

1. Introduction

Islam guides humans in all aspects of life — both spiritual and material. Wealth is not condemned; it is seen as a blessing from Allah. The Qur'an teaches that we should not forget our share of worldly needs, but also prepare for the Hereafter. Humans have both material and spiritual needs, so both must be balanced. Some people pray only for worldly gain and forget the Hereafter, but the best people ask Allah for both worldly blessings and eternal salvation. Everything on earth and in the skies has been created for human benefit, but it must be used wisely and responsibly.

2. Qur'anic Basis of Economics

The Qur'an emphasizes that wealth should not remain only in the hands of the rich but must circulate among all. However, complete equality in wealth is unrealistic because people have different talents and levels of effort. If everyone were given equal wealth, some would waste it and fall into poverty, while others would become lazy. In contrast, differences in wealth motivate people to work harder and create progress. Yet total freedom without rules can lead to exploitation and oppression. Therefore, Islam sets boundaries — preventing injustice but allowing freedom for growth.

Humans progress because they live in societies, cooperate, and compete. Animals, on the other hand, do not improve their way of life because they lack social organization and competition. Bees and ants live collectively but have no competition, so they show no progress. Humans advance through competition and differences in wealth, but Islam ensures this freedom is balanced with responsibility.

3. Moral Side of Islamic Economics

Islam discourages unnecessary begging, as it is shameful in the Hereafter. Instead, it praises those who sacrifice for others and prefer others over themselves. Waste (extravagance) and greed (miserliness) are both prohibited. For example, one companion gave away all his wealth for Allah's cause and was praised, but another sick companion was stopped from donating everything — the Prophet ﷺ told him to leave enough for his family's needs. This shows Islam values balance: charity is encouraged, but not at the expense of one's dependents.

The Qur'an condemns wasteful spending and calls squanderers "brothers of devils." Hoarding wealth and being miserly are also forbidden. The Prophet ﷺ condemned cheating in trade and said: "He who deceives us is not one of us." Islam aims for a society where everyone's basic needs are met and where luxury, waste, greed, and fraud are eliminated. The Prophet ﷺ advised that if you buy something for yourself, also share with

your servant or at least give them part of it. He also said a believer cannot sleep full while his neighbor goes hungry.

Thus, the moral foundation of Islamic economics includes generosity, honesty, balance, fairness, and responsibility.

4. Material Side of Islamic Economics

Three Principles

Islam's material economic system is based on:

1. Prohibitions (things completely forbidden).
 2. Taxes (compulsory duties like zakat).
 3. Recommendations (voluntary good deeds like sadaqah).
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A. Prohibitions

- Interest (Riba): Strictly forbidden. Qur'an says trade is allowed but interest is forbidden, and those who don't give it up are at war with Allah and His Prophet. Prophet ﷺ cursed all involved in interest — taker, giver, writer, and witnesses.
- Gambling: Forbidden because it is the "work of Satan," creates hatred, and exploits people.
- Hoarding and Monopoly: Banned, as it raises prices artificially and harms the poor. Prophet ﷺ called hoarders sinners.
- Fraud and Cheating: Qur'an condemns defrauders who take full measure but give less in return.
- Bribery: Both giver and taker of bribes are cursed by Allah.
- Alcohol and Intoxicants: Forbidden because they harm self-control, waste money, and are described as Satan's handiwork.

B. Taxes

- Zakat: The most important tax and one of the five pillars of Islam. It purifies wealth and supports eight categories of people (poor, needy, administrators, new Muslims, captives, debtors, those in Allah's cause, and travelers).
 - 2.5% on money, gold, silver, and business items.
 - 5–10% on crops, depending on irrigation.
 - Fixed shares on livestock.
- Other Taxes:
 - Ushr: On agricultural produce.
 - Kharaj: Land tax.
 - Jizya: Tax on non-Muslims in return for protection.
 - Fay': Revenue from conquered lands.

C. Recommendations (Voluntary Acts)

Beyond zakat, Islam encourages voluntary charity. Qur'an compares charity to planting a seed that multiplies many times. Prophet ﷺ said charity removes sins like water extinguishes fire, and on Judgment Day, a person's shade will be his charity. Every Muslim must give charity — if not with money, then by work, helping others, promoting good, or avoiding harm. The best charity is given from what you love, not leftovers.

Even small acts count as charity: smiling, kind words, removing harm from the road. Prophet ﷺ said deeds that continue after death include ongoing charity, beneficial knowledge, and righteous children who pray for their parents.

5. Philosophy of Islamic Economics

Islam balances compulsory measures (zakat, no interest, honesty) with voluntary acts (charity, sacrifice). It accepts private property but prevents misuse. It recognizes wealth differences but ensures fairness. Unlike communism (no property) or capitalism (unlimited greed), Islam follows a middle path. Its aim is justice, fairness, compassion, and accountability.

6. Practical Teachings

Work is worship if it is honest and halal. Prophet ﷺ said the best food is earned with one's own hands, and truthful merchants will be rewarded with Prophets and martyrs in the Hereafter. Laziness and begging are condemned — even gathering firewood is better than asking others.

Qur'an teaches moderation in spending: don't be wasteful or miserly. Muslims are urged to help one another in good deeds, not in sin. Believers are like one body — if one part suffers, all feel it. A Muslim is not a true believer until he loves for others what he loves for himself. Trade must be based on fairness and mutual consent. Monopolies and exploitation are forbidden. Honesty in weights and measures is required. Trustworthiness is key — breaking promises is a sign of hypocrisy.

7. Key Values in Economics

The economic system emphasizes honesty, trust, fairness, compassion, and responsibility. Wealth is a trust from Allah, not absolute ownership. On Judgment Day, people will be asked about their life, knowledge, wealth (how it was earned and spent), and their body. True richness is contentment of the soul, not possessions. Greed is condemned because humans are never satisfied until death, but Allah forgives those who repent.

8. Exceptional Taxes (361)

During Prophet Muhammad's ﷺ time, the only tax was zakat. Later, jurists allowed temporary emergency taxes (nawā'ib) during crises such as war or disasters. These were provisional, not permanent.

9. Social Insurance (362–363)

Early Arabs didn't need insurance for sickness or houses but did need it for captivity (ransom money) and blood money (injuries or killings). Prophet ﷺ organized tribal insurance (ma'aqil): members contributed to a fund that helped when needed. If one tribe's treasury wasn't enough, others helped. Caliph 'Umar expanded this system based on professions, administrations, and regions.

Funds could also be used in trade to grow wealth. Insurance in Islam is based on cooperation and shared risk, unlike capitalist insurance, which resembles gambling. Caliph 'Umar also introduced pensions (Diwān) for all citizens, including non-Muslims and children from birth.

10. Games of Chance (368)

Gambling and lotteries are forbidden because they enrich a tiny minority while most people lose. For example, millions collected through lotteries only make a few winners while ruining the majority. Whether private or national, gambling is unjust and considered the work of Satan.

11. Interest on Money-Lending

Interest is strictly forbidden. Qur'an says trade is allowed, but interest is not. Those who persist are warned of war from Allah and His Prophet. Interest is unjust because the borrower carries all the risk while the lender always profits.

Islam provides solutions:

- Public treasury gives interest-free loans.
- Rich people are encouraged to give charitable loans (qard hasan).
- Profit-sharing (mudarabah) is allowed, where both share in profit and loss.
- Banks can operate only if they share risks and profits, not by charging fixed interest.

12. Statistics (378)

Planning requires knowing resources. Prophet ﷺ organized a census of Muslims. Caliph 'Umar expanded it to animals, trees, lands, and farms in new provinces. He also ensured tax collectors were fair by asking citizens if they had complaints.

13. Daily Life (379)

Two key prohibitions in Muslim daily life are gambling and alcohol. Gambling wastes money and exploits the weak. Alcohol destroys self-control, wastes wealth, harms health, and damages future generations. Qur'an admits both have some benefits but declares their harm far greater. Qur'an places alcohol and gambling on the same level as idolatry and Satan's work. Muslims are commanded to avoid them completely.

Final Message

Islamic economics is a balanced system combining spiritual and material values, moral and legal duties, and individual and social responsibilities. Its aim is justice, fairness, compassion, and accountability to Allah. If practiced sincerely, it ensures economic stability, moral upliftment, social harmony, and eternal salvation.

Principles and solutions to contemporary challenges

Islamic Economics is based on justice, equity, and welfare of humanity. Unlike capitalist systems (which promote concentration of wealth) or socialist systems (which deny private property), Islam provides a balanced economic system ensuring circulation of wealth, fair trade, and welfare of the need

Principles of Islamic Economics

1. Belief in Ownership of Allah

- Everything belongs to Allah, and humans are trustees.
- Quran: “And give them from the wealth of Allah which He has given you.” (Surah An-Nur 24:33)
- Prevents arrogance and misuse of wealth.

2. Right to Private Property

- Islam recognizes private ownership but within limits of Shariah.
- Hadith: Prophet ﷺ said, “Indeed, your blood, your wealth, and your honor are sacred.” (Bukhari, Muslim)
- Balances socialism (denying property) and capitalism (absolute freedom).

3. Obligatory Charity (Zakat)

- Redistribution of wealth to ensure social justice.
- Quran: “Establish prayer and give Zakat...” (Surah Al-Baqarah 2:43)
- Zakat purifies wealth and reduces poverty.

4. Prohibition of Riba (Interest)

- Interest exploits the poor and creates inequality.
- Quran: “Allah has permitted trade and forbidden riba.” (Surah Al-Baqarah 2:275)
- Prophet ﷺ said: “Curse is on the one who takes riba, gives it, records it, and witnesses it.” (Muslim)

- Promotes interest-free economy.

5. Encouragement of Trade & Halal Earning

- Islam encourages lawful business and trade.
- Hadith: “The truthful and trustworthy merchant will be with the Prophets, the truthful, and the martyrs.” (Tirmidhi)
- Promotes entrepreneurship and production.

6. Prohibition of Hoarding & Monopoly

- Hoarding causes artificial inflation.
- Prophet ﷺ said: “Whoever hoards is a sinner.” (Muslim)
- Ensures fair competition.

7. Inheritance Laws

- Wealth is divided among heirs, preventing concentration.
- Quran prescribes shares in Surah An-Nisa (4:7–12).
- Circulates wealth in society.

8. Promotion of Social Welfare

- State (Bayt-ul-Mal) responsible for public welfare.
- Hadith: “The ruler is the guardian of his people, and he will be questioned about them.” (Bukhari, Muslim)

How These Principles Solve Contemporary Challenges in Pakistan

1. Poverty & Inequality

- Zakat, Sadaqah, Infaq can reduce poverty.
- In Pakistan, if Zakat was collected properly, it could generate Rs. 500–600 billion annually, uplifting millions.

2. Inflation & Hoarding

- Islamic prohibition of hoarding and profiteering directly addresses Pakistan's food inflation crises (e.g., sugar & wheat mafias).

3. Interest-Based Economy

- Pakistan faces huge debt due to Riba-based loans.
- Islamic principle of interest-free economy through Islamic banking can reduce exploitation and promote risk-sharing.

4. Corruption & Unjust Distribution

- Strong accountability (Hisbah system) ensures honesty in trade.
- If implemented, corruption in Pakistan's tax collection and trade could decline.

5. Wealth Concentration

- Inheritance laws & Zakat prevent elite capture.
- In Pakistan, only a few families control industries; Islamic system ensures wider distribution.

6. Unemployment

- Encouragement of trade & entrepreneurship can reduce dependency on government jobs.
- Halal business opportunities create growth.

Disadvantages of Concentration of Wealth

When wealth gets concentrated in a few hands, several economic and social harms arise:


- Exploitation of the Poor – The rich dominate resources and opportunities, leaving the poor dependent and deprived.
- Inequality – A huge gap between rich and poor creates social unrest, class divisions, and resentment.
- Circulation of Wealth Stops – Money stays within a few families, blocking economic growth and fair opportunities.
- Rise of Corruption – The wealthy can manipulate markets, laws, and politics for their own benefit.
- Moral Degradation – Luxury for the rich and deprivation for the poor leads to arrogance, jealousy, and crime in society
- Instability – Unequal wealth distribution creates revolts, revolutions, and insecurity.

2. Economic Measures Islam Introduced to Prevent Concentration of Wealth

Islam has introduced various measures to ensure fair distribution:

a. Zakat (Obligatory Charity)

- 2.5% of wealth must be given yearly to the poor, orphans, travelers, and needy.
- It redistributes wealth and keeps it circulating.

 “And establish prayer and give zakat...” (Surah Al-Baqarah 2:43)

b. Sadaqah (Voluntary Charity)

- Beyond Zakat, Muslims are encouraged to give charity regularly.
- Prevents hoarding and develops generosity.

c. Prohibition of Riba (Interest)

- Interest allows the rich to get richer without effort, exploiting borrowers.
- Islam strictly forbids it.

📖 “Allah has permitted trade and forbidden riba.” (Surah Al-Baqarah 2:275)

d. Inheritance Law

- Wealth cannot be accumulated by one person only.
- It is divided fairly among heirs (parents, children, spouses, siblings).
- Prevents the formation of dynasties of wealth.

e. Prohibition of Hoarding (Iktinaz)

- Wealth should not be stored without use; it must circulate.

📖 “And those who hoard gold and silver and spend it not in the way of Allah – give them tidings of a painful punishment.” (Surah At-Tawbah 9:34)

f. Encouragement of Trade and Work

- Islam promotes productive use of wealth in trade and investment instead of idle accumulation.

g. State Responsibility

- The Islamic state can impose ‘Ushr’, Kharaj, and collect Jizya to ensure justice in wealth distribution.

