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Rethinking conventional and Islamic economics: An integrated conceptual framework for addressing contemporary socio-economic challenges

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Abstract

Although the differences between conventional and Islamic economics have been widely examined, the conceptual relationships among paradigms, development goals, economic instruments, public policy, and responses to contemporary socio-economic challenges remain insufficiently integrated. This study comparatively examines how conventional and Islamic economics respond to contemporary socio-economic challenges by developing a systematic conceptual framework. It employs a qualitative approach using a *conceptual paper* design based on *library research*, with data analyzed through *comparative qualitative analysis* and *thematic analysis*. The findings demonstrate that the differing responses of the two economic systems originate from their underlying paradigms, which shape development goals, economic instruments, and public policy orientations. Conventional economics emphasizes market efficiency and economic growth, whereas Islamic economics integrates economic efficiency with distributive justice, social responsibility, and ethical values. This study contributes by proposing an integrated conceptual framework that clarifies the interrelationships among these dimensions in explaining how both economic systems respond to contemporary socio-economic challenges.

Keywords: Islamic economics; Conventional economics; Socio-economic challenges; Comparative analysis; Conceptual framework.

Abstrak

Perbedaan paradigma antara ekonomi konvensional dan ekonomi Islam telah banyak dikaji. Namun, hubungan konseptual antara paradigma, tujuan pembangunan, instrumen ekonomi, kebijakan publik, dan respons terhadap tantangan sosial-ekonomi kontemporer masih belum dijelaskan secara terpadu. Penelitian ini bertujuan menganalisis secara komparatif respons ekonomi konvensional dan ekonomi Islam terhadap tantangan sosial-ekonomi kontemporer melalui pengembangan kerangka konseptual yang sistematis. Penelitian ini menggunakan pendekatan kualitatif dengan desain *conceptual paper* berbasis *library research*, yang dianalisis melalui *comparative qualitative analysis* dan *thematic analysis*. Hasil penelitian menunjukkan bahwa perbedaan respons kedua sistem ekonomi berakar pada paradigma yang membentuk tujuan pembangunan, instrumen ekonomi, dan arah kebijakan publik. Ekonomi konvensional menitikberatkan efisiensi pasar dan pertumbuhan ekonomi, sedangkan ekonomi Islam mengintegrasikan efisiensi ekonomi dengan keadilan distributif, tanggung jawab sosial, dan nilai-nilai etika. Penelitian ini memberikan kontribusi melalui pengembangan kerangka konseptual terpadu yang memperjelas hubungan antarkomponen dalam menjelaskan respons kedua sistem ekonomi terhadap tantangan sosial-ekonomi kontemporer.

Kata Kunci: Ekonomi Islam; Ekonomi konvensional; Tantangan sosial-ekonomi; Analisis komparatif; Kerangka konseptual.

Introduction

Global socio-economic development has brought increasingly complex challenges, including rising poverty, widening economic inequality, unequal wealth distribution, and limited public access to financial services (Mishra et al., 2024). These challenges indicate that economic growth does not necessarily lead to equitable improvements in societal welfare, thereby creating the need for an economic system capable of balancing efficiency, equity, and sustainability. In this context, conventional economics and Islamic economics have emerged as two prominent approaches to formulating development policies (Azid et al., 2021). Although both aim to improve societal welfare, they are founded upon different paradigms, values, and economic mechanisms. These differences give rise to distinct characteristics in how each system responds to contemporary socio-economic challenges.

The paradigmatic differences between conventional economics and Islamic economics influence not only how economic activities are perceived but also the formulation of development goals, the selection of economic instruments, and the direction of public policy. Conventional economics generally emphasizes market efficiency, productivity, and economic growth as the primary drivers of prosperity (Coscieme et al., 2019). In contrast, Islamic economics integrates economic efficiency with the principles of distributive justice, social responsibility, and ethical values grounded in *maqāṣid al-sharīʿah* (Ayub, 2026). These differing orientations lead to distinct approaches to alleviating poverty, reducing economic inequality, improving wealth distribution, and expanding financial inclusion. Therefore, understanding the characteristics of each system is essential for developing development strategies that are more adaptive to the dynamics of modern socio-economic conditions.

Although both economic systems offer various solutions to development-related problems, discussions of conventional economics and Islamic economics are still largely conducted in isolation, leaving their conceptual relationship insufficiently explained. Consequently, paradigmatic differences are often understood only at the philosophical level without demonstrating how they shape development goals, the selection of economic instruments, policy formulation, and responses to socio-economic challenges in an integrated manner. Yet, understanding the interrelationships among these components is crucial for explaining why the two systems adopt different approaches to addressing the same issues. Therefore, a comparative analytical framework capable of integrating these dimensions within a systematic perspective is needed.

Numerous studies have compared conventional economics and Islamic economics. Kamal (2025) showed that both systems share the common objective of improving societal welfare but employ different approaches to achieving that objective. Abasimel (2023) found that Islamic economics demonstrates particular strengths in distributive justice and social finance, whereas conventional economics is more effective in promoting market efficiency and economic growth. Nevertheless, most previous studies have examined paradigms, economic instruments, or public policies separately, leaving the conceptual relationships among these dimensions insufficiently explored. Other studies have focused primarily on evaluating one of the two economic systems without developing a comparative framework capable of explaining the interconnections among paradigms, development goals, economic instruments, public policies, and responses to contemporary socio-economic challenges. This gap highlights the need for a more integrative conceptual approach.

Against this background, the present study aims to comparatively examine the responses of conventional economics and Islamic economics to contemporary socio-economic challenges by developing a conceptual framework that links paradigms, development goals, economic instruments, public policies, and their implications for poverty, economic inequality, wealth distribution, and financial inclusion. This study is significant because it offers a more systematic perspective than previous research, which has generally addressed these dimensions in isolation. Beyond providing a more comprehensive understanding of the characteristics of both economic systems, this study is expected to serve as a conceptual reference for the development of more equitable, inclusive, and sustainable development policies, while also providing a foundation for future empirical research across diverse socio-economic contexts.

Method

This study employed a qualitative approach using a conceptual paper design based on the *library research* method (Connaway & Radford, 2021). This approach was selected because the study was not intended to test hypotheses using empirical field data but rather to analyze, compare, and synthesize various concepts related to conventional economics and Islamic economics in responding to contemporary socio-economic challenges. The research data consisted of secondary sources, including peer-reviewed scholarly articles, academic books, policy documents, and other relevant literature addressing paradigms, development goals, economic instruments, public policy, poverty, economic inequality, wealth distribution, and financial inclusion. The literature was selected based on its substantive relevance, source credibility, and contribution to the development of both conventional and Islamic economic thought.

The data were analyzed using *comparative qualitative analysis* combined with *thematic analysis* (Glaser, 1965). The first stage involved identifying and classifying the literature according to the principal themes of the study, namely paradigms, development goals, economic instruments, public policy, and responses to contemporary socio-economic challenges. The subsequent stage compared the concepts developed within conventional economics and Islamic economics to identify the similarities, differences, strengths, and limitations of each approach. Finally, the comparative findings were synthesized conceptually by integrating major theoretical perspectives and previous research findings to develop an analytical framework that explains the relationships among paradigms, development goals, economic instruments, public policy, and their implications for addressing poverty, economic inequality, wealth distribution, and financial inclusion.

Results and Discussion

Comparative paradigm of Islamic and conventional economics

The evolution of economic systems demonstrates that every economic paradigm is founded upon distinct philosophical, epistemological, and normative principles. These differences shape not only how economic activities are understood but also the formulation of development goals, concepts of welfare, and mechanisms for resource distribution. Conventional economics emerged from the Western intellectual tradition, which places individual rationality and market mechanisms at the core of economic activity. In contrast, Islamic economics originates from the values of *tawḥīd*, integrating both material and spiritual dimensions into all economic activities. According to Smith (1776), societal welfare can be achieved through the natural operation of market mechanisms (*the invisible hand*), whereas Al-Ṣadr (1982) argued that Islamic economics constitutes an independent economic system that cannot be equated with either capitalism or socialism because it is founded upon divine revelation as the primary source of economic decision-making. This perspective was further reinforced by Chapra (1992), who maintained that the objective of Islamic economics extends beyond economic growth to the realization of *falāḥ* through a balance between efficiency, justice, and social responsibility. Therefore, a comparison between Islamic and conventional economics should not be confined to economic instruments alone but must also encompass the paradigms that shape economic orientations, public policies, and practices within society.

The paradigm of conventional economics has evolved through complementary schools of thought, ranging from classical to modern economics. Smith (1776) introduced the concepts of *the invisible hand* and *self-interest*, arguing that individuals pursuing their own interests within a free market can indirectly generate collective welfare through competition. This idea was further developed by Ricardo (1817) through the theory of *comparative advantage*, which demonstrates that production specialization and international trade enhance efficiency and prosperity across nations. Attention to distribution subsequently emerged when Mill (1848) distinguished between the *laws of production*, which he regarded as governed by economic principles, and the *laws of distribution*, which are shaped by social policy. This distinction opened the way for government intervention to address inequalities that could not be resolved through market mechanisms alone. Keynes (1936) later challenged the assumption that markets naturally achieve equilibrium by introducing the concept of *effective demand*, arguing that insufficient aggregate demand can lead to unemployment and economic recession, thereby necessitating active fiscal and monetary policies. In response to the expanding role of government, Friedman (1962) reaffirmed the importance of *economic freedom* and monetarism, maintaining that the stability of the money supply is fundamental to economic stability. Although these schools of thought propose different approaches, they all rest upon the shared assumption that human rationality, market efficiency, and economic growth constitute the fundamental pillars of conventional economics. By contrast, Islamic economics develops a paradigm that incorporates not only economic efficiency but also moral, spiritual, and social responsibility as inseparable components of economic activity.

Table 1. Comparative paradigm of Islamic and conventional economics based on the synthesis of major scholars' perspectives

Aspect	**Conventional economics**	**Islamic economics**
Philosophical foundation	Rationality, *self-interest*, and market mechanisms (*the invisible hand*)	*Tawḥīd*, divine revelation, and Sharīʿah
Economic objective	Utility, efficiency, and economic growth	*Falāḥ*, *maṣlaḥah*, and social justice
Concept of human beings	*Homo economicus*	*Khalīfah* and servant of Allah
Distribution mechanism	Market mechanisms, fiscal policy, and government policy	*Zakāt*, *infāq*, *ṣadaqah*, *waqf*, and Sharīʿah-based distribution
Financial system	Interest-based system	Profit-and-loss sharing and a *ribā*-free system
Role of the state	Limited intervention depending on economic conditions	Regulator, market supervisor (*ḥisbah*), and guarantor of social justice
Value orientation	Generally value-free	Based on ethics, morality, and *maqāṣid al-sharīʿah*

Source: Synthesized from Smith (1776), Ricardo (1817), Mill (1848), Keynes (1936), Friedman (1962), Al-Ṣadr (1982), and Chapra (1992).

As illustrated in Table 1, the differences between Islamic economics and conventional economics are fundamentally rooted in their underlying paradigms, which shape perspectives on human beings, ownership, and the objectives of economic development. Conventional economic thought regards the market as the primary mechanism for allocating resources, although differing views exist regarding the appropriate extent of state intervention, as reflected in the debate between Keynes (1936) and Friedman (1962). By contrast, Islamic economics recognizes the importance of market mechanisms but maintains that they must operate within the framework of Sharīʿah values to prevent exploitation and social inequality. In *Iqtisadunā*, Al-Ṣadr (1982) emphasized that Islamic economics is not merely a modification of capitalism but an independent economic system with its own paradigm concerning ownership, distribution, and social responsibility. Chapra (1992) further developed this perspective through the concept of *falāḥ*, defining economic development as the integration of material well-being, spiritual fulfillment, and social justice as the ultimate objectives of economic activity. Consequently, the distinction between the two economic systems extends far beyond the use of interest or profit-sharing mechanisms; it lies in the fundamental paradigms that define welfare, govern wealth distribution, and shape the economic responsibilities of both the state and society. This synthesis provides the conceptual foundation for understanding how these paradigms generate different approaches to addressing poverty, inequality, and wealth distribution, which are discussed in the following section.

The conceptualization of Islamic economics did not emerge instantaneously but evolved through the contributions of classical Muslim scholars, later refined by contemporary thinkers. One of its earliest foundations was established by Abū Yūsuf through *Kitāb al-Kharāj*, which positioned the state as the principal actor in promoting fiscal justice, managing public revenue, and ensuring the equitable distribution of tax burdens (Abū Yūsuf, 1979). This framework was subsequently strengthened philosophically by Al-Ghazālī (2011) through the concepts of *maqāṣid al-sharīʿah* and *maṣlaḥah*. According to Al-Ghazālī, economic activity is not merely a means of generating profit but an instrument for safeguarding the five essential objectives of Islamic law (*ḥifẓ al-dīn*, *ḥifẓ al-nafs*, *ḥifẓ al-ʿaql*, *ḥifẓ al-nasl*, and *ḥifẓ al-māl*). Accordingly, successful economic development cannot be measured solely by growth in national income but must also be evaluated by the ability of the economic system to promote holistic human well-being. The synthesis of these perspectives demonstrates that Islamic economics has, from its inception, regarded fiscal policy, wealth distribution, and economic activity as integral components of the state's moral responsibility to realize the public good.

These ideas were further developed by Ibn Taymiyyah and Ibn Khaldūn, both of whom devoted considerable attention to market mechanisms and economic governance. Through the concept of *ḥisbah*, Ibn Taymiyyah (1982) argued that markets should generally function naturally, while the state bears the responsibility of intervening when monopolistic practices, hoarding (*iḥtikār*), price manipulation, or fraudulent trade practices harm society. This perspective demonstrates that Islamic economics does not reject market mechanisms but instead advocates markets that operate fairly and ethically. Meanwhile, Ibn Khaldūn (1967) developed the theory of the *division of labour*, arguing that productivity increases through occupational specialization. He also advanced a theory of taxation, asserting that excessively high tax rates ultimately reduce economic activity and government revenue. Ibn Khaldūn's ideas are widely regarded as anticipating several modern theories of productivity and economic incentives. Together, the contributions of Ibn Taymiyyah and Ibn Khaldūn illustrate that Islamic economics encompasses not only normative values but also a sophisticated analytical framework concerning market efficiency, productivity, and public policy that remains relevant to contemporary economic dynamics.

The development of modern Islamic economics has been characterized by efforts to formulate an economic system capable of serving as an alternative to both capitalism and socialism. In his seminal work *Iqtisadunā*, Al-Ṣadr (1982) asserted that Islamic economics is an independent system founded upon the principles of *tawḥīd*, distributive justice, and social responsibility. Unlike capitalism, which emphasizes private ownership, or socialism, which prioritizes collective ownership, Al-Ṣadr proposed a layered ownership structure consisting of private, public, and state ownership in accordance with Sharīʿah principles. This framework was subsequently reinforced by Siddiqi (1983), who introduced the concept of *profit-and-loss sharing* as an alternative to the interest-based financial system. According to Siddiqi, this mechanism not only minimizes financial exploitation but also promotes a more equitable sharing of risks between capital providers and entrepreneurs. Together, the ideas of these two scholars demonstrate that Islamic economics offers an institutional framework that differs not only normatively but also operationally through economic instruments specifically designed to promote economic justice.

Subsequently, Chapra, Kahf, and Adiwarman A. Karim made significant contributions by linking the principles of Islamic economics with contemporary economic practice. Chapra (1992) identified *falāḥ* as the ultimate objective of economic development, integrating material well-being, spiritual fulfillment, and social justice. Meanwhile, Kahf (1999) explained that *zakāt*, *infāq*, *ṣadaqah*, and *waqf* are not merely philanthropic instruments but mechanisms of wealth redistribution capable of strengthening social protection and reducing economic inequality. In the Indonesian context, Karim (2010) demonstrated that these principles have been implemented through Islamic banking, Sharīʿah-based financing contracts, and various Islamic financial instruments that prioritize justice, transparency, and partnership as the guiding principles of economic transactions. Collectively, the contributions of Chapra, Kahf, and Karim illustrate that Islamic economics has evolved beyond a purely conceptual framework into a comprehensive economic system equipped with institutional structures, policy instruments, and distribution mechanisms capable of addressing contemporary economic challenges.

Overall, this comparison demonstrates that the differences between Islamic economics and conventional economics extend beyond issues of interest, market mechanisms, or ownership structures. Rather, they originate from fundamentally different paradigms concerning human nature, development objectives, and the role of economics in social life. Conventional economics generally emphasizes market efficiency and the maximization of individual utility, although it has evolved through various policy approaches. In contrast, Islamic economics integrates economic efficiency with the values of *tawḥīd*, *maqāṣid al-sharīʿah*, distributive justice, and social responsibility, resulting in a more holistic approach to development. These paradigmatic differences provide an essential foundation for understanding how each system proposes distinct solutions to contemporary socio-economic challenges, particularly those related to poverty, economic inequality, and wealth distribution, which are examined in the following subsection.

Comparative responses of Islamic and conventional economics to contemporary socio-economic challenges

Global socio-economic development has generated increasingly complex challenges, including rising poverty, widening economic inequality, unequal wealth distribution, and low levels of financial inclusion across many countries. These challenges suggest that development success can no longer be assessed solely in terms of economic growth but must also be evaluated based on the capacity of an economic system to foster equitable, inclusive, and sustainable prosperity. Within this context, conventional economics and Islamic economics offer distinct approaches to addressing these challenges. Their differences extend beyond philosophical foundations to influence development goals, the selection of economic instruments, and the direction of public policy. Therefore, a comparative analysis is essential for developing a more comprehensive understanding of the characteristics, strengths, and limitations of each economic system in addressing contemporary socio-economic challenges.

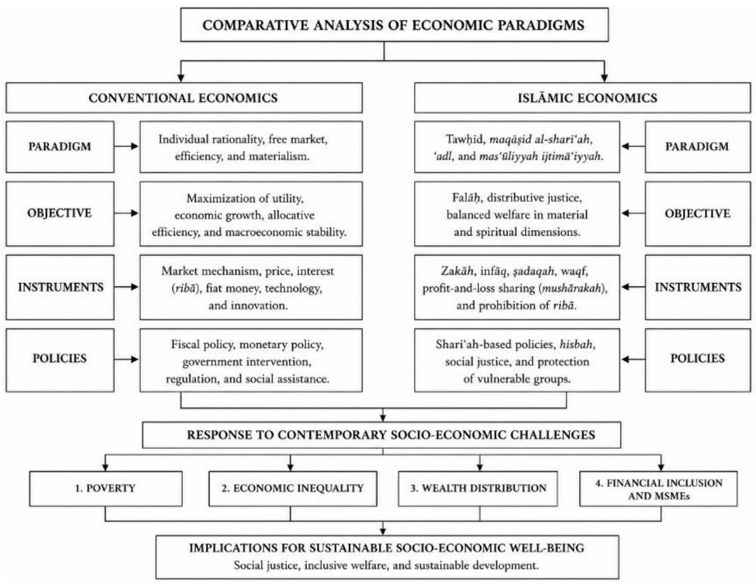

Figure 1. Comparative framework of Islamic and conventional economics in responding to contemporary socio-economic challenges

Source: Developed by the authors based on Smith (1776), Ricardo (1817), Mill (1848), Keynes (1936), Friedman (1962), Abū Yūsuf (1979), Al-Ghazālī (2011), Ibn Taymiyyah (1982), Ibn Khaldūn (1967), Al-Ṣadr (1982), Siddiqi (1983), Chapra (1992), Kahf (1999), and Karim (2010).

Figure 1 presents a conceptual framework designed to facilitate the comparative analysis of conventional economics and Islamic economics in responding to contemporary socio-economic challenges. The framework illustrates that the differences between the two economic systems originate from their underlying paradigms, which shape their perspectives on economic activity. These paradigmatic differences subsequently determine development goals, influence the selection of economic instruments, and shape policy directions. Together, these components interact in addressing four major issues—poverty, economic inequality, wealth distribution, and financial inclusion—which ultimately affect societal welfare. Thus, Figure 1 serves not only as a conceptual illustration but also as an analytical framework that explains the interrelationships among these components while providing a systematic guide for the discussion presented in this subsection.

Paradigms constitute the fundamental distinction between conventional economics and Islamic economics in understanding the nature of economic development. Sen (1999) argued that development should be understood as a process of expanding human capabilities and freedoms, thereby enabling individuals to improve their quality of life. Likewise, Stiglitz (2012) emphasized that market mechanisms do not always generate equitable prosperity because of market failures, information asymmetries, and institutional weaknesses. These perspectives suggest that economic efficiency cannot be separated from social justice and institutional quality. From the perspective of Islamic economics, Naqvi (1994) explained that its paradigm is founded upon the principles of *tawḥīd*, justice (*al-ʿadl*), and moral responsibility, whereas Mannan (1986) maintained that economic activities should promote the balanced well-being of both individuals and society in their material and spiritual dimensions. The synthesis of these perspectives indicates that although both systems seek to improve societal welfare, they are grounded in different philosophical foundations. Conventional economics places greater emphasis on economic rationality and market efficiency, whereas Islamic economics integrates economic efficiency with ethical values and social responsibility. Hariram et al. (2023) likewise argued that a paradigm combining economic growth with social justice is better equipped to address the complexities of modern development. However, the present study extends the work of Carstensen and Matthijs (2018) by demonstrating that paradigmatic differences not only shape the understanding of economic issues but also constitute the primary factor influencing development goals, economic instruments, and policy directions within each system.

These paradigmatic differences subsequently shape the development goals pursued by the two economic systems. Sen (1999) argued that the objective of development is to expand people's substantive freedoms so that every individual has equal opportunities to flourish. This perspective was reinforced by Stiglitz, Sen, and Fitoussi (2009), who asserted that development success should not be measured solely by gross domestic product but should also take into account equity, quality of life, and sustainability. From the perspective of Islamic economics, Chapra (2008) maintained that development should be directed toward achieving *falāḥ* through a balance among material, spiritual, and social well-being. Kahf (1999) further argued that ideal development should ensure equitable wealth distribution, strengthen social solidarity, and reduce economic disparities. Collectively, these perspectives demonstrate that although both systems seek to enhance societal welfare, they differ in their developmental orientation. Conventional economics tends to emphasize expanding economic opportunities and increasing productivity, whereas Islamic economics integrates economic growth with distributive justice and the realization of *maṣlaḥah*. These findings reinforce the argument of Eisenmenger et al. (2020) that sustainable development requires broader indicators than economic growth alone. Unlike the studies of Harangozo et al. (2018) and Kalkavan et al. (2021), which generally discuss the development goals of the two systems separately, the present study conceptualizes development goals as a direct consequence of paradigmatic differences, thereby clarifying the conceptual relationship between paradigm and development orientation.

The differences in development goals are subsequently reflected in the economic instruments employed to promote societal welfare. Within conventional economics, de Soto (2000) argued that secure property rights and access to productive assets are essential instruments for enhancing productivity, expanding economic opportunities, and reducing poverty. This perspective is complemented by Ostrom (1990), who maintained that the collective management of resources through strong institutions can improve efficiency while preventing excessive exploitation. By contrast, Mirakhor (2009) explained that the Islamic financial system is founded upon the principle of *risk sharing*, whereby the relationship between capital providers and entrepreneurs is based on partnership rather than risk transfer. Habib Ahmed (2010) further argued that social instruments such as *zakāt*, *waqf*, *infāq*, and *ṣadaqah* function not only as mechanisms of wealth redistribution but also as development instruments capable of strengthening community economic empowerment. The synthesis of these perspectives demonstrates that economic instruments serve not only as mechanisms for promoting growth but also as means of achieving equitable welfare distribution. The key difference lies in their respective approaches: conventional economics emphasizes market efficiency, access to productive assets, and institutional strengthening, whereas Islamic economics combines market-based instruments with philanthropic and social finance mechanisms to achieve distributive justice. Zauro et al. (2020) likewise emphasized that development outcomes depend on the effectiveness of the instruments employed to address socio-economic problems. Nevertheless, the present study demonstrates that the effectiveness of economic instruments cannot be separated from the paradigms and development goals upon which they are founded. Consequently, these components should be understood as an integrated conceptual framework.

The implementation of economic paradigms, development goals, and economic instruments is ultimately realized through public policy. North (1990) argued that institutional quality is the principal determinant of successful economic policy because institutions shape the rules, incentives, and economic behavior of society. This perspective was reinforced by Rodrik (2007), who maintained that no universal model of economic policy exists, as policy effectiveness depends largely on the social, political, and institutional conditions of each country. From the perspective of Islamic economics, Kamali (2008) explained that public policy should be directed toward achieving the objectives of *maqāṣid al-sharīʿah* in order to safeguard the comprehensive well-being of society. Similarly, Chapra (2008) emphasized that the state plays a strategic role in ensuring social justice, equitable wealth distribution, and the protection of vulnerable groups through welfare-oriented economic policies. The synthesis of these perspectives demonstrates that the success of economic policy depends not only on its design but also on the consistency between the underlying paradigm, development goals, the economic instruments employed, and the institutional capacity supporting their implementation. Lee (2019) likewise argued that effective governance constitutes a fundamental prerequisite for successful economic development. The present study extends this perspective by demonstrating that public policy serves as the connecting link between paradigms, development goals, and economic instruments, enabling all components illustrated in Figure 1 to function as an integrated system.

The interaction among paradigms, development goals, economic instruments, and public policy produces distinct patterns of response to contemporary socio-economic challenges. In addressing poverty, conventional economics generally emphasizes economic growth, employment creation, and productivity enhancement, whereas Islamic economics complements these strategies through the optimization of *zakāt*, *waqf*, and other Islamic social finance instruments. In responding to economic inequality and wealth distribution, conventional economics primarily relies on fiscal policy, taxation, and social protection programs, while Islamic economics incorporates redistribution mechanisms grounded in moral and religious obligations to preserve social balance. Regarding financial inclusion, both systems promote broader access to financial services; however, Islamic economics further advances this objective through the development of Sharīʿah-compliant financial institutions and partnership-based financing models that are more responsive to previously underserved populations. This synthesis indicates that both systems share the common objective of enhancing societal welfare but pursue it through different approaches consistent with their respective paradigms. These findings support the argument of Fahad et al. (2022) that addressing socio-economic challenges requires a multidimensional approach. Unlike that study, the present research integrates the relationships among paradigms, development goals, economic instruments, public policy, and the four major socio-economic challenges into a unified conceptual framework, thereby providing a more systematic explanation of how economic responses are formulated.

Overall, the comparative analysis demonstrates that both conventional economics and Islamic economics make significant contributions to addressing contemporary socio-economic challenges, despite being founded upon different philosophical principles. Conventional economics offers notable strengths in promoting market mechanisms, innovation, and economic efficiency, whereas Islamic economics places greater emphasis on distributive justice, social responsibility, and the integration of ethical values into economic activity. Consequently, the effectiveness of efforts to address poverty, economic inequality, wealth distribution, and financial inclusion depends not merely on the choice of a particular economic system but also on the ability to consistently integrate paradigms, development goals, economic instruments, and public policy. Therefore, the comparative framework developed in this study is not intended to establish the superiority of one economic system over the other. Rather, it proposes a conceptual framework that explains how both systems can complement one another in fostering development that is more equitable, inclusive, and sustainable.

Conclusion

The comparative analysis demonstrates that the principal differences between conventional economics and Islamic economics lie not merely in the economic instruments or public policies they employ but in the underlying paradigms that shape development goals, the selection of economic instruments, and the direction of public policy. These paradigmatic differences produce distinct approaches to addressing poverty, economic inequality, wealth distribution, and financial inclusion. Conventional economics primarily relies on market efficiency, innovation, and institutional strengthening to promote economic growth, whereas Islamic economics integrates economic efficiency with the principles of distributive justice, social responsibility, and ethical values through Islamic social finance instruments and *risk-sharing* mechanisms. These findings indicate that the effectiveness of addressing contemporary socio-economic challenges is determined not by the superiority of one economic system over another but by the ability to consistently align paradigms, development goals, economic instruments, and public policy with the specific characteristics of the socio-economic issues being addressed.

This study makes a conceptual contribution by developing an integrated comparative analytical framework that links paradigms, development goals, economic instruments, public policy, and responses to contemporary socio-economic challenges within a single conceptual model. This framework extends previous studies, which have generally examined these dimensions separately, by offering a more systematic perspective on the interrelationships among the key components of both economic systems. Nevertheless, this study is limited by its conceptual nature and reliance on a literature-based approach, and therefore does not empirically validate the proposed framework. Future research is recommended to examine this conceptual model using quantitative, qualitative, or mixed-methods approaches across diverse national contexts and economic sectors. Such empirical investigations would enable the relationships among paradigms, development goals, economic instruments, public policy, and their implications for societal well-being to be rigorously validated.

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