in their ability to manage a portfolio. This finding aligns with decision-making science, which places information quality, evaluative capacity, and goal clarity as core elements of decision-making. From a portfolio perspective, a study by Umar, Jareño, de la O González, and Shahzad (2023) showed that sound fund allocation decisions require more than simply assessing a single asset in isolation, but also consider diversification, inter-asset covariation, and changes in market conditions over time. The decision-making and behavioral finance literature demonstrates that investment decisions are semi-structured decisions that combine quantitative analysis with subjective judgment, experience, and investor objectives. Shah, Qureshi, Memon, and Uddin (2024) demonstrated that financial literacy and financial self-efficacy influence objective-oriented investment behavior, suggesting that decision quality is determined not only by market data but also by the investor's capacity to assess and manage information.

International studies also demonstrate that the ethical dimension of Islam plays a significant role in investment decisions. Shahid, Patel, and Pan (2022) found that individuals with a higher Islamic worldview tend to avoid investing in companies accused of environmental damage, even if the companies remain profitable. Experimental findings by Brière et al. (2024) even show that religious preferences can lead investors to stick with Islamic instruments even when their performance is lower than that of other alternatives. Thus, Islamic investment decisions go beyond formal compliance and reflect an integration of moral values, religious identity, and an assessment of a company's social impact.

Islamic Perspectives on Economics, Strategy, and Investment

From an Islamic perspective, economic, strategic, and investment activities are understood as part of a trust that must be directed toward justice, welfare, and blessings. Basic Islamic financial literature places risk sharing, fair contracts, real asset-based transactions, and accountable governance as key pillars, making economic, strategic, and investment decisions inseparable from the maqasid al-shariah (objectives of sharia) (Ayub, 2007; Iqbal & Mirakhor, 2011).

Table 1. Synthesis of Previous Studies/Main Arguments

No	Source	Focus of Study	Approach	Key Findings
1	Job (2007)	Basic principles and prohibitions of Islamic finance	Conceptual-normative	Islamic finance is built on justice, the prohibition of riba, gharar, maysir, and a link to real transactions.
2	Iqbal & Mirakhor (2011)	Islamic financial system architecture and risk sharing	Conceptual-comparative	The Islamic system places risk sharing, stability and social balance as key differentiators from interest-based systems.
3	Hassan & Lewis (2007)	Governance, risk management, and Islamic investment	Handbook/conceptual	Governance, sharia compliance and risk management are core elements in Islamic financial institutions.
4	Shah et al. (2024)	Financial literacy and investment behavior	Empirical-behavioral	Financial literacy and financial self-efficacy enhance goal-oriented investment behavior.
5	Usman et al. (2024); Khaleel et al. (2025)	Investor attention and asset allocation decisions in the sharia market	Empirical	Investor attention influences returns and liquidity, while governance influences asset allocation efficiency.

III. RESEARCH METHODS

This research employs a qualitative method with a library research approach. Analysis is conducted through critical reading, reduction of main ideas, and argumentative synthesis of basic Islamic finance books and international journal articles relevant to critiques of conventional systems, Islamic governance, investor

behavior, and investment decision-making. The study focuses on reconstructing the philosophical framework of Islamic economics, management, and investment decisions, encompassing ontology, epistemology, axiology, and decision-making stages.

Table 2.Research Methodology Design

Component	Description
Types of research	Qualitative
Approach	Literature study and philosophical analysis
Research Object	Basic Islamic finance books and reputable international journal articles
Data source	Islamic finance books, international journal articles, and relevant Islamic normative sources
Data collection technique	Document review, identification of key concepts, and categorization of themes
Data Analysis Techniques	Descriptive-analytical, comparative, and reflective-philosophical
Research Time	2026
Research Location	Non-field

IV. RESULTS AND DISCUSSION

Economic Ontology, Strategy, and Investment from an Islamic Perspective

Recent empirical evidence supports this view. In the context of the Indonesian Islamic market, Usman, Hasnam, Nurazi, Baihaqi, and Aujirapongpan (2024) emphasize that internet search-based investor attention can help gauge market sentiment and performance, necessitating more dynamic information monitoring in the decision-making process. At the asset management level, Khaleel, Ihsan, and Rashid (2025) demonstrate that governance and ownership structure are associated with more efficient asset allocation decisions in Islamic mutual funds. This suggests that the epistemology of decision-making in Islamic investment is not simply a matter of knowledge sources, but also of institutional qualities that shape how information is translated into portfolio choices. Ontologically, Islamic economics and finance literature rejects the reduction of humans to homo economicus, who solely pursue self-interest. In Islam, humans are caliphs (khalifahs) entrusted with the responsibility to manage resources, organizations, and wealth responsibly. Therefore, wealth, power, and resources are not understood as means of domination, but as trusts to be used for the common good. This ontology changes the goal of economics and investment from mere accumulation to a balance between falah, justice, and blessings (Iqbal & Mirakhor, 2011).

Epistemology: Sources of Knowledge and Validity of Decisions

Epistemologically, the main criticism of the conventional system is the dominance of positivism and narrow quantitative measures. Islamic finance literature shows that efficient and legal strategies are not necessarily morally correct, while instruments that appear market-rational can remain ethically problematic if they rely on usury, speculation, or unfair risk transfer. From an Islamic perspective, the knowledge used to make decisions comes from revelation, reason, and empirical experience. Market analysis, financial data, risk calculations, and decision-making methods remain important, but all must be guided by sharia principles and a focus on the welfare of the people (Ayub, 2007; Hassan & Lewis, 2007).

Table 3.Comparison of Epistemology and System Orientation

Aspect	Conventional Paradigm	Islamic Paradigm
The nature of human beings	Calculative rational actor	The Caliph who carries the mandate
Source of knowledge	Ratio and empirical	Revelation, reason, and empiricism
The measure of truth	Effectiveness and profit	Justice, welfare, and blessings

Risk management	Risk shifting	Risk sharing
Market orientation	Competition and dominance	Justice and mutual benefit

Axiology: Values, Justice, and Governance

In the axiological dimension, Islamic finance literature emphasizes that values are not complementary but rather central to economic and strategic decisions. Ayub (2007) emphasizes the prohibition of usury (riba), the importance of fair contracts, real asset-based transactions, and business ethics that reject gharar and maysir (gambling). Meanwhile, studies on investment behavior indicate that all investment alternatives need to be screened for Sharia compliance, then evaluated in terms of security, liquidity, risk, social benefits, and their suitability to investor objectives (Shah et al., 2024; Banuri, Murgia, & Ul Haq, 2024). Thus, Islamic investment organizations and decisions are judged not only by financial output but also by the integrity of the process, fairness of contracts, balanced risk sharing, and their impact on society.

In this context, decision quality is not only about outcomes, but also about intentions, procedures, information verification, and moral-spiritual accountability. This practical framework also aligns with the direction of international research. Umar, Jareno, González, and Shahzad (2023) emphasized that an effective Sharia-compliant portfolio optimization strategy must consider diversification and changes in market regimes, rather than simply pursuing short-term returns. Khaleel et al. (2025) added that governance and ownership structures also influence the quality of asset allocation in Islamic funds. Therefore, decision-making in Islamic investment ideally combines Sharia verification, risk-return analysis, diversification discipline, and an evaluation of the social implications of decisions.

Table 4. Axiological Values of Islamic Economics, Management, and Investment Decisions

Mark	Implementation in Economic Management and Strategy
Trust	Management of resources, capital, and organizations as a trust that must be accounted for.
Justice	The distribution of profits, risks, economic access and strategic decisions is carried out proportionally and without injustice.
Transparency	Contracts, governance, and organizational information are communicated openly to prevent manipulation.
Caution	Decision-making takes into account risk, sustainability, and protection of property and public interests.
Benefit	Economic policies, strategies, and investments are directed at social welfare, not just market domination.
Self-reflection	Evaluation is carried out on the results, processes, intentions, and socio-spiritual responsibilities of the organization.

Integration of Decision Making: From Critique to Practical Reconstruction

Literature synthesis shows that criticism of conventional economics does not stop at rejecting interest or speculation. The reconstruction offered by Islam is more fundamental, namely changing the way people view themselves, organizational goals, sources of knowledge, decision-making mechanisms, and measures of success. Within this framework, spiritual, material, and social growth are positioned as a mutually reinforcing unity (Ayub, 2007; Iqbal & Mirakhor, 2011). Practically, this integration can be translated into the stages of Islamic investment decisions: first, tabayyun or verification of information; second, setting goals that include security, growth, and welfare; third, developing alternative instruments such as sharia stocks, sukuk, or gold; fourth, evaluating alternatives based on return, risk, contract, clarity of underlying assets, and social benefits; fifth, selecting decisions with the principle of prudence; and sixth, periodic muhasabah (reflection) on the results and decision process. Thus, modern decision-making is not rejected, but rather reoriented to adhere to the values of justice and maqasid al-Shariah. Markets are still recognized, strategies are still necessary, and efficiency remains crucial, but all must be within a moral

framework that ensures justice and benefits for the community. This is what makes Islamic investment decisions more holistic than conventional models that focus on calculating returns and risks.

V. CONCLUSION

Based on a synthesis of basic Islamic finance books and international journal articles, it can be concluded that Islamic economics, strategic management, and investment decisions offer a more comprehensive paradigm than conventional approaches. Conventional systems tend to rely on profit maximization, instrumental rationality, and value neutrality, thus potentially giving rise to inequality, risk transfer, moral blind spots, and ethically overly narrow investment decisions. In contrast, the Islamic perspective positions humans as caliphs, making revelation a normative source alongside reason and experience, and emphasizing trustworthiness, justice, transparency, risk sharing, prudence, and the welfare of the people as the primary orientations of action. The integration of Islamic ontology, epistemology, axiology, and stages of decision-making can form a holistic, ethical, and sustainable economic and investment framework. This paradigm is relevant for building investment organizations and behaviors that are not only materially effective, but also socially just and spiritually meaningful.

VI. RECOMMENDATION

Policy and Managerial Implications

First, economic institutions and organizations need to base Islamic values on their strategies and investment decisions, not simply as a symbol of formal compliance. Second, risk management, contracts, investments, and governance need to be guided by the principles of risk sharing, fairness, and transparency. Third, human resource development needs to emphasize leadership characteristics such as shiddiq (honest), amanah (trustworthy), fathanah (dedicated to God), and tabligh (proclaiming God) so that organizational excellence is built on trust and integrity. Fourth, for investors and fund managers, investment decisions need to be made through systematic procedures: information verification, sharia screening, risk analysis, alternative evaluation, and periodic self-reflection. In this way, investment decisions are not only financially rational but also ethically sound.

Suggestions for Further Research

Future research could develop operational models to measure the implementation of Islamic ontology, epistemology, axiology, and decision-making stages in business organizations, financial institutions, and public policy. Empirical studies are also needed to compare the impact of conventional and Islamic paradigms on investment decision quality, distributive justice, business sustainability, governance quality, and investor behavior in cross-border Islamic markets.

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