

^{Economic} Islamic ~~Financial~~ system is the solution of the human financial problems. Discuss

Date _____ 20 _____

1- INTRODUCTION

Islam, as a complete code of life, guides about the economic and financial matters. It discusses the economic instruction on both individual and state level. As a religion for the whole humanity, till the ends of times, it has solutions to the current financial issues faced by the humanity. The major issue is the ever-so-increasing debt trap. Then the social stratification promoted by Capitalism. On the other hand, the model of Communism inhibits justice between the divisions of labours. Islam favours economy which benefits all factions of the society. It opposes interests and concentration of wealth. It is the model between Capitalism and Communism; hence, can work best for most of the nations.

2- FINANCIAL PROBLEMS OF HUMANS TODAY

a) Capitalism Promotes Social Stratification

Critics call Capitalism as the Economic model for the traders and industrialists. It was proposed by Adam Smith during the period of Renaissance leading up to the French Revolution. It is mostly criticized for it was the root cause of Imperialism and Colonialism. Resultantly, slavery witnessed in the West. However, in the modern time, the effect of slavery is seen in many poor nations of Africa and Asia. Even today, these nations are dependent on the rich world, as explained by the Dependency Model. As a final result, stratification among countries is witnessed today.

b- Least Ethical Investment

The model of Capitalist economy supports maximum profit. This concept overlooked the idea of ethical investment. The unchecked investment in fossil fuel production, cargo transport and deforestation has all cumulated in the form of global warming and climate change. The investors, in the west, are

now being more concerned about where their money is being invested. Although, it is late to be cared about it, Islam always teaches the believers to be conscious of the consequences of each and every action.

c - Interest-Based Economy: Debt Trap

The entire global economy rests on the interest-based economy. The immediate and long-lasting impact of which is the debt trap. The countries that acquire loan for development, lose their way in the competition. They hardly overcome their paucity of development; rather find themselves in more debt. This hinders the growth of global economy and leads to global inflation.

d - Money-Laundering: Concentration of Wealth

Money laundering is the crime of elite. It is done in many

sophisticated ways. In most cases, the wealth flows from poor countries to rich countries. Whereas, rich countries have least check and balance about the source of income as they welcome economy inflow for better growth.

c) Communism Inhibits Justice in Labour Division.

Communism is the economic model that supports nationalization. It was put forth by the Marxist idea as a way to criticize the Capitalism Model. However, the proposal of nationalization removes the difference among the division of labour. Resultantly, an air of injustice is created among the variety of labours.

3- ISLAMIC FINANCIAL

AND ECONOMIC MODEL

a) Promotes Economic Wellbeing

Islam is not just the deem for the wellbeing of believers' hereafter. It is concerned about the economic and financial need of its followers. This course is the Capitalist course. Allah says in the following verse

"... Seek reward for the hereafter from what Allah has provided you and do not forget your share of this world..."
[Al-Qasas]

(b) Morals of Economic Wellbeing

The economic wellbeing in Islam is not about earning money by hook or by crook. It forbids corruption and theft. Prophet said:

"I will not intercede for a person (on the day of judgement) who took illegally anything because of his power"

c) Ethics of Trade

Islam is all about justice. Justice to the people, animals, trees, environment etc. It is prohibited in Islam to spend in anything which may bring harm to humanity. Allah says in the Quran

"Do not devour one another's property and be just in your trades"
[Al-Nisa]

d) Provisions Against Hoarding

Allah has strongly condemned hoarding. Accumulation of wealth is prohibited

"... their treasures will be put in the fire of the Hell. And it will be said to them, 'taste what you collected for yourself'
[Interpretation of an Ayah]

e) Prohibition of Extravagance

"... O children of Adam! Eat, drink but do not waste..."
[Quranic Verse]

The concept behind this verse is to stop resource wastage. Also, the wasted money will not benefit any one. If the money is saved, it becomes eligible for Zakat. Hence, money flows from rich to poor.

f) Interest - Free Economy

Islamic financial and economic model is interest free. This also prevents the circulation of wealth. Rather, Islam gives an alternate idea of goodly-loans against time-bound value.

Pakistani NGO follows the model of Qarz-e-Hasana (Goodly-loans) and has received international recognition.

4- CONCLUSION

Conclusively, Islamic financial and economic model has variety of solution. From interest-free loans to prohibition of hoarding. The major issues of money-laundering and debt-trap can be solved if the model is applied in true letter and spirit.