Islamiyat (2023)

Q no: 03:

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

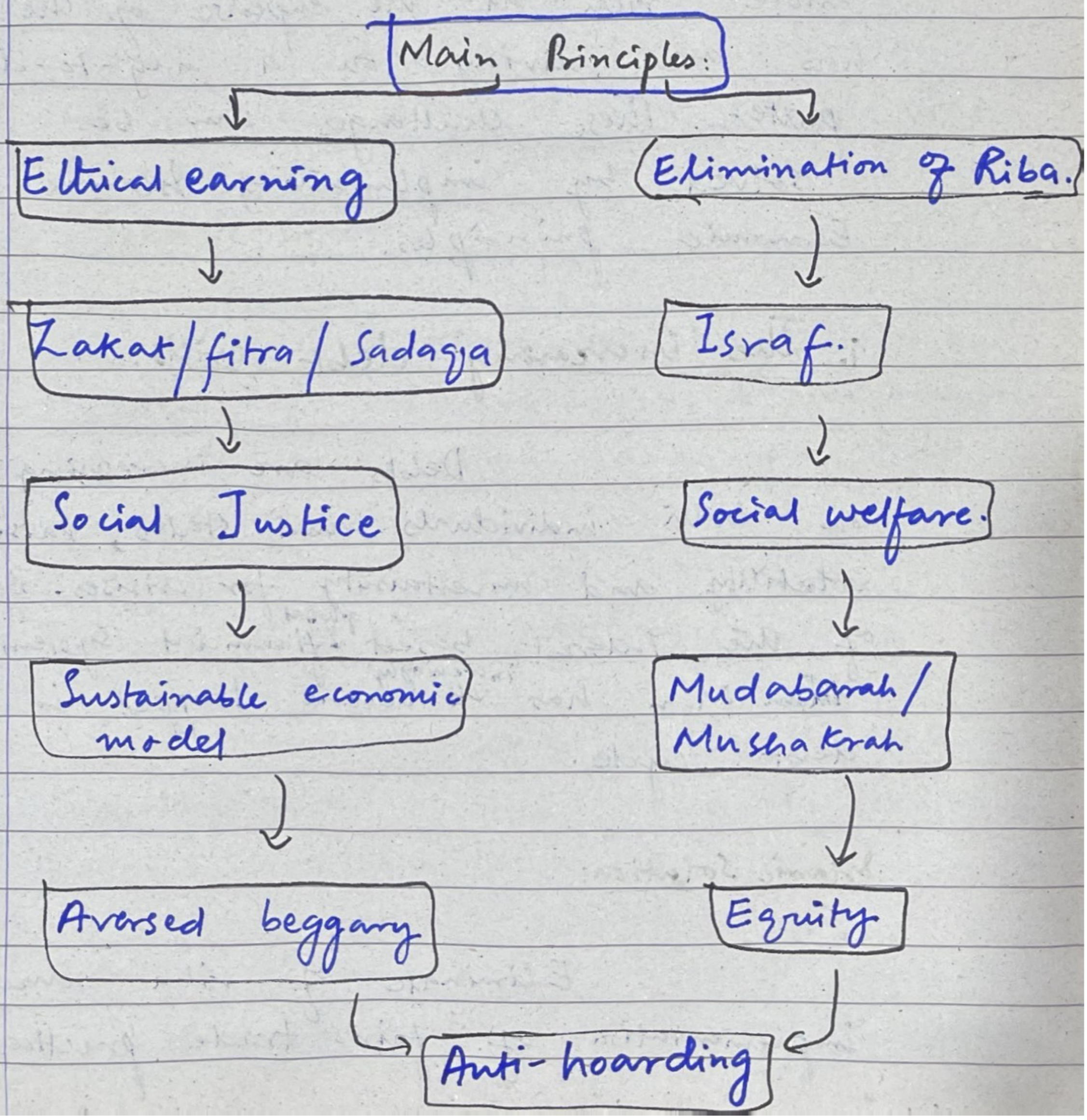
> Islam's two important pillars have decreased the gap between the rich and the poor, Zakat and namaz. Salah brings both together in cogregation before a imam, increasing equality. While zakat imparts the feeling of responsibility within the rich, decreasing social gap.

M.A Manan in his book:
"The Islamic Economics"

1. Introduction:

Islam is an all encompassing religion; it has its own economic, political, social, and judicial system. Its economic system is based on social justice, ethics, and morality. The economic system of Islam is far better than any economic system ever introduced because of the fact that Islamic economic system covers all the faults of major economic models. Moreover, it is so relevant that it can still provide solutions to the contemporary economic challenges. Its principles of zakat, social welfare, ethical economy, eliminate of riba, and sustainable usage of resources are still valid, and are the solutions of the current challenges.

2. Main principles of Islamic Economics at a glance:



3. Contemporary challenges and their solution through Islamic Economic principles:

Currently, the world has three main economic models, Capitalism, Communism, and a mixed-socialist style model, each with its grave challenges that are affecting the human society and are increasing the wealth gap among social classes. The richer are getting more rich at the expense of the poorer how are living on a day-to-day pattern. These challenges can be solved by implementing Islamic Economic principles:

i. The increasing debt crisis:

Debts are increasing on both individuals and states, raising volatility and uncertainity for crisises. Because of the interest based global financial system, ~~than~~ Man has increasingly ~~its~~ become trapped in debt cycle.

Islamic Solution:

Eliminate of riba and implementation of fair trade practices and loan agreements.

And we have permitted trade and prohibited riba for you.

(Al-Baqra 2:275)
Interpretation

ii. <u>Because of the interest based financial system, economies have become stagnant:</u>

People have become fond of interests and do not invest their capitals in markets leading to stagnant economies and an unethical practice of ~~riba~~ earning.

<u>Islamic solution:</u>

Eliminate riba, invest in markets on Mudabarrah (risk and profit sharing) basis to earn ethical money and help economies grow.

iii. <u>Extravenge in spending:</u>

States and individuals are spending their resourses excessively without useful out comes.

<u>Islamic solution:</u> Limit unuseful spending and invest resources on social development.

iv. Gap between rich and poor has increased:

Society has increasingly divided between the rich and the poor. The gap between both ~~classesses~~ classes has increased significantly leading to increased poverty.

Islamic solution:

Ensure and implement Islamic principles of Zakat and sadaqat to reduce this economic gap so that poor can live an ethical and respectful life.

> All the resources on Earth are a trust to human being by Allah, and are owned equally by every living being without the monopoly of certain class on resources or profession.

Moulana Maudidi
In his lectures on
"Islamic Economics"

v. Islamic Economic model is the solution to the current environmental damage:

P.T.O

Islamic economics ensure that resources are used sustainably without excessive damage. Even in wars, the Prophet (P.B.U.H) guided his companions (R.A) to not cut tree, plunder wells, or damage standing crops. These ethical principles are the need of time.

vi. Islamic economics implement social welfare programes: a solution to current social injustice:

The current economic models are averse to social welfare programes leading to inequality in society in access of services such as health, education, and transport. Islamic model through its welfare system can implement social programes to reduce the gap in access of services.

> Islamic social welfare model is the foundation of Western social model system.
>
> Micheal H. Hart.

vii. Islamic solution to the hoarding of essential resources: an impudent challenge of the current era:

The unethical, exploitative Capitalist economic system has increased hoarding of essential resources incidents which lead to artificial rise of prices. This helps the rich get more richer. Islamic economic system counters it with state's intervention on anti-hoarding practises and breaking any monopoly on resources if present.

4. **Conclusion:**

The current economic models have led to significant challenges in the societies and have risen inequality, volatility, and crisis risks. However, by implementing Islamic economic model, these challenges can be countered effectively.

Suggestions for improvement