

Islamiyat (2022 Paper)

Question 3: Main principles of Islamic Economics. How they provide solutions to contemporary challenges?

Answer

Introduction:

Islam is not an ascetic religion, it does not deprive people of the good things that have been provided to mankind. Objective of Islamic economic system is to encourage activity that maximises human welfare, develop a human being ~~spiritually~~. Islam carries a simple and complete code of life. All available for Muslims in the form of Quran and Sunnah as stated by the Prophet (P.B.U.H):

“I am sent to you with an easy and convenient religion” (Mishkat)

Main Principles of Islamic Economics:

1. Allah is Real Owner of Everything

The principle of multi-faceted ownership in Islam essentially dictates absolute ownership belongs to Allah only and He has given some rights to man for use of things required.

“Whatever is in heavens and whatever is in earth belongs to Allah” (2:284)

Man holds all property in trust of Allah for which he will be accountable in accordance with

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rules defined in the Shariah.

2. Concept of Halal and Haram

The foundations of Islamic economy have been laid on the concept of Halal (lawful) and Haram (unlawful). This dictates production and consumption should be done from fair means, away from bribery, gambling, etc.

“O mankind! Eat of that which is lawful and wholesome in the earth...” (2:168)

3. System of Sadqah and Zakat

Compulsory contributions of Zakat and voluntary almsgiving, spending in way of Allah ensure wealth is not hoarded and an equitable distribution of wealth in the community.

“Spend your wealth for the cause of Allah, and be not cast by your own hands to ruin” (2:195)

For this, Zakat is one of the pillars of Islam and an important form of worship

4. Prohibition of Interest (Riba)

Interest, which forms the capitalistic system and has not been eliminated even in socialist system has been completely abolished in Islam. Instead, Islamic finance promotes the concept of risk-sharing among lenders and borrowers for profit.

The Prophet said the following during his farewell sermon regarding riba:

"Verily, all claims of usury of the pre-Islamic era have been abolished. You shall have your capital sums, deal not unjustly and you shall not be dealt with unjustly"

5. Condemnation of Materialism and Monasticism

Islam condemns its followers extremist ways and instead asks to adopt middle way. The Quran expresses its dislike explicitly for the monastic way of life in the following verses:

"O ye who believe! Forbid not the good things which Allah hath made lawful for you, and transgress not. Lo! Allah loveth not transgressors" (5: 87)

6. Equity and Equality

Islam establishes equity, fairness and justice in production and distribution of wealth. However, it recognises that like other natural things there is no equality among human beings as regards to economic means and possession of worldly wealth. This existence of economic inequality among people is not only natural but a mean for purification of human soul. During the Caliphate of Hazrat Umer (R.A.) inequality was abolished through the extensive social welfare and tax system.

Application to Contemporary Challenges:

1. Eradicate Issue of Income Inequality

Islam encourages risk-sharing investments which promotes a more equitable distribution of wealth rather than relying on interest based lending which benefits the rich only at the expense of poor. According to Quran, taking interest tantamounts to war against Allah and His Apostle. Hence, Islamic economic system can eradicate inequality by incentives of saving and investment.

2. Solutions to issues of unethical business practices

Islam emphasises moral values and ethical behaviours in its business practices. An example of this can be seen in the Rous Caliphate Era of Hadrat Umer when business were conducted fairly and honestly. This reduces unfair hoarding of wealth common in societies today.

3. Addresses Issues of Inadequate Social Services

The State plays an active role in providing social services and rights to citizens in Islamic economic state. The welfare society with the help of institutions such as baith-ul-maal ensure protection of vulnerable groups.

4. Protection against Monopolistic Exploitation

Islam forbids unhealthy competition and bans all ways which lead to it. It disallows commodities and services which are of common interest of communities to be monopolised. Hence, fair competition promotes rights of consumers being protected and eliminates unfair exploitation.

5. Inheritance according to Shariah

The Islamic Shariah inheritance law allows equality and limiting exploitation of women in the economic system. According to ~~the~~ the Quran Surah Nisab Ayat number 11th and 12 categorically dictate the proportion of inheritance for widowers and children after demise of husband.

Hence, Islamic Economic system protects women and ~~children~~ ^{orphans} against exploiters through legislation in Islamic Financial world.

Critical Analysis:

The economic system of Islam aims to achieve well-being and betterment of people through equitable distribution of material resources and through establishment of social justice. In contemporary times, Pakistan follows the Islamic Shariah and has embedded it in ~~its~~ the constitution for fair economic ~~growth~~.

Governance. Moreover, Malaysia is one of the leading Muslim economy that is following Islamic financial and economic system and flourishing.

Conclusion:

Islam believes in fair and equitable distribution of incomes and wealth to ensure basic human needs of all citizens. Therefore, many legal and economic measures have been provided for equitable and just practices in the economic system.