EXPLORING THE BENEFITS OF ISLAMIC ECONOMY

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Abstract

This study aims at exploring the benefits of Islamic economy and its principles in accordance with the injunctions of the divine book of Holy Quran. The objective of the research is to investigate the Islamic Economic fundamental principles derived from the Holy Quran which is also supported by hadith literature. These principles have been extracted by some well renowned imams (Mujtahideen) i.e. religious scholars in the light of the Islamic sources of law, mainly, the Holy Quran and hadith. Islamic economic principles enjoin economic equitability according to which wealth should circulate throughout the society, which also contributes to the economic welfare, development and prosperity of the people living in the society.

Keywords: Exploring, Benefits, Islamic Economy, Holy Quran.

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Introduction

“Economics” is the scarcity of means and wants”, which dealt with limited means with unlimited wants. The wants of a person are limitless and his assets are scarce. The economic system of Islam is built on the fundamental Islamic philosophies derived from the Holy Quran and Ahadeeth. These principles ensure justice, socially and economically, brotherhood, equal distribution of money and independence that are related to the welfare of the society and prosperity. On the other hand, the hold of Capitalism or Socialism is the source of injustice, socially and economically. In the religion of Islam, income and earnings sources must be Halal for the living of Muslim. Whatever one can earn must be by fair means. From these Halal earnings, a Muslim is required to annually pay “Zakat” (if he is a Sahib-e-Nisaab) and Sadaqaat (Optional) to the needy people. In this way he ensures Islamic equal distribution of money in the society.

Literature Review

In the Holy book of Quran, everything a person owns actually belongs to Almighty Allah,
who assigns property to him. The verse of Holy Quran also elaborated the “Right of Property” (24:33). This verse clearly explains that the property of a person belongs to Allah, who has bestowed it upon him with restrictions mentioned underneath:

1. The person must distribute a certain portion of property to others.
2. Use your money according to Allah Almighty’s orders, and do not spread disorders and ills on land of Almighty lord.

Islam always appreciate the Trading done by the people. Religion of Islam is based on factor of “Barakah”. By comparing the trade with the business, barakah is the prime component on which the religion is based, in fact it is not based on quantity. One must understand that on the Day of Judgment what one should return back when everyone is ready to take their examination.

Hazrat Rafio bin Khadij (R.A), narrated a hadith of the Holy Prophet (S.A.W) that superior earning is that which is earned through physical labor by adapting any trade which is carried on by without applying unfair means. (Ahmed)

Jabir-bin-Abdullah (R.A) also narrated the Hadith of the Holy Prophet (S.A.W) that Almighty Allah is kind enough to those people who facilitates the buying and selling of transactions. (Bukhari).

Islamic Economic Benefits

Economic balance is maintained. Islamic Laws really condemn the accretion of capital even lawfully earned. The Principles of Holy Quran also support the awareness of economic and social problems encountered by the people living in the society. Two of the major tools of balancing the economic well-being of common people are Zakat and Sadqah. Zakat is applied on certain portion on specific people fulfilling the criteria of giving the zakat and also specific criteria are also defined for the zakat takers. All the needy persons are not eligible for taking the amount of Zakat. As far as the Sadqah is related it is the charity for poor persons. Both of the factors, like Zakat and Sadqah plays a vital role for example; Zakat is to be paid in Shariah, which contributes towards helping the needy people. Likewise, Sadaqah (Charity) is also paid to the poor people. This plays an important role in shrinking the inequality in the society.

Larger number of market attraction. The basic differences in the products, offered by both Islamic financial sector and Conventional sector is the compliance of Sharia Principles as set by the Holy book of Quran. Looking at the ethical perspective of the feature of the product also which is very much in the Islamic products, attracted not only the Eastern market but also the Western market.
Lucidity and clarity are promoted. The rules related to the Islamic financial products are very much related to nature, they are easy for comprehension and are also simple for the counter parties. For further guidance regarding the principles and laws, Islamic scholars are there for further elaboration.

Financial markets and economic activity. The Islamic economic transactions are asset based transactions. All the financial transactions are backed by assets. It has inherited risk mitigation factor and its reliance is not on the hypothetical values, which result in increase in Market share.

Crises in economy are avoidable. Islamic Financial assets have in built anti-crisis code (Jakhongir Imam Nazarov, 2011). Financial Crisis 2007 – 2008 could have been avoided, if that were also based on assets and not on interest based financial instruments.

Economy Development: Whenever the economic transactions are based on “Asset” instead of “Interest”, it will always flourish the economy. Secondly, investment in the sharia compliant product is also deemed necessary. The organization must also initiate some social activities. Such organizations should make attempts to circulate money among the poor too, like the giving of Zakat and Sadqah to poor to make their economic life better.

Long-term Investment Opportunity. In the conventional system for the long term invest, the financial product of “Bonds” are there whereas, in the Islamic Financial system instead of Bonds, Sukuk as a financial instrument is available for long term investment opportunity. Sukuk can be issued for expansion of manufacturing concern or some other plant expansion.

Effect of damaging goods and practices is decreased. In the Islamic Shariah, speculation, interest, cloning, gambling and weapons causing mass destruction are forbidden so practicing Muslims stay away from these unlawful transactions and practices. In this way, there is a decrease in the effect of damaging goods and practices.

Efforts for achieving greater stability. People want the system to be lucid and responsible because during economic crises the conventional financial system was unable to deliver and a positive change was needed. The system should be helpful to poor by increasing employment rates, giving promotion to genuine products and economic activities, besides being in favor of rich too.

Islamic Trade and Economics. Industry and trade are crucial for the economic activity of any of the respective country. Quran and Sunnah have provided clear directions according to which commodities which are benefitting and lawful are allowed and those that are damaging or unlawful are not allowed. In the Holy Quran and at numbers of places “Riba” is prohibited and “Trade” is promoted. One of the extract of Quranic verse is “And Allah has permitted the Trade and prohibited Riba” (2:275). Islam and Quran also prohibit the spreading of unlawful act. Through trade only one person is not benefited but it’s a chain cycle and a number of persons in the society are benefitted. Furthermore, the stocking
of the goods for getting its benefits in future is prohibited in Islam [Ahmed-Bin-Hanbal: 19802]. With reference to the context of a hadith, the Holy Prophet (May peace be upon Him) directed not to make deal about the purchase of goods from a seller who does not possess the goods.

Financial Derivatives: An Islamic View. Financial transaction of Islamic product is not only based on asset backing and ethical perspectives but it should not be done unless and until the possession and ownership of goods is transferred from one party to another. Ibn Abbas (May Allah be pleased with Him) narrated the Hadith of Allah’s Messenger (May peace be upon Him) that “Don’t sell or buy foods or grains before the seller has taken possession of it.” (Muslim).

Fundamental Principles of Financial Transactions. The religion of Islam is a peaceful religion. All the fundamentals and living guideline are for the peace of an individual also and it warns and protects the person from any of the harmful effects. For example in selling and buying goods, the goods should be possessed by the person selling them which avoids the uncertainty. The financial transactions must follow the two Islamic principles that it should be Riba and Gharar free.

Islamic Economics: Need and Nature. Islamic Economics is said to be the study of the progress or welfare of human beings which can be attained by equal distribution of the resources present on earth. As given in the Holy Quran, it has been asked to make a decision about welfare at the cultural, spiritual, political and economic level.

Approaches of Islamic Economics. The Islamic Economics studies teaches us to attain welfare and progress in accordance with Shariah. It takes into consideration the effect of Islamic principles. It forbids Riba because it just accumulates the single amount and stops the well-being of the society. Whereas, the concept of zakat promote the welfare state and reduce the poverty which also eliminates the crime in the society.

Need for Islamic Economics. The behavior of people, society and companies under Capitalism is studied by the modern economic system. This behavior has the roots of injustice and selfishness. In comparison, a firm belief in Allah, and a reward in Hereafter is considered by the Islamic economics. Therefore, the economic activities of people are found on the injunctions of Islam, i.e. instead of fulfilling wants, the welfare of people is given more importance. In Islamic economic system, an economist is considered as the architect of the society because an economist examines behaviors of individuals in accordance with Shariah and he also puts forward suggestions covered up by Shariah. In Shariah the equal distribution of money is very important.

Trust (Amanah) is the basis of all economic principles. Due to this, economic evils like inflation, price hike and hoarding are discouraged. Since every person does his best to seek God Almighty’s pleasure, people keep the commandments of Allah (Shariah) before their interests, hence eradicating any chances of conflicts.
Methodology and Findings

The researcher referred Quran, Ahadeeth and other related research papers, related books and publications in order to verify the data.

1. The findings of the study suggest that, if the Islamic economic principles along with commandments of Allah are strictly followed and implemented, it will emerge a new economic welfare society, development and prosperity.

2. The Economic System should be based on the principles of Quran and Sunnah, which will eliminate the inequality in the society.

3. The Islamic concept can effectively remove the chronic economic illnesses, monopoly and dominancy of resources as faced by the Modern Society.

4. A large number of research articles have been written, books have been published, conferences have been conducted and research papers have been produced in order to highlight the significant importance of Islamic economy and its principles.

5. This decade had brought good impression that Islamic economic principles are gaining popularity in the right track. In this regard, the publications on Islamic economics and Islamic financial institutions have been accepted in the area of Islamic banking and finance.

6. The primary focus on Islamic finance observes that ‘the industry has realized the importance of academic research and the growth seems adequate to the Islamic finance industry.

7. The collaboration of Academia and Industry is the need of time for further exploration of new financial products, which must be the alternate of conventional products.

Discussion

Islamic Principles of Economics

It should be clear and understood in the very beginning that Islam is not an economic system. Rather, it is a “Deen”. The principle of which pertains to each and every course of business. One of them is Economy. So, there is no particular philosophy or rule written in Qur’an and Hadith. There is no direct discussion about allocation of resources, distribution of income, determination of priorities and development in Islamic Fiqh. But, Islam has given some principles regarding economy like other spheres of life. Out of these principles, we are able to understand the point of view given by Islam regarding these economic problems.
The following is the meaning of a verse from the Holy Quran.

“We have divided the economy among them and made some of them superior on some others so that they can help each other in doing their work.”

Therefore, it is very much clear that the one who provides his services is supply and the one who takes it is demand. Through interaction of supply and demand, an equitable economy can be established.

At the beginning of Islam, when rural people used to take their produce to the city in order to sell it, some urban people used to say to the rural person that don’t sell your produce in the city on your own. Sell your produce to me first and then I will sell the produce in the city when the appropriate time comes so that higher prices may be received.

Hazrat Muhammad (S.A.W) said, the meaning of which is as follows.

“Let people be free so that Allah gives some of them food through some other people”

So, Hazrat Muhammad (S.A.W) restricted the presence of the third person between buyer and seller so that the true equilibrium of supply and demand is established. Logically speaking, if the rural individual sells the products on his own, he will sell it without storing it. He will have to go back to his village. But, if some urban person purchase the product and then sell it, there is higher probability that he will wait for the time at which he draws maximum price. He will store the goods and create temporary shortage in the market.

When the question of setting market prices was asked from Hazrat Muhammad (S.AW). (He replied, the meaning of which is as follows.)

“Undoubted, Allah is the one who sets market prices. He who reduces supply and expand it. And He is the best provider.”

Accepting that Allah Almighty sets prices is the implied acceptance that Allah Almighty has set the natural principles of supply and demand which determines the market prices. Setting artificial prices without taking natural market forces into account is disliked.

It is very much clear from the aforementioned sayings of Quran o Sunnah, that Islam accepts the market forces of supply and demand utterly. Similarly, the right of profit motive is also acceptable. In Capitalism, there is an absolute and unconditional right given for private profit and market forces.
This is the reason why already discussed deficiencies are created. Contrarily, Islam accepts the right of profit motive and principles of market forces. It does not permit someone to harm the entire society and the system. Islam imposes certain conditions and stipulations on these rights so that economic and social evils of the society are eliminated.

The following are the conditions imposed on the profit motive:

Devine restrictions

Islam imposes certain conditions on the economy which can be implemented irrespective of the society and time. For instance; Interest, Gambling, etc. are strictly prohibited in the Muslim economy. These things usually create monopolies and create disturbances in the society. Similarly, the things which are responsible for hurting ethical and moral values are also prohibited.

It should be very much clear that these prohibitions are from Allah for all mankind. Islam does not leave it on humans to decide whether this is beneficial or not. Had these decisions been made by humans, there would have been disagreements among different people based on personal traits and geographical locations. One thing which is true for one person or place may not be true for another person or place. That’s why, Allah Almighty knows that these restrictions are necessary for all the people irrespective of place, that’s why Allah made it concrete through Wahee (Revelation), so that a man based on his own logic will not disturb the society and economy. So it is very much clear that these conditions and stipulations which are imposed by Quran o Sunnah, are practicable whether the rationale of the stipulated principles are understood by the people or not.

As discussed previously, some of the capitalists’ nations have imposed certain laws and regulations on the market structure but these stipulations are not enough and lacks what is actually prohibited by Quran and Sunnah. For instance, interest, gambling etc. are legally allowed in the Western nations that create economic disturbances.

State Restrictions

In Sharia’s point of view, it is allowed for the government to restrict trade of the goods which are not haram and comes in the category of Mubah but for the given point in time it creates social ills. For instance, government can restrict the trade of melon if cholera exists in the society. So, buying and selling of melon is prohibited from sharia point of view until the restriction of the government prevails. Exclusive material in the form of books on this particular subject matter “Sadd-e-Zaraae” has been written by sharia scholars.

By this principle, government can impose rules and regulations for the welfare of the economy or save the economy and society from illness. Once Hazrat Umer (R.A) saw that one seller is selling the products below the market price. Hazrat Umer (R.A) said, (the meaning of which is as follows).
“Whether increase the prices or leave the market”

The reason of the above statement is not written in the books. But the reason why Hazrat Umer (R.A) restricted that person not to sell the product below the market price may be he thought that low selling price causes harm to other sellers at large. Or maybe he was of the point of view that low selling prices result in excessive consumption or storage by the consumers. Basic Sharia’s principle permits the seller to sell the product at whatever price. Selling on the low price in the above case is permissible by Sharia’ but Hazrat Umer (R.A) restricted that person because of the societal issue at large.

The government can enforce conditions of this sort due to permission granted in a verse of Holy Quran, the meaning of which is, O’ believer, obey Allah, and obey prophet (Peace be Upon Him), and those who have authority over you.

The verse mentioned above explained the difference between compliance of orders set by Almighty Allah and Prophet Muhammad SAW and by the people in power. The orders set by people in power should only be followed, when it is in compliance with Almighty Allah and His Prophet’s teachings. This should clarify that Governments cannot enforce these rules without limits. The rules and restrictions should be aligned with Sharia.

Need Assessment and Government Authority

So, if the government imposes certain law in the absence of societal needs, that law is prohibited and one can terminate this in the court of law.

Moral Restrictions

As discussed earlier, Islam is a Deen not an economic system. Islam teaches all sphere of life including economics. Islamic teaching regarding economics clearly shows that material well-being is not an end. Quran o Sunnah emphasized that the worldly life is a short term life and the life hereafter is immortal that will never end. Human beings should devote their energies for making this world as a means to achieve a good end. i.e. the life of Hereafter. So, making more and more money is not success. Rather, success lies in the work beneficial for the life hereafter.

The way to achieve this end is the work done in this world most liked by Allah Almighty. When this thinking is developed in human mind, then he will not only consider material things to make money but he will also consider the acts done for the benefit of life that will come hereafter. There are certain situations for which mandatory orders are not exclusively given by the Allah Almighty but benefits of such acts are disclosed. In relation to it, a human can impose certain restrictions on himself.

One of the simple examples of such situations is as follows. If a person has an option to
develop and construct an amusement park which is more profitable than the projects of constructing homes for poor people having low profits. Then, a person of secular mind would choose the project of amusement park while a person having religious mind will opt for the home construction project for poor people because he considers the benefits of the life hereafter.

In the aforementioned situations, Shariah allows either project but the one who has fear of Allah and belief on the Day of Judgment would impose moral restrictions on himself. This moral restriction helps determining better allocation of resources and better distribution of income. This was the simple example; if belief on the Day of Judgment is strong then it leads to prosperous economic conditions.

The researcher does not oppose the fact that Un-Islamic societies do have moral values which have positive effects on the economy, but as they are lacking in the faith of the Day of Judgment, the entire benefits of moral values are not achieved. Contrary to this, Islam, with its full implementation, has much more positive economic effects. So, moral restriction in Islam pertaining to the economy is not weak rather, it has much more value.

The following are some of the illegal sources, as per the teachings of Quran and Sunnah:

a. Other Muslims’ Belongings (Al Nisa 29:4)
b. Corruption / bribe (Al Baqara 188:2),
c. Deceiving (Anfal 27:8)
d. Mesir / Gambling
e. Unwanted Gifts to office bearers
f. Prostitution
g. Drugs and alcohols
h. Hoarding
i. Extortion, Cheating and Robbery

Conclusion

In the light of the above findings and discussion, the researcher concludes that the Muslim societies should explore the benefits of Islamic economy by adopting the Islamic economic system which will bring justice and economic welfare to the society and avoid the Riba based economic system which ultimately creates injustice and brings economic crisis to the society.
References


