

The Relevance of Muhammad Nejatullah Siddiqi's Thoughts on Islamic Business Ethics as a Critique of Modern Capitalism

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ABSTRACT

*This study aims to examine Muhammad Nejatullah Siddiqi's thoughts on Islamic business ethics and their relevance to modern capitalist practices. The methodological approach used is qualitative with library research, which focuses on conceptual analysis of Siddiqi's works, particularly his book, *Some Aspects of Islamic Economy*. The research data were obtained from primary and secondary literature relevant to the study of Islamic business ethics and the capitalist economic system. The results show that, in Siddiqi's view, Islamic business ethics places moral values as the main foundation within the framework of economic rationality. Principles such as moral orientation, social responsibility, justice in wealth distribution, and risk-sharing mechanisms serve as an ethical framework that regulates economic relations in a fair and balanced manner. These principles also serve as a normative critique of modern capitalist practices that tend to emphasize profit maximization, the application of interest systems, and the separation between economic activity and social responsibility. This research shows that business ethics in Siddiqi's framework of thought not only functions as an individual moral guideline, but also as a normative framework that can be used to assess and improve contemporary economic practices, in order to achieve a fairer and more sustainable economic system.*

INTRODUCTION

The current global economic system in Indonesia is driven by the paradigm of modern capitalism, which prioritizes market efficiency, entrepreneurial freedom, and capital accumulation as the primary mechanisms for achieving economic prosperity (Adam et al., 2024). From an Islamic perspective, this paradigm is believed to stimulate sustainable economic growth while expanding societal welfare (Fanani et al., 2025). Empirically, the dominant orientation toward achieving maximum profit and capital expansion has often been shown to disregard strengthening ethical aspects and implementing social responsibility in business activities. This reflects a gap between the ideal goals of capitalism and its

implementation in the economy, indicating a problem. This raises important questions about capitalism's ability to regulate economic and business activities fairly and also indicates an ethical crisis in current business practices (Liana et al., 2024). This phenomenon indicates a fundamental inconsistency between the prevailing paradigm of economic rationality. This situation can reinforce the urgency of formulating a new business ethics framework capable of synergizing economic processes with moral and spiritual values in an integrated and comprehensive manner.

The economic growth paradigm driven by the modern capitalist system is often used as a primary indicator of the success of global economic development. However, periodic social, economic, and ecological crises indicate that such economic growth is not inherently correlated with the realization of social justice and sustainable prosperity (Hasid et al., 2022). Increasingly significant inequality in wealth distribution, labor exploitation, and environmental degradation are structural consequences of the logic of capitalism, which emphasizes capital accumulation and profit optimization. This situation raises fundamental questions about the strength of capitalism's ethical foundations in regulating economic and business activities fairly (Riyandi & Masdupi, 2025). This suggests that capitalism faces not only economic challenges but also an ethical crisis in its business practices.

In the current empirical context, violations of business ethics are evident in commodity distribution practices in Indonesia. One example is the hoarding of grain by business actors in Mijen District, Demak Regency, which is used as a speculative strategy to maximize profits by selling goods at high prices at a predetermined time. This problem has the potential to disrupt price stability and market availability. A similar phenomenon also occurs in Tulungagung Regency, where the scarcity of staple foods is triggered by the practice of *ihthikar* (scamming) carried out by unscrupulous business actors to reap profits, thus harming the interests of the community (Wirarti, 2023). Therefore, the fluctuations in rice prices that have occurred in several regions in recent years indicate structural problems in market mechanisms, which directly impact the welfare of the community, especially economically vulnerable groups (Surury et al., 2025). Various previous studies have confirmed that the practice of hoarding and market manipulation constitutes a serious violation of the principles of Islamic business ethics. Research on the impact of *ihthikar* shows that hoarding goods for profit can create artificial scarcity and unreasonable price increases, thus harming public welfare and causing market instability (Handika et al., 2025). In addition, Islamic economic studies also emphasize that deliberate hoarding of goods to control prices is a prohibited practice because it contradicts the principles of justice, openness, and balance in economic activities. Furthermore, other studies emphasize that policy interventions such as setting a maximum retail price (HET) are necessary to prevent deviations in market mechanisms due to unethical practices, including hoarding and regulating the distribution of goods, in order to maintain the public welfare in the economic system (Nasution & Yafiz, 2026). Thus, both reviewed from real evidence that occurs in Indonesia and from scientific studies, violations of

business ethics, especially in the form of hoarding and market manipulation, are real phenomena and are closely related to the structure of the economic system that is not fully based on the values of justice and welfare.

From an Islamic business ethics perspective, economic activity must be based on moral principles aimed at achieving overall well-being for all stakeholders (Farhan, 2025; Abidin & Marwendi, 2025). Muhammad Nejatullah Siddiqi's thinking emphasizes that business activities should not solely focus on profit but also encompass the application of justice (*'adl*), social responsibility, and a balance between individual and societal interests. Unlike the capitalist economic system, which tends to provide unlimited freedom in wealth accumulation and ignores ethical aspects, Islamic economics establishes clear normative boundaries in economic activity (Suranto et al., 2021) . Furthermore, Islamic economics does not adopt a restrictive approach like the communist economic system, which can limit the freedom and innovation of business actors. Thus, Islamic economics occupies a moderate position (*wasathiyah*) with an emphasis on the principles of justice and fairness, where every individual has an equal opportunity to gain profits without harming others or ignoring the public interest (Widana et al., 2015).

Although Islamic business ethics and the issues of modern capitalism have been the subject of numerous studies, the majority of these studies remain descriptive and normative. This is evident in the positioning of ethics solely as a set of ideal values, without systematically utilizing it as a tool to critique the economic structure of capitalism itself. Furthermore, discussions of Muhammad Nejatullah Siddiqi's thought have focused more on general Islamic economic concepts, such as aspects of distribution and welfare. As a result, the potential of this thought has not been optimized to analyze the crisis of business ethics in the context of modern capitalism.

Therefore, this article positions Siddiqi's thinking not only as a normative foundation but also as an analytical framework. This research aims to examine whether the business ethics crisis arises from the individual behavior of economic actors or is an inherent consequence of the logic of the modern capitalist system. With this approach, this study seeks to present a critical perspective that integrates the dimensions of ethics, economic systems, and empirical reality to comprehensively understand contemporary business practices, drawing on the work *Some Aspects of Islamic Economy*.

RESEARCH METHODS

This research applies a qualitative approach with a library research method . (Kusumastuti & Khoiron, 2019) . This approach was chosen because the main focus of the research is on the analysis of the thoughts of figures in the field of Islamic economics, especially Muhammad Nejatullah Siddiqi, regarding the concept of Islamic business ethics and his criticism of the modern capitalist system. The data sources used consist of primary and secondary sources. Primary sources include the works of Muhammad Nejatullah Siddiqi, especially the book *Some Aspects of Islamic Economy* , which is the main reference in

understanding the framework of Islamic business ethics according to Siddiqi's views. Meanwhile, secondary sources are obtained from various scientific articles, books, and academic publications relevant to the study of Islamic business ethics, Islamic economics, and the capitalist economic system.

Data collection was conducted through a documentary study of various literature related to the research topic. The collected data were then analyzed using a descriptive-conceptual approach, examining the main concepts in Siddiqi's thinking on Islamic business ethics (Kusumastuti & Khoiron, 2019). The analysis was conducted by identifying the principles of business ethics proposed by Siddiqi and evaluating their relevance as a critique of modern capitalist economic practices. Through this approach, the study aims to explain the relationship between ethical values in Islamic economics and ethical issues that arise in the modern capitalist system.

RESULTS AND DISCUSSION

Conceptual Foundation of Business Ethics in the Thoughts of Muhammad Nejatullah Siddiqi

The results of this study, obtained from a conceptual analysis of Muhammad Nejatullah Siddiqi's thinking, reveal that Islamic business ethics is not merely an additional moral norm in economic activities, but rather the foundation of economic rationality itself (Siddiqi, 1978). Siddiqi emphasizes the ethical dimension as a crucial element determining the legitimacy of business behavior, profit goals, and interactions between economic actors. In this view, business activities are not only seen as actions to maximize profits, but also as social actions bound by moral values, responsibility, and fairness in the distribution of results (Maulena et al., 2024). The findings of this study indicate that Siddiqi clearly rejects the separation between economic policy and ethical norms. Economic rationality is not actually enough to be assessed solely in terms of efficiency, growth, or profit, but must also be seen whether it is in accordance with the principles of justice and benefit to society. In this regard, Islamic business ethics plays a role as an internal system that guides actions in the economic world, not merely as an additional moral tool that is normative and idealistic (Masykuroh & Si, 2020). This view also reflects an implicit critique of the modern capitalist model, which prioritizes profit without considering its moral and social impacts. The study shows that Siddiqi views business as a trustworthy activity. Economic decisions not only have material impacts but also influence ethical aspects that can contribute to social imbalance. Therefore, business practices must demonstrate honesty, responsibility, and a commitment to justice. Within this framework, the legitimacy of profit is determined not only by how the market operates but also by its compliance with Islamic ethical principles (Siddiqi, 1978).

An analysis of Siddiqi's approach to business ethics also shows that moral values are not seen as obstacles to business development, but rather as tools to ensure the sustainability and resilience of the economic system. Siddiqi implicitly states that problems in the modern economic system stem not only from technical or policy errors but also from ethical issues

related to the way markets operate. When rational economic thinking shifts to the pursuit of personal gain, the economic structure easily creates injustice, overexploitation, and instability in society. Within this framework, Islamic business ethics serves as a way to prevent moral deviations from economic activity, so that the freedom granted in business remains limited by the principles of justice and social obligation. Thus, Siddiqi's construction of Islamic business ethics not only represents a set of rules regarding personal behavior but also has a critical aspect regarding economic mindsets that separate moral values from the market system (Djakfar & Sh, 2012). Siddiqi asserts that a sustainable economic system requires a combination of economic logic and ethical principles, so that business activities prioritize not only efficiency but also social justice. This perspective views Islamic business ethics as an appropriate regulatory framework and analytical tool for understanding current economic issues, especially in explaining the weaknesses of the modern capitalist approach which focuses more on seeking profit as the main goal in various economic activities.

Siddiqi argues that every economic activity has an inherent social responsibility aspect. The market is not seen as a self-contained mechanism, but rather as a place where human interactions occur, influenced by values, norms, and power relations. Therefore, behavior in the economy cannot be separated from ethical considerations, as business decisions can influence how happiness and prosperity are distributed, as well as the stability of society and the structure of justice within it. Within this framework, ethics acts as a tool of adjustment that corrects market tendencies that prioritize only personal interests (Nurman et al., 2025) . The evaluation results show that Siddiqi views business as an activity with an aspect of responsibility. Economic decisions not only have material impacts but also influence ethical aspects that impact social balance. Therefore, the way business is conducted must demonstrate honesty, responsibility, and a commitment to justice. This structure states that the validity of profits depends not only on how the market operates but also on whether it is in accordance with Islamic ethical principles (Aziz & Arifin, 2013). This means that the market is not the only institution with legitimate authority, as moral aspects serve as normative guidelines in determining the boundaries of economic behavior (Mawadat et al., 2025) . According to Siddiqi, the Islamic business ethics framework displays a well-organized pattern of thought, encompassing moral aspects, fairness in profit-making, social priorities, economic relations, and how wealth is distributed. These principles can be mapped as follows (Siddiqi, 1978) :

Table 1. Islamic Business Ethics According to the Perspective of Muhammad Nejatullah Siddiqi in the Book *Some Aspects of Islamic Economy*

No	Ethical principles	Siddiqi's conceptual quote	Structural meaning in business activities
1	Moral basis of economic activity	<i>In all these activities, the 'Islamic' way of thinking makes him conform to the limits set by ethics and morality and to try to give these activities the quality that is demanded by virtue and goodness.</i>	Every economic activity, such as production, consumption, and exchange, is seen as having a moral dimension. Business practices are not solely aimed at achieving maximum efficiency and profit, but must also provide benefits in line with religious principles. This serves as an internal control mechanism to ensure that business actors do not deviate from applicable moral and ethical norms.
2	Risk-sharing and cooperation	<i>The real and desirable pattern of economic relationships is active co-operation.</i>	The Islamic economic system rejects the practice of profit-making without any involvement in business risk, as occurs in the interest system. The principle of justice dictates that capital owners are only entitled to a share of the profits if the business actually generates profits and must be willing to bear the losses if the business fails. This approach shifts the paradigm from the risk of death to an inevitable shared responsibility that must be borne collectively.
3	Distributive justice	<i>It orders society to guarantee such provisions to each individual in all circumstances.</i>	Wealth distribution must reach all levels of society to prevent monopolization by a handful of individuals. Ensuring basic necessities is a primary requirement for every individual to live a decent life and fulfill their moral and spiritual obligations without being burdened by the pressures of poverty.
4	Socio-economic responsibility	<i>The individual is therefore aware of the social costs which his enterprise may involve. He calculates the moral, social, political and economic effects of his individual schemes upon other individuals and upon society as a whole.</i>	A Muslim entrepreneur is required to consider the social costs arising from his or her business activities. If a project provides personal benefits but harms the environment or conflicts with societal moral values, social interests must be prioritized. Individuals are obligated to voluntarily forego some of their freedoms to safeguard the security and interests of the collective community.

5	Public interest	<i>The interest of society is to be regarded supreme in all circumstances.</i>	Islam does not recognize the existence of absolute and unlimited private property rights. If there is a conflict between individual rights and the common good, social authorities (the state) have the authority to regulate and implement policies to prevent major damage, such as a single monopoly or excessive accumulation of wealth.
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These findings demonstrate that Siddiqi's approach to constructing Islamic business ethics has a systemic structure, not just a personal one. Ethics not only influences how individuals behave in the economy but also compels improvements to the way the economic system operates to align with principles of social justice. In this context, Islamic business ethics serves as a regulatory framework that challenges the fundamental assumptions of modern capitalism, particularly the notion that markets can automatically create justice through competition and capital accumulation.

Muhammad Nejatullah's Critique of the Modern Capitalist System

The discourse on modern capitalism is inseparable from the foundations of classical economic thought initiated by Adam Smith, who placed individual freedom and market mechanisms as the primary basis of economic activity (Huda, 2016) . Through the concept of *the invisible hand* in his work, *The Wealth of Nations* , Smith argued that the motivation to achieve personal gain can indirectly promote shared prosperity. However, in its development, various critics such as Joseph Stiglitz highlighted that market mechanisms do not always work optimally, especially in realizing equitable distribution of wealth (Rosita et al., 2024) . However, this criticism generally still focuses on the phenomenon of *market failure* , so that the solutions offered remain within the corridors of the capitalist system, such as state intervention and redistribution policies.

In contrast to this approach, Muhammad Nejatullah Siddiqi launched a more fundamental critique, focusing on the values and orientation of the system itself. In his view, the main problem with capitalism lies not simply in the imperfection of market mechanisms, but in the emphasis on profit as the primary goal, without being constrained by a clear moral framework. Therefore, his critique aims not only to improve the system but also to reconstruct economic activity based on ethics and social responsibility. This thinking can be explained through the following five main principles:

First, the moral basis of economic activity. According to Adam Smith's classical thinking, economic action is seen as a rational effort by individuals to pursue personal interests that ultimately achieve shared prosperity through market mechanisms, although this view tends to separate economic activity from ethical values because it relies solely on individual rationality. Modern economic views show that rationality without a moral basis can lead to ethical deviations in business practices, in contrast to the opinion of Muhammad

Nejatullah Siddiqi who emphasized that economic activity must be based on the principles of honesty, justice, and trustworthiness. The fundamental difference lies in the position of ethics, which in the framework of capitalism only plays a complementary role, whereas according to Siddiqi it is the main basis for organizing economic activities, this is reinforced by research (Iqbal & Mirakhor, 2013) which states that modern economic development often ignores the moral dimension, thus giving rise to various ethical issues in the implementation of economic activities.

Second, the principle of *risk sharing* and cooperation. Classical capitalism prioritizes competition and individual freedom as the primary drivers of economic activity, which later evolved into an interest-based financial system. In this system, capital owners have the opportunity to earn fixed returns without having to bear the risk directly, thus drawing criticism for creating inequality in *risk sharing* (Dewi, 2024) . In response, Siddiqi proposed the concept of profit and loss sharing, which ensures an equal distribution of risks and benefits for all parties involved. The fundamental difference is evident in the pattern of economic relations applied: capitalism is based on debt-to-credit relationships, while Islamic economics is built on partnerships. This opinion is supported by research (Surury et al., 2025) , which proves that a risk-sharing system has a higher level of stability and fairness than a debt-based system implemented within a capitalist framework.

Third, distributive justice, where the distribution of wealth is entirely left to market mechanisms, with the assumption that equilibrium will naturally form. However, in practice, this pattern often creates significant disparities. Modern economists assert that markets are not always capable of achieving a fair distribution of wealth. In contrast to this view, Siddiqi argues that the distribution process needs to be regulated in such a way that wealth is not concentrated in the hands of a small group. The main difference lies in the role of the system implemented: capitalism is passive because it relies entirely on market forces, while Siddiqi's ideas are active through zakat instruments and income equality policies. This opinion is supported by previous research that states that justice in the distribution of economic results is a primary goal within the framework of Islamic economic thought.

Fourth, social responsibility. In the modern capitalist system, social responsibility is positioned as a complementary element manifested through the concept of corporate social responsibility and is generally voluntary, thus giving rise to the view that business activities are still more focused on fulfilling the interests of capital owners (Ratna, 2017) . Conversely, Siddiqi emphasizes that social responsibility is not an option, but rather an integral part of every economic activity. The main difference lies in the nature of its implementation: it is non-binding within the capitalist framework, but is mandatory in the Islamic economic system. This is supported by research (Jie et al., 2023) which states that the concept of social responsibility in Islam has a broader scope because it is based on ethical principles and efforts to achieve mutual benefits.

Fifth, the orientation towards the public good (*maslahah*). Capitalism focuses on fulfilling individual interests, assuming that shared prosperity will naturally be achieved through market mechanisms. However, in practice, this often fails to materialize and instead leads to social inequality and environmental damage. In contrast, the Siddiqi system prioritizes the public good as the primary objective of economic activity, thus prioritizing the welfare of the wider community. The fundamental difference lies in the ultimate goal of the economic system: capitalism prioritizes profit-seeking and efficiency, while the Siddiqi system focuses on achieving equitable prosperity for all parties. This opinion is supported by research (Musa et al., 2020) , which states that the Islamic economic system is structured to create a balance between increasing economic growth and fulfilling social welfare.

Based on the description above, a significant fundamental difference is apparent between conventional economic criticism and Siddiqi's perspective. Criticism of capitalism, from a modern economic perspective, is generally *reformatory* , aiming for improvements within the system. Meanwhile, Siddiqi's critique is fundamental and philosophical, highlighting the root values of the system and offering an alternative, more just framework. Thus, Siddiqi's thinking serves not only as a critique but also as a comprehensive foundation for building an economic system that balances efficiency, ethics, and social welfare.

Risk-Sharing as a Principle of Justice and a Critique of the Modern Capitalist System

The conceptual findings of this study indicate that the principle of risk sharing is an important part of building Islamic business ethics according to Muhammad Nejatullah Siddiqi. This principle states that the legitimacy of profits from economic activities cannot be separated from participation in taking business risks. Profits can only be considered legitimate if they are obtained through real involvement in the possibility of experiencing losses, so that the relationship between the results obtained and the risks faced forms a structure of economic justice that already exists naturally (Siddiqi, 1978) . Within this framework, profit sharing is not only seen as the result of market mechanisms, but also as a result of ethical decency because all parties are actively involved in economic activities.

An analysis of Siddiqi's thinking shows that *risk-sharing* is not merely a technical tool in the Islamic financial system, but also reflects a deeper moral principle, namely justice in economic relations. This principle is based on the belief that every business activity inevitably involves risk or uncertainty, so that the profits obtained must include the ability to accept the economic impacts that may arise from this uncertainty. Thus, *risk-sharing* functions as a means of regulating norms, linking ethical aspects to the workings of the economic system, while simultaneously rejecting ways of gaining profits that do not involve business risks (Masyhuri, 2013).

In Siddiqi's view, economic justice is not only about how profits are distributed, but also about how risks are shared. Economic relations that allow one party to obtain a fixed return without incurring any risk can lead to an imbalance in the economic structure (Sardari & Rinaldy, 2025). Such a system not only obscures the link between productive effort and

profits but can also make the accumulation of capital that does not originate entirely from real economic activity appear legitimate and reasonable. Therefore, risk sharing is seen as a way to correct the economic structure that causes an imbalance between risks and benefits.

The findings of this study indicate that Siddiqi indirectly criticized the interest-based financial system, a key feature of modern capitalism. The interest system allows those with money to earn a relatively secure income, even if the venture they fund does not perform well. In this structure, economic risk is usually borne by the borrower or the producer, while the capital owner remains in a safer position against the uncertainties of the business. The result of this mechanism is the emergence of an unbalanced economic relationship, where the share of risk borne is disproportionate to the share of profit earned (Salsabila et al., 2024) . Furthermore, Siddiqi's criticism of the interest system is based not only on religious norms but also on an analysis of fairness within economic rationality. The interest system is considered to create misunderstandings in providing incentives, as the profits earned by capital owners are not entirely dependent on the good performance of economic activities (Syam, 2021) . This structure may be able to separate the financial sector from the real sector, allowing profits to be obtained through a more independent financial mechanism and not entirely dependent on the level of economic productivity. In the long term, this situation could lead to economic instability, excessive speculation, and the accumulation of wealth only in certain groups.

In contrast, the principle of risk-sharing demonstrates a direct link between profits and actual economic activity. Profits only arise if the venture generates additional benefits, thus establishing a productive and mutually responsible partnership. This mechanism provides benefits that are more aligned with economic stability, as all parties are invested in the success of the venture (Mukhlis & Gresik, 2021) . Thus, risk-sharing serves not only as an ethical principle but also as an economic tool that can help allocate resources more efficiently and fairly.

These conceptual findings demonstrate that the concept of risk sharing in Siddiqi's thinking critiques the workings of the modern capitalist system, which tends to justify the separation between capital ownership and risk-taking responsibility in business. Modern capitalism allows profits to be obtained through financial instruments that do not always reflect commensurate productive effort. From the perspective of Islamic business ethics, this structure is considered problematic because it can lead to inequities in the distribution of wealth and weaken the relationship between the real economy and the financial sector (Masykuroh & Si, 2020) . Furthermore, the principle of risk sharing also has significant social and economic implications. The equitable distribution of risks and profits can reduce wealth concentration, strengthen economic cooperation, and foster more participatory business relationships. Economic relations are no longer dependent on the power of money but rather on cooperation and shared responsibilities. Therefore, economic justice is defined as the result

of the collaboration between market mechanisms and ethical values, not simply the existence of market competition (Permana & Nisa, 2024).

In a broader context, *risk-sharing* demonstrates that Islamic business ethics, according to Siddiqi, is systemic, not merely an individual set of rules or values. This principle explains that a just economy requires a relationship between the right to profit and the obligation to take risks (Masyhuri, 2013) . This framework also challenges the fundamental tenet of modern capitalism, which considers markets to be value-neutral, emphasizing that economic justice requires a unified moral foundation within the economic system. Thus, risk-sharing, according to Siddiqi's thinking, can be understood as an ethical principle operating at the structural level. This principle not only guides individual behavior but also proposes a reorganization of economic relations to align with fair distribution. Within this framework, Islamic business ethics serves as a normative and systemic critique of the structure of modern capitalism, particularly in terms of how risks are distributed, profits are justified, and economic stability is maintained.

Islamic Business Ethics as a Critique of Modern Capitalism

The results of this study indicate that Muhammad Nejatullah Siddiqi's thoughts on business ethics in Islam are not only normative but can also be understood as a conceptual critique of the basic assumptions underlying the modern capitalist system. Essentially, capitalism is built on the assumption that individual freedom to pursue profit through market mechanisms will automatically encourage economic efficiency and collective well-being. This assumption is rooted in classical economic thought developed by Adam Smith through the concept of *the invisible hand* , which states that individual rational interests in a free market can indirectly provide general social benefits. However, the progress of global capitalism shows that the market system is not always able to create the social equilibrium expected in classical theory (Hasan & Mahyudi, 2020) . Several things such as the increasing wealth gap, the concentration of economic power in large companies, and the occurrence of repeated financial crises indicate that a completely free market mechanism has limitations. Criticism of this tendency also appears in contemporary economic studies, for example in Joseph Stiglitz's analysis which highlights that the modern market system often results in increasing inequality if it is not accompanied by mechanisms that ensure justice and equality (Dassucik & Farida, 2025).

In this context, Siddiqi's thinking offers an alternative perspective by emphasizing that economic activity cannot be separated from moral dimensions. Unlike conventional economic approaches that tend to separate economic analysis from ethical considerations, Siddiqi places moral values as the primary foundation of economic activity (Siddiqi, 1978) . This approach emphasizes that economic rationality cannot be measured solely by efficiency or profit, but also by the extent to which economic activity contributes to social justice (Khuriyah, 2025). Analytically, Siddiqi's critique of capitalism can be interpreted as a critique of the oversimplification of economic goals that focus on profit accumulation. In a capitalist system,

profit is often the primary indicator of economic success, both at the company level and the economic system as a whole (Siddiqi, 1978) . This orientation can indeed encourage innovation and economic growth, but at the same time, it can also result in economic behavior that ignores the social dimension. In everyday practice, companies may focus on increasing production efficiency or expanding markets without considering the broader impact on society. Siddiqi argues that this condition reflects the limitations of an economic approach that focuses solely on material rationality. Therefore, Islamic business ethics serves as a normative framework that guides economic activity, not solely oriented toward individual profit, but also toward social responsibility. In other words, Islamic business ethics serves not only as a moral guideline for business actors but also as a corrective mechanism against the materialistic tendencies developing within the capitalist system (Pratiwi et al., 2024).

This analysis shows that the main difference between capitalist and Islamic economic systems lies not in the existence of markets or business activities themselves, but rather in the underlying value frameworks of both. Capitalism places efficiency and individual freedom as the primary principles of economic activity, while Islamic economics emphasizes the importance of social justice and moral responsibility as integral parts of economic activity. Therefore, Siddiqi's thinking can be understood as an attempt to reconstruct the relationship between economics and morality in order to create a more just and civilized economic system.

The Risk-Sharing Principle in the Modern Economic System

One of Muhammad Nejatullah Siddiqi's important contributions to economic thought is his focus on the principle of risk sharing as the basis for a fair economic relationship between capital owners and business actors. This system stems from a critique of the interest-based financial system, which is a hallmark of modern capitalism (Siddiqi, 1978) . In this system, the relationship between the provider of capital and the borrower is contractual, with a predetermined rate of return in the form of interest. Theoretically, the interest system functions as an instrument for efficiently allocating financial resources in the economy. However, in practice, this mechanism can also create an imbalance in risk distribution (Fatanah et al., 2025) . Capital owners still earn profits in the form of interest even though the borrower's business activities experience losses. This condition indicates that the economic relationship formed in the interest system tends to transfer most of the risk to the borrower, thus creating an imbalance in the distribution of risks and benefits (Pandini et al., 2025).

According to Siddiqi, the imbalance arising from the interest system contradicts the principle of justice in economic activity. Therefore, he argues that a profit-sharing financing mechanism places capital owners and business managers in a fairer and more balanced relationship. In a *profit-and-loss-sharing mechanism*, profits and losses are shared proportionally according to the results of the business activities undertaken (Siddiqi, 1978) . Thus, profits are not obtained with certainty as in an interest system, but rather depend on the success of productive economic activities. Analytically, the concept of *risk sharing* can be understood as an effort to strengthen the link between the financial sector and the real sector

of the economy. In an interest-based system, the financial sector tends to develop relatively separately from real production activities because profits are obtained through financial transactions alone. In contrast, a profit-sharing mechanism encourages the direct involvement of capital owners in truly productive real economic activities, because profits can only be obtained if the business is successful.

In the context of modern economics, the relevance of the principle of *risk sharing* can also be observed in various discussions regarding the stability of the global financial system. The financial crises that have occurred in recent decades have demonstrated that a financial system overly reliant on debt instruments is vulnerable to economic instability (Mulya, 2026). Therefore, a number of economic studies have begun to highlight the importance of financing mechanisms based more on risk participation to create a more stable and resilient financial system. *The risk sharing* proposed by Siddiqi not only has a normative dimension within the framework of Islamic economics but also has practical implications in contemporary economic discourse. This principle emphasizes that the integration of moral values and economic mechanisms can produce a more just and balanced model of economic relations between capital owners and business actors. Thus, Siddiqi's concept of thought makes an important contribution to broadening the discourse on the possibility of economic system reform towards a more equitable, sustainable model capable of increasing the stability of the financial system as a whole (Saifuddin et al., 2026).

CONCLUSION AND SUGGESTIONS

This study reveals that Muhammad Nejatullah Siddiqi's thoughts on Islamic business ethics have significant relevance in critiquing the practices of modern capitalism. Siddiqi places moral values as the primary foundation of economic activity, so that business activities are not solely directed at efficiency and profitability, but must also pay attention to social justice, moral responsibility, and community welfare. Ethical principles such as moral orientation in the economy, social responsibility, justice in the distribution of wealth, and *risk-sharing mechanisms* emphasize that economic activity within an Islamic framework cannot be separated from its underlying ethical values.

The results of this study also confirm that the concept of *risk-sharing* is a vital mechanism in building fairer economic relationships between capital owners and business actors. This principle also serves as a critique of the interest-based capitalist financial system, which allows profit-making without direct involvement in business risks. Therefore, according to Siddiqi, Islamic business ethics not only serves as a moral guideline for individuals but also has structural implications for building a more just and sustainable economic system. This study makes a conceptual contribution by asserting that the integration of ethical values and economic mechanisms can be an effective alternative in addressing the ethical crisis that arises in modern capitalist economic practices.

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