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Does Profit Maximization Assumption in Economics Comply with Shariah? Evidence from Theoretical and Empirical Findings

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Abstract: The objective of this paper is to discuss the issue of profit maximization from a shariah point of view. The study is very relevant, especially in the current development of Islamic economics. Profit maximization is the central issue in conventional economics and the implication is that all firm decisions must be intended to realize a profit. This paper uses a qualitative approach to answer the main research question. Using a comprehensive study on the Al-Quran and previous empirical findings, the study reveals that profit maximization is still accepted, but not as a single objective. Islamic economics must use comprehensive objectives that not only profit but also maqasid shariah maximization, including environmental, and social aspects.

Keywords: *Profit Maximization, Maqosid Shariah, Environmental, and Social Aspect.*

JEL Classification: *D01 and D24.*

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Introduction

Islamic economics or business which complies with shariah principles is popular since 2000, with the establishment of the Islamic firm equity Index in the Islamic economy. Interest-free Islamic economics started with the dawn of Islam, based on several investments and economic contracts. Yet, despite its continued application, it did not take the form of banking until 1975 (Al-Jarhi, 2017). Islamic firms which value-based firms must operate in line with Islamic jurisprudence that offers little concerning the rationale of Islamic economic beyond the concept of justice underlying the prohibition of interest. The concept of firm in Islam, thus, is quite different from conventional which is based on the assumption of profit maximization, and shareholder value maximization.

Islamic firms emerged as a reaction to avoid *Haram* activities (prohibited by Islamic law) including *Riba* (interest and usury) (Al-Qura'n; 2:275-281), *Gharar* (excessive risk), *Myse*r and *Qimar* (game of chance) (Al-Qura'n; 2:219 & 5:90) and financing for *Haram* (prohibited) businesses (Hanif, 2016). Hence, the firm, to be included as a *Shariah* firm must pass the screening process. The majority of sharia screening uses the two-tier method: qualitative and quantitative. Qualitative screening is commonly used to ensure that the core business complies with sharia[1]. Quantitative screening has some differences in standards, especially in terms of financial ratios and thresholds. The difference in threshold is due to the difference in the role and objective of the industry. For example, *Shariah* Committee Malaysia has a more general standard of screening compared to other countries, due to the main objectives in Malaysia being to promote Islamic economics, champion significant Islamic economic growth, and create global awareness among international players. In contrast, the

[1]Khatkhatay and Nisar, 'Shariah Compliant Equity Investments: An Assessment Of Current Screening Norms', 52.

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international index has a stricter standard to provide high-quality assets, that can generate a higher return. Meanwhile, private institutions are generally motivated by high returns and fees (Ho, 2015).

Shariah screening is very important to classify *Shariah* compliance firms and is like just a mathematical formalism as stated by Elias Erragragui and Christophe Revelli. This is because the fact that Islamic firm is still far away from the basic value of *Shariah* According to Al-Ghazali, one of the famous scholars of the eleventh century, the purpose of *sharia* is "*to promote the welfare of the people, which lies in safeguarding their faith, their life, their intellect, their prosperity and their wealth"* (Aribi & Gao, n.d.). Given this, Islamic firm is expected to improve the achievement of *maqasid al-shari'a.*

Although Islamic firm in normative should fulfill all the *Shariah* criteria, nevertheless, there is still many firms that have a contradiction with the *Shariah* spirit. a case reported by Human Rights Watch in 2013 further supports the integration of ESG factors into Islamic economics. Systematic *"ethnic cleansing"* of the Rohingya and extensive human rights violations perpetrated by Burma's oppressive military regime were documented (Erragragui & Revelli, 2016). Surprisingly, the report states that a regional oil company, Unicoal (a subsidiary of Chevron group), contributed to the situation and was named in a civil lawsuit in the U.S. federal court (Paranque & Erragragui, 2016). In response, the provider of ethical indices excluded Chevron from the ESG-listed firms. While Islamic investors express their willingness to conform to Islamic ethics, controversial firms such as Chevron often stand out in the Islamic indices. In the case of Indonesia, many firms have contributed to environmental damage. According to Indonesian President Joko Widodo, 11 companies have been penalized due to such problems (Paranque & Erragragui, 2016). Accordingly, *Pengurus Besar Nahdlatul Ulama* has stated that companies whose activities cause environmental damage are strictly prohibited.

From this fact, the big question is, what is the real objective of the firm from the Islamic perspective? Jouti (2021) argues that Islamic firm emphasize on tackling social issues and achieving sustainability goals. While Harun et al. (2020), argue that CSR represents accountability to God (Allah) and then accountability toward society/stakeholders. Therefore, Islamic firms can be viewed as institutions, which promote social justice and social responsibility. In the Islamic context, social responsibilities represent the concept of brotherhood "*ukhuwah*" from one to another.

Many kinds of research discuss on the issues of firm objectives from an Islamic point of view. Ibrahim (2006), Cebeci (2012), Dusuki (2008), Kayed (2012), Tamanni and Besar (2019), Shinkafi and Ali (2017), Rahman et al. (2017), Hasan (2016), Smolo and Mirakhor (2014), Pratiwi (2016), Marwan and Haneef (2019), Harun et al. (2020), Rafikov and Akhmetova (2020), Jouti (2021), Anwer et al. (2019), Al-Jarhi (2017), Akbar and Siti-Nabiha (2021), Al-Nahari et al. (2022), Tisdell and Ahmad (2018), Haneef and Furqani (n.d.), Monawer et al. (2021), Hanif (2016), Siddique (2021), Bennett and Iqbal (2013), Ahmed et al. (2017), Duasa et al. (2020), Choudhury (2012), Syed and Omar (2017), Nouman et al. (2021), Hallaq (1995), Al-Safar (1998), and Khan et al. (2021) are some previous studies that discuss the main objective of the firm in Islamic perspective. Cebeci, (2012) argues that the objective of the firm is to improve social welfare. While Kayed (2012) has a different opinion in his view the firm objective is to maximize profit. Other studies like Tamanni and Besar (2019) and Hasan (2016) has different view whereby the objective of the firm is to realize *maqasid Shariah.*

Based on the aforementioned background, this study aims to discuss the objective of the firm from an Islamic perspective. This study differs from the previous research in two mains point. First, the study will cover the *Bayani* approach, or based on the Al-Qur'an text. In addition, the study also provides a comprehensive mapping of the previous research on the issue of firm objectives.

Firm Maximization Theory

In the mainstream Economic literature, the important theory in company profitability is Profit Maximization Theory (Bikker & Bos, 2008). The key assumption of the Profit Maximization Theory is that companies are profit maximizers institutions. Motivated by the Agency Theory, bank shareholders, who act as the owner (or principals) of the firms, have the interest to maximize the profits by the way of maximizing revenue and minimizing costs. On the other hand, company management, who acts as an agent, should find the best ways in selecting and managing the firm's resources to obtain maximum profits. Because of this, several issues were raised related to profit maximization, namely (i) diversification and risk preferences, (ii) agency problems between shareholders and firm management, (iii) imperfect competition, and (iv) inefficient use of resources.

The first concern relates to the issue of risk and the role of diversification. Company shareholders balance their preference for maximizing profits and minimizing costs against the amount of risk that they are willing to bear. According to the speculative motives, it is assumed that shareholders are generally indifferent in terms of the distribution of profits either in the forms of receiving the return of the firm's share or receiving dividends. If all firms share the same risk-return characteristics, then we should not be worried about how to control a firm's risk preferences. However, the case is different in a situation where the firms (such as cooperative banks) are not well diversified and highly risk-averse. These banks have different risk attitudes, which forfeit high risk, high return opportunities, and thus different maximum profit.

The situation is rather similar in the case of Islamic firms, whereby they cannot take excessive risks following the shari'ah rules and regulations. In an Islamic firm, the contract between the firm and *mudarabah* investors involves the application of the PLS system, whereby investors act as capital providers (*rabb al mal*) and the Islamic firm act as an entrepreneur (*mudarib*). Unlike in conventional system, the profits of Islamic firms will be distributed according to a pre-determined profit-sharing ratio. In the case of losses, it is solely borne by the depositors (*rabb al mal*). However, in the event of losses due to negligence in managing the funds, the firm (*mudarib*) is responsible to cover the loss. As the implementation of the PLS system and the relationship between the *mudarabah* investor and the Islamic firm, the evaluation of risk-taking behavior of IB is important. In this regard, Islamic firms should allocate capital to cushion risky assets against unexpected losses. The work by Rosly and Zaini (2008) has tried to explain the risk-return analysis of Islamic firms. The authors argue that *mudarabah* investor carry substantial amount of market risk, which is not recognized by policy makers in Islamic firm system.

Concerning agency problems in Islamic firms, the Agency Theory postulates that shareholders in a firm are unable to completely monitor the firm management and that results in different maximum profits. In this situation, profits are not maximized and the costs are not minimized. As long as shareholders cannot oversee firm management, it may induce different risk preferences (risk averse) that can be lowering the profits. As pointed out by Diamond (1984), the information asymmetry between principal (shareholders) and agent (firm management) creates moral hazard problems and other incentive problems. Nonetheless, it is not our aim to explain the details and the issues surrounding Agency Theory.

Next, a third consideration relates to imperfect competition. Firm profitability is associated with the changes in their environment and their competitors. In a perfect competition market, profit maximization is equivalent to cost minimization. However, in practice, we rarely observe the maximization of profits or the minimization of costs. According to Bikker and Bos (2008), imperfect competition creates a situation where profits are maximized but average costs are not minimized. Nonetheless, the assumption of perfect competition and imperfect competition in conventional economics received various criticisms in Islamic economics literature. Chapra (1996) critically examines the consumer and firm behaviour between mainstream economic and Islamic economic perspectives. The author states that conventional economics does not adequately explain the effect of self-interested and ideal or altruistic behaviour under perfect competition and imperfect competition. Conventional economics confine itself solely to self-interested behaviour in the sense of profit maximization. On the other hand, Islamic economics do not confine itself to only a particular aspect of self-interested manner, rather it study the actual behaviour of individuals, companies, markets, and governments under the assumption of Islamic moral values. Concerning profit maximization, Islam acknowledges profit maximization but should not be the ultimate goal of an Islamic Firm. Higher profits are permissible by circumstances that do not transgress shari'ah principles.

The fourth consideration relating to the efficiency. A bank can enjoy higher profits than that of other firm if it better utilizes of its inputs and turns them into outputs in the best possible manner. The significant role of efficiency in explaining firm performance has been documented in the previous literature. In the same token, efficiency plays a crucial role in explaining the force behind Islamic performance. Various studies have been documented the important role of efficiency in Islamic firms.

In sum, it appears from the aforementioned investigations that it is incontrovertible both Conventional firm and Islamic firms are driven by profits. Profit maximization is the key objective in

Conventional firm as the best way to achieve efficiency and sustainable growth. Unlike Conventional firm, profit maximization is not the ultimate objective of Islamic firm. Islamic firm can engage in the pursuit of profit accumulation but should not violate the shari'ah principles. The business of Islamic firm should be guided by Islamic moral values.

Finding and Discussions

Profit Maximization Rule

In capitalist economies, the primary goal of for-profit companies is to maximize their profits. This doesn't mean that companies focus on profits at the expense of everything else, though. Instead, every company must find the point at which employee pay, customer discounts and other undertakings maximize profits rather than cutting into them. The rule companies use to determine this formula is called the profit maximization rule. Profit maximization is the act of achieving the highest revenue or profit. The sales level where profits are highest is at the strategic level. It is typically used as a benchmark for the best situation and for planning purposes. Profit maximization is simply, using a product in order to generate a desired profit or return on investment. Profit maximization can be achieved in a variety of ways, but usually requires a high level of specialization and knowledge because minimizing costs and maximizing revenues are two key concepts that must be addressed for this to occur. The most common benchmark for profit maximization is called the breakeven point, which means that if a company can increase sales above this point, then it will not just maximize profits but also create an opportunity to grow in the future.

The profit maximization theory is the principle that every firm should operate to make a profit. Profitable companies can achieve this by selling more charging higher prices for their goods or services and reducing production costs. They have the opportunity to do so because they have better access to more resources that other companies may not have. There are many cases where the profit maximization theory has been put into practice successfully in the workforce and has resulted in people's wages being increased.

Profit maximization is the most important assumption used by economists to formulate various economic theories, such as price and production theories. According to conventional economists, profit maximization is the only objective of organizations. Therefore, profit maximization forms the basis of conventional theories. It is regarded as the most reasonable and productive business objective of an organization. Apart from this, profit maximization helps in determining the behavior of business organizations as well as the effect of various economic factors, such as price and output, in different market conditions.

The total profit (π) of a business organization is calculated by taking the difference between Total Revenue (TR) and Total Cost (TC).

$$\pi = TR - TC \tag{1}$$

The profit would be maximum when the difference between the total revenue and total cost is maximum. Two conditions must be fulfilled for profit maximization, namely, first-order condition and second-order condition. The first order condition requires that Marginal Revenue (MR) should be equal to Marginal Cost (MC). Marginal revenue is defined as revenue obtained from the sale of the last unit of output, whereas marginal cost is the cost incurred due to the production of one additional unit of output. Both TR and TC functions involve a common variable, which is the output level (Q).

The first-order condition states that the first derivative of profit must be equal to zero. We know that $\pi = TR - TC$. Taking its derivative concerning Q, $\frac{\partial \pi}{\partial Q} = \frac{\partial TR}{\partial Q} - \frac{\partial TC}{\partial Q} = 0$. This condition holds only when $\frac{\partial TR}{\partial Q} = \frac{\partial TC}{\partial Q}$.

$\frac{\partial TR}{\partial Q}$ provides the slope of the TR curve, which, in turn, gives MR. On the other hand, $\frac{\partial TC}{\partial Q}$ gives the slope of TC curve, which is the same as MC. Thus, the first-order condition for profit maximization is MR=MC. Second order condition requires that first-order condition must be satisfied in case of decreasing MR and rising MC.

$$\frac{\partial^2 \pi}{\partial Q^2} = \frac{\partial^2 TR}{\partial Q^2} - \frac{\partial^2 TC}{\partial Q^2} \quad (2)$$

$$\frac{\partial^2 TR}{\partial Q^2} - \frac{\partial^2 TC}{\partial Q^2} < 0 \quad (3)$$

$$\frac{\partial^2 TR}{\partial Q^2} < \frac{\partial^2 TC}{\partial Q^2} \quad (4)$$

Slope of MR < Slope of MC

From the aforementioned equation, it can be concluded that MC must have a steeper slope than MR or MC must intersect from below. Thus, profit is maximized when both first and second-order conditions are satisfied.

The conventional theory of economics assumes profit maximization is the sole objective of organizations. However, in the real world, there are various other objectives fulfilled by organizations. Some other important objectives of organizations include sales maximization, growth rate maximization, managerial utility function maximization, and retention of market share. Apart from this, the conventional theory also assumes that organizations have perfect knowledge of the business environment, demand, and cost conditions. However, according to modern economists, organizations do not possess perfect knowledge of the business environment and their price and output decisions are based on probability. The arguments against maximization of profit do not imply that the theory of profit has no relevance or is of less importance for business organizations. Economists have considered profit maximization as one of the important business objectives of organizations. Therefore, they have made certain hypotheses mentioning the importance of profit maximization. The hypotheses given by economists in favor of profit maximization are discussed as follows: 1) Profit is indispensable for an organization's survival. It implies that profit acts as a necessary condition for the success of an organization. Once the profit is achieved, organizations try to maximize it. Higher profits generated by organizations help them in their further growth and development. 2) Profit helps in achieving other objectives: Implies that alternative objectives of organizations, maximization of growth rate, maximization of sales, and high market share, can be achieved with the help of profit. 3) Profit maximization has a greater predicting power: Implies that profit act as a powerful basis for predicting certain aspects of an organization's behavior. 4) Profits acts as a measure of an organization's efficiency: This implies that profit is the most reliable measure of the efficiency of the organization. It acts as a major source of internal finance for an organization. According to a study, in developed countries, internal sources of finance contribute more than three fourth of the total profit.

Profit Maximization in Al-Qur'an

The word Business in the Qur'an contains 9 verses that discuss it, namely (2:16:8), (2:282:99), (4:29:12), (9:24:11), (24: 37:4), (35:29:14), (61:10:7), (62:11:3), and (62:11:18) as shown in Table 1. The Qur'anic verses related to business can be grouped into three parts. First, the verse that discusses business is contained in QS Al-Baqoroh verse 16, which reads: "الَّذِينَ اشْتَرَوُا الضَّلَالَةَ بِالْهُدَىٰ فَمَا رَبِحَتْ تِجَارَتُهُمْ" means, "But this trade is profitless, and they are not rightly guided".[2] This verse has the meaning of "commerce" which is closely related to the verse (9:24:11)[3], and (35:29:14). This verse explains that the purpose of a business or trading activity as stated in the Qur'an is to make a profit, namely the safety of capital and profits. In the verse (9:24:11) it is even stated that the meaning of the verse is that doing business is the goal to increase wealth. While the meaning of the verse "يَرْجُونَ تِجَارَةً لَنْ تَبُورَ" is "and donate from what We have provided for them secretly and openly can hope for an exchange that will never fail". This verse relates charity activities to business activities, by underlining that giving infaq is a trade that will never lose.[4]

[2] Arrazi, Imam Fakhruddi (2012), Mafatihul Ghoin Lirrozi, Kairo: Darul Hadis, Jilid 1, Hlm. 390
[3] Arrazi, Imam Fakhruddi (2012), Mafatihul Ghoin Lirrozi, Kairo: Darul Hadis, Jilid 8, Hlm. 332
[4] Lihat di Tafsir Al-Kabir karangan Imam Fakhruddin Ar-razi halaman 282. Kitab ini diterbitkan oleh Darul Hadis, Kairo, Cetakan Tahun 2012.

Table 1. Business in Al-Quran

Verses	Meaning	Text
(2:16:8) *tijāratuhum*	their commerce	الَّذِينَ اشْتَرَوُا الضَّلَالَةَ بِالْهُدَىٰ فَمَا رَبِحَتْ تِجَارَتُهُمْ
(2:282:99) *tijāratan*	a transaction	إِلَّا أَنْ تَكُونَ تِجَارَةً حَاضِرَةً تُدِيرُونَهَا بَيْنَكُمْ
(4:29:12) *tijāratan*	business	إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِنْكُمْ
(9:24:11) *watijāratun*	and the commerce	وَتِجَارَةٌ تَخْشَوْنَ كَسَادَهَا
(24:37:4) *tijāratun*	trade	رِجَالٌ لَا تُلْهِيهِمْ تِجَارَةٌ وَلَا بَيْعٌ عَنْ ذِكْرِ اللَّهِ وَإِقَامِ الصَّلَاةِ
(35:29:14) *tijāratan*	(for) a commerce	يَرْجُونَ تِجَارَةً لَنْ تَبُورَ
(61:10:7) *tijāratin*	a transaction	يَا أَيُّهَا الَّذِينَ آمَنُوا هَلْ أَدُلُّكُمْ عَلَىٰ تِجَارَةٍ تُنْجِيكُمْ مِنْ عَذَابٍ
(62:11:3) *tijāratan*	a transaction	وَإِذَا رَأَوْا تِجَارَةً أَوْ لَهْوًا انْفَضُّوا إِلَيْهَا وَتَرَكُوكَ قَائِمًا
(62:11:18) *tijārati*	(any) transaction	قُلْ مَا عِنْدَ اللَّهِ خَيْرٌ مِنَ اللَّهْوِ وَمِنَ التِّجَارَةِ

The second group of verses of the Qur'an that discuss business is those which mean "a transaction". This is found in four verses namely (2:282:99), 61:10:7), (62:11:3), and 62:11:18). The verse of the Qur'an (2:282:99) provides instructions that in business there is an option to complete each transaction quickly, not delaying such as payments on credit, long-term loans, or paying salaries late, etc.[5] This is the same as the business practice carried out by Abdurrohman bin Auf which is a lot of cash, and the results are extraordinary when he is the richest person among the Companions. This paragraph implicitly explains that the company's goal is to fulfill every party related to the company as well as possible. This is in theory very close to stakeholder theory where the company's goal is for the good of all stakeholders, not just the interests of the company's voters.

While Surat As-Shoff (61:10:7) has the meaning "O believers! Shall I guide you to an exchange that will save you from a painful punishment?". This verse teaches that the purpose of business is to save people from sin and punishment. This means that every business effort must be aimed at bringing benefits. According to Imam Ar-Razi (2012), trading, in general, is to save the owner's property from reduced assets due to zakat or other reasons, but still must be able to save himself from the torment of Allah. In this context, business is about profit, but profit saves.[6]

Verses (62:11:3) and (62:11:18) discuss the relationship between business and worship activities.[7] The reason for the revelation of this verse is when the Prophet was preaching on the pulpit suddenly a trader came from Syria, and the companions then came out of the mosque to transact with the traders. In this verse, every business must not make people negligent in carrying out their obligations to Allah. This means that businesses must always comply with sharia principles, especially in muamalah.

Profit Maximization in Economics in the Literature

In the economic discipline, the dominant paradigm, namely "scientific economic" was formulated in 1950 and reached its peak in 1970. This Economic paradigm is based on some important well-known theories, such as the Efficient Market Hypothesis (EMH), Capital Asset Pricing Model (CAPM) theory, Markowitz's portfolio theory, Modigliani–Miller's arbitrage principles, and also the Black–Scholes–

[5] Arrazi, Imam Fakhruddi (2012), Mafatihul Ghoin Lirrozi, Kairo: Darul Hadis, Jilid 4, Hlm. 107
[6] Arrazi, Imam Fakhruddi (2012), Mafatihul Ghoin Lirrozi, Kairo: Darul Hadis, Jilid 15, Hlm. 310
[7] Arrazi, Imam Fakhruddi (2012), Mafatihul Ghoin Lirrozi, Kairo: Darul Hadis, Jilid 15, Hlm. 327

Merton approach to option pricing. The basic paradigm of this theory is market efficiency and rational behavior.

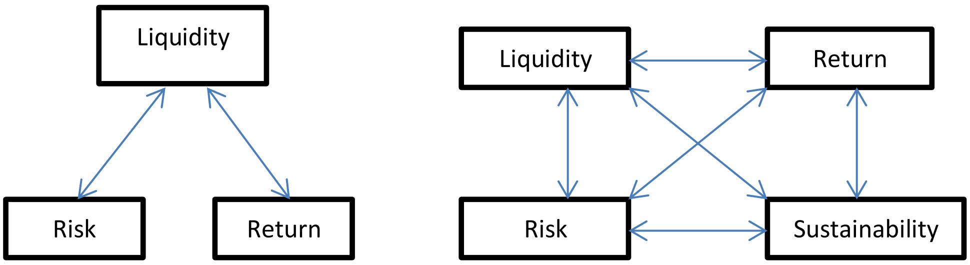

Figure 1. Investor needs in the investment process (Cengiz et.al. (2010) in von Wallis and Klein, (2015))

However, current progress considers the three basic assumptions of modern scientific economics as disconnected from the economic reality and the reality is that the market is imperfect and irrational behavior frequently occurs (Giamporcaro & Viviers, 2014). Moreover, modern economics, affected historically by the clash between science and religion, focuses on the separation of free markets and moral issues, and it is argued that the social responsibility of business is only employed to increase its profits (see Figure 1).

Table 2. Previous Study on Islamic Firm Objective

No.	Year	Authors	Finding	Firm Ovjective
1.	2006	Badr El Din	Bank in Sudan shows a weak of size, especially from its financial liquidity. Hence, it is very important for Islamic bank to maintain their liquidity.	Liquidity
2.	2012	Ismail Cebeci	CSR is not enough to describe the practice of Islamic bank as bank that operate based on ethical value. Islamic bank need to improve their company objectives in realizing maslahah. Hence some product like mudharabah will expand welfare and alleviate poverty	Welfare and Maslahah
3.	2008	Asyraf Wajdi Dusuki	Islamic banking as a corporation should uphold social objectives and also promote Islamic values to society, promoting sustainability, and contributing to social welfare.	Social Welfare and Promote Islamic Values
4.	2012	Rasem N. Kayed	Islamic firm is attributed for campaigning the PLS Principle.	Profit and Loss Sharing Transaction
5.	2019	Luqyan Tamanni, Mohd Hairul Azrin Haji Besar	Smaller Islamic microEconomic maintain genuine goals for serving the poor, and also sustainability objective	Welfare and social sustainability
6.	2017	Akilu Aliyu Shinkafi and Nor Aini Ali	Islamic firm has been shown their contribution to achieving maqosid Shariah	Maqasid Shari'ah
7.	2017	Faried Kurnia Rahman, Mohammad Ali Tareq, Rochania Ayu Yunanda and Akbariah Mahdzir	Maqosid Shariah is the crucial aspect in Islamic firm. Hence develop Maqosid Shariah measurement is the most important agenda in the future.	Maqasid Shari'ah

8.	2016	Zulkifli Bin Hasan	Islamic Economic must go beyong the formalism of Shariah. It also must cover the issue of maqosid syariah and ethical value	Maqasid Shari'ah and ethical issues
9.	2014	Edib Smolo and Abbas Mirakhor	Islamic financial institutions could be established to provide specific services with clear aims and objectives. These LPB Islamic financial institutions would operate in a similar way to LPB.	Risk
10	2016	Ari Pratiwi	Sustainable socioeconomics is very important and has a direct relationship with GDP growth. Hence, firms as part of a whole economic system must concern about these issues.	Socioeconomic sustain
11.	2019	Syed Marwan, Mohamed Aslam Haneef	Innovative social financial tools indicate the true spirit of risk sharing and social responsibility, which is arguably missing in current practices of the Islamic Economic industry.	Risk Sharing and Social Responsibility
12.	2020	Mohd Shukor Harun, Khaled Hussainey, Khairul Ayuni Mohd Kharuddin, Omar Al Farooque	Islamic banking is more focus on profit rather than social and welfare objectives, and it must be revised.	Social
13.	2021	Ahmed Tahiri Jouti	Islamic firms must focus on realizing both profit and social objectives. Hence the current practices are still not relevant.	Profit and Social
14.	2019	Zaheer Anwer, Alam Asadov, Nazrol K.M. Kamil, Mehroj Musaev, Mohd Refede	Shariah firm has a strong connection with managing risk. Risk is one of the important factors for the success of the company.	Risk
15.	2017	Mabid Ali Al-Jarhi	The paper finds distinct advantages of Islamic economics when properly applied to the author's model. Islamic Economic can therefore be a candidate as a reform agenda for conventional Economic. It opens the door for significant monetary reform in currently prevalent economic systems	Risk
16.	2019	Ahmed Tahiri Jouti	Social Economic ecosystems has significant impact on tackling social issues. Hence, It emphasizes the idea that solving social issues is everybody's business from governments to businesses and that those initiatives require sufficient Shariah-compliant funding to achieve sustainability goals.	Social
17.	2021	Taufik Akbar, A.K. Siti-Nabiha	The objective of Islamic firm is not only collecting profit, maximizing shareholder value, but also spirit of dakwah, and also economic well-being.	Profit, dakwah, and economic well-being
18.	2013	Mohamad Akram Laldin and Hafas Furqani	The paper explicates three specific ends (maqasid) in Islamic Economic, namely wealth circulation, fair and transparent financial practices and justice at the micro- and macro-level. To achieve those ends, the Shari'ah provides means (wasa'il) such as facilitating financial contracts,	Maqasid Shari'ah

			establishing values and standards and instituting social responsibility.	
19.	2016	Muhammad Hanif	Islamic financial institutions can shift economic substance of contracts in line with the theory of Islamic Economic	Profit
20.	2013	Michael S. Bennett and Zamir Iqbal	Islamic firm like Islamic financial institution must also concern about the issue of SRI, not only for profit and liquidity.	Social
21.	2017	Ishfaq Ahmed et al.	an important message for Islamic banks, as they have to foster their efforts to communicate their social objectives to all stakeholders	Social
22.	2019	Masudul Alam Choudhury, Mohammad Shahadat Hossain, Mohammad Taqiuddin Mohammad	The most critical long-run investment program focused on is poverty alleviation and its equity-based financing instruments that reduce debt progressively to attain sustainable grassroots development with the ability to own, and the social capability to distribute resources and enable the grassroots.	Social
23.	2021	Muhammad Nouman and Muhammad Fahad Siddiqi, Karim Ullah and Shafiullah Jan	Islamic firm is work under Maqasid Shariah, and "social well-being" schemes.	Maqasid Al Shari'ah
24	1995	Said Hallaq	The present study concludes that the Muslim firm can increase the welfare of the society through its rational behavior and this might affect his profit (it could be less than of the profit- maximization firm) but the Muslim firm is aiming to enrich his hereafter so he is willing to sacrifice part of his profit for the good of the society.	Profit
25.	2018	Masudul Choudhury,	Policy inferences cannot be formed, as otherwise would be required for transformation into the true nature of Islamic economy. In this case, the pervasively positive complementarities between the variables in the 'as it ought to be' simulated scenario, marks the inferences concerning true Islamic transformation.	Risk
26.	2020	Abdullah Khana, Syed Aun R. Rizvia,, Mohsin Alib, Omair Haroona	The findings from this ranking suggests that Islamic Economic research is not constrained by religious motivations or by geographically Muslim majority countries and institutions. This suggests towards a global reach and acceptability of the discipline of Islamic Economic.	Risk

Nevertheless, the current business environment, business ethics, and corporate social responsibility have become a serious concern for many stakeholders. According to these stakeholders, the financial market must have an impact on society. The financial profit and measures that they can generate, i.e., risk, return, and liquidity, are not enough (Sun et al., 2011). They argue that, in current-day modern business, sustainability is a very important aspect of economics. This concern is supported by "grassroots pressure" and also "religious organizations" (von Wallis & Klein, 2015). For further progress, many Economic experts use legitimacy theory and stakeholders' theory as their basic arguments to satisfy the ESG need in financial activities (Lokuwaduge & Heenetigala, 2017). These parts of ESG can also benefit the financial value of the firm. By implementing ESG, the firm will cost-save, improve productivity, and lower reputational risk. These benefits arise from greater energy efficiency, lower emissions (environment), health and safety, diversity, human rights (social), transparency, and board oversight (Barman, 2018).

Table 2 describes some previous studies on the firm objective, especially from an Islamic point of view. From this comprehensive literature studies, the study finds that objective of a firm can be classified into profit-oriented (Hanif, 2016; Hallaq, 1995), risk-oriented (Smolo & Mirakhor, 2014; Anwer et al., 2019; Al-Jarhi, 2017), liquidity oriented (Ibrahim, 2006), social, *maqosid Shariah*, *dakwah*, and ethical values (Cebeci, 2012; Dusuki, 2008; Kayed, 2012), etc.

Based on the study on the Al-Quran and Literature review, this study revealed that the paradigm of Scientific Economic which is based on neo-classical theory is not relevant. Currently, there is no single objective of the firm, name profit maximization. The firm must show a high awareness of the stakeholder's interest. A broader perspective is from an Islamic point of view, whereby firms are designed to realize a profit, *maslahah*, *maqosid Shariah*, and socioeconomic objective simultaneously.

Conclusion

Profit maximization or shareholder value maximization is the two main concepts in conventional economics that are accepted as the main objective of the firm. The consequences of these two objectives, all the company decisions must ensure the achievement of the two objectives. The concept basically is developed based on scientific Economic and neo-classical economics. Nevertheless, since 1970 the objective of the firm is then become wider than not only profit, risk, and liquidity, but also sustainability. This concept then raised many new theories in economics, such as stakeholder theory.

The objective of the firm in the Islamic economy also raised a new issue, namely whether profit and risk are still relevant in Islamic economics or not. Based on the previous literature, there is some firm objective in Islam namely, profit maximization, risk, liquidity, *maslahah*, *maqasid Shariah*, socioeconomic aspect, and also ethical value. This previous discussion is also in line with the guideline of Al-Quran regarding the business and firm. In Al-Quran there are 9 verses discussed on business activities, that can be synthesized, the firm objective is profit, *maslahah*, and also a social aspect. Therefore, in the future, it is very important to develop Islamic economics theory for the firm as part of an economic system based on these objectives, not merely on profit maximization.

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