

Q: Write down the main principles of Islamic Economics. How does these principles provide solutions to contemporary challenges?

INTRODUCTION

Islam serves as a guide for all muslims, in every sphere of life. As such, it provides one with knowledge into social, political & and economic dimensions. Islamic economics is rooted in the principles of equity and justice. It provides a system that works for the welfare of all citizens, promoting distribution of wealth, forbidding harmful practices, setting rules of business and ensuring justice.

ECONOMIC SYSTEM IN ISLAM

The system was first established by the Prophet P.B.U.H. The concepts of charity, equity and fair trade were introduced. Such systems were further developed and improved during the time of the Caliphs, with a great focus on

community welfare.

Elements of the System

1) Zakat

" Establish prayer and
give Zakat "

(2: 110)

Zakat is an integral part of the economic system. It is a way of purification for one's wealth and a means to ~~redistribute~~ redistribute in the society.

It helps reduce inequality and poverty in a nation.

2) Prohibition of Usury - Riba

" Do not consume Usury,
doubled and multiplied "

(3: 130)

Practice of Usury has been prohibited, particularly due to its exploitative and unfair nature.

It puts a heavy strain on lenders, therefore is absent from the economic system.

3) Sadaqah (Voluntary Charity)

The practice of Sadaqah is promoted in the Islamic system. It is voluntary, thus only those who can afford it.

It is another way from redistributing

wealth ~~from~~ towards the ~~low~~ lower income segments of society.

4) Profit Sharing Contracts

Islam provides the terms and types of business contracts and agreements that take place in an economy. It gives certain principles to be followed to ensure equity and fairness ~~in~~ between business partners.

5) Avoidance of Haram Practices

"Do not consume another man's wealth unjustly..."

(2: 188)

Islam prohibits the practices of gambling, games of chance being bet on, drinking alcohol, etc. in an economy. Such practices lead to exploitative and immoral behaviour that harms the society. Thus, these are banned from an Islamic economy.

6) Payment of Taxes

Under the Islamic system, the citizens are obligated to pay taxes in the region they are living in. The Prophet P.B.U.H gave instructions

on how taxes were to be paid to the state e.g. tax on agriculture, - ~~the~~ part of the yearly produce to given as tax.

ROLE OF THE STATE

The state has a ~~crucial~~ crucial role in upholding the Islamic economic system.

" Verily the sadaqat are only for the needy, and the poor "

(9:60)

The Quran describes how the taxes collected should be spent and distributed. The state is responsible for collection of Zakat as well, and to ensure it is spent on the welfare of muslims, especially the needy. The state plays a role in the development of the Islamic Economic System.

CONTEMPORARY CHALLENGES TO ECONOMIC SYSTEM

The present systems of the muslim Ummah are plagued by many issues:

1. Wealth Inequality

Despite having systems of Zakat and charity in place, the Ummah is suffering from mass inequality, fuelling poverty in the society. A large gap exists between the rich & poor which is not being bridged.

2. Riba in Banking Systems

Riba and heavy interest is widespread in the banking system of Islamic economies. This leads to lower investment and development as people are unable to access suitable financing.

3. Rampant Unethical Practices

Muslim countries have seen a rise in ~~can be~~ the practice of unjust means and exploitation. Businesses are focused mainly on profit without any regard for ethics and morality. This harms an economic environment as people are unwilling to trade with such people.

4. Rising Unemployment

The lack of proper policies and ~~was~~ poor handling of economies

lead to high rates of unemployment. Such often results in more dissent, leading to law and order problems in a country.

SOLUTIONS TO CURB ISSUES

1. Revamping the system of Zakat

Ensuring the proper implementation and collection of Zakat is vital. Having strong accountability measures in place is needed to ensure Zakat properly collected and distributed. Engaging with authentic welfare programs and NGOs can help identify and provide a way to reach needy people.

2. Islamic Banking System

Such systems that provide an alternate to the usual interest based system are needed. It allows more access to financing, promoting economic development. Examples: Malaysia, UAE and Saudi Arab have successfully implemented Islamic banking systems.

3. Promoting Halal Investments

Providing safe and halal avenues for investment can help curb illegal

practices and help improve the economic condition of a country.

CRITICAL ANALYSIS OF ECONOMIC SYSTEM IN ISLAM

The framework of economic system provided to us is one that needs to be employed by every country.

It guides on every segment of economic activities and transactions, policywork etc. However, these are not adopted, even in muslim countries.

Current systems breed an unequal society and unethical standards.

Islam provides a blue print for a successful economy, as is backed by wide ranging evidence in the literature.

Conclusion

The economic system in Islam was presented centuries ago. However, it still remains relevant if employed in the correct way. If implemented, it can drive economies to success and promote more equality and a better standard of living for citizens.