DATE: 7th / Nov / 2025 Islamic Studies Test-3

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Q.2

Introduction

The Islamic financial and economic system is a divinely guided framework based on justice, equity, and the welfare of society. Unlike man-made systems such as capitalism and socialism, which often lead to exploitation, inequality, and financial instability, Islam provides a balanced and ethical economic model derived from the Quran, Sunnah and Shariah principles. It aims to ensure the fair distribution of wealth, prevent exploitation, and promote moral responsibility in all financial dealings.

Islamic Financial and Economic System: A Solution for Human Financial Problems

1- Based on Divine Guidance

The foundation of the Islamic economic system is divine revelation, not human intellect, which is prone to error. Allah owns all resources and humans

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are mere trustees.

"Those who believe in the unseen, establish prayer, and donate from what we have provided for them."

(Al-Quran)

2- Welfare of Society

Islam bases its economic policies on the welfare (Maslahah) of the entire community, not a few privileged groups. Any policy that harms people, promotes exploitation, or causes imbalance contradicts Islam. The Quran emphasizes working for both worlds:

"Seek the 'reward' of the Hereafter by means of what Allah has granted you, without forgetting your share in this world."

(Al-Quran)

3- Recognition of Private Ownership

Islam allows individuals to own property and wealth, provided it is acquired and used lawfully. Private property motivates economic activity and investment, while divine restrictions prevent exploitation.

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"For men is a share of what they have earned, and for women is a share of what they have earned."

(Al-Quran)

4- Circulation of Wealth

Islam opposes the accumulation of wealth in few hands and ensures circulation through Zakat, sadqaat, and Inheritance Laws.

"... So that wealth may not merely circulate among your rich."

(Al-Quran)

5- Prohibition of Interest (Riba)

Islam strictly prohibits interest-based transaction as they exploit the poor and create inequality.

"Allah has permitted trade and forbidden Riba."

(Al-Quran)

6- Promotion of Real Economic Activities

Money is treated as a medium of exchange, not as a commodity. Therefore, wealth must be earned through productive

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and ethical means rather than speculation or interest-based profits. The 2007-2009 global financial crisis, caused by speculative and interest-based systems, proves the superiority of Islam's real asset-backed finance.

7- Balance and Moderation in Lifestyle

Islam advocates a middle path between extravagance and misetliness. This principle of moderation prevents social and economic imbalance and encourages sustainable living.

" They are those who spend neither wastefully nor stingly, but moderately in between."
(Al-Quran)

8- Recognition of Economic Inequalities and Fair Competition

Islam acknowledges that economic inequalities naturally exist, but it provides a moral framework to ensure justice and opportunity.

" He is the One who has placed you as successors on earth and elevated some of you in rank over others, so He may test you

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with what ~~H~~ He Has given you."
(Al-Quran)

9- Ethical code of Business Conduct

Islam emphasizes honesty, fairness, and transparency in all business dealings, prohibiting fraud, deceit, and exploitation. Traders are urged to fulfill their promises and maintain trust in transaction, as ethical conduct is the backbone of a just economy.

" O believers! Honour your Obligations."
(Al-Quran)

10- Flexibility and Innovation

Islamic principles are universal and flexible, allowing trade with non-Muslims based on fairness and mutual benefit.

" The Prophet (SAW) died while his armor was mortgaged to a Jew for thirty sa's of barley."
(Al-Hadith)

This demonstrates Islam's flexibility and openness. It encourages Muslims to innovate ethically, expand markets, and adapt to changing global conditions, without compromising moral principles.

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Conclusion

The Islamic economic and financial system provides a comprehensive, balanced, and moral framework for solving human financial problems. Rooted in divine guidance, it:

- Prevents exploitation
- Ensures equitable distribution of wealth
- Promotes social welfare and justice, and
- Encarages real, productive, and ethical economic activities.

In a world plagued by inflation, debt, and inequality, the Islamic ~~Econ~~ Financial and Economic system truly stands as a solution for human financial and economic problems. Hence, Islamic economic system is not merely theoretical - it is a practical solution to modern financial crisis and a means to achieve economic justice, prosperity, and moral balance in society.

Q.1

Introduction

Political Systems are essential for maintaining order, justice, and the welfare of society. The Islamic political system, unlike Secular or man-made

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systems is founded upon divine guidance. It seeks to establish a government that implements Allah's sovereignty, promotes justice and accountability, and ensures the welfare of all citizens, regardless of faith or status.

"The decision belongs solely to Allah."

(Al-Quran)

This signifies that ultimate authority in an Islamic state rests with Allah, and rulers act only as His trustees on earth.

Fundamental Principles of the Islamic Political System

1– Sovereignty of Allah (SWT)

The foremost principle of the Islamic political system is the sovereignty of Allah Almighty. All legislative, judicial, and executive powers must conform to divine law. (Shariah). Thus, no ruler, parliament, or institution has the right to legislate against Shariah.

"To Him belongs the Kingdom

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of the heavens and the earth.
He gives life and causes
death, and He has power
over all things."

(Al-Quran)

2- Khilafat (Vicegerency of Man)

The second fundamental principle is Khilafat, which means vicegerency or stewardship of man on earth.

"I am placing a successor
on earth."

(Al-Quran)

Man has been entrusted to implement Allah's commands and establish justice. In political terms, this means rulers are accountable deputies of Allah, governing according to divine guidance. The Prophet (SAW) and his rightly-guided successors (Khulafa-e-Rashideen) ruled under this very principle, ensuring equity and justice in all matters.

3- Government by Consultation (Shura)

A fundamental principle of Islamic politics is shura or mutual consultation in governance.

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"and consult them in the conduct of affairs."

(Al-Quran)

This ensures participation, prevents tyranny, and maintains transparency.

4- Rule of Law

In Islam, no one is above the law. The Prophet (SAW) said:

"By Allah, if Fatima, daughter of Muhammad, were to steal, I would have her hand cut off."

(Al-Hadith)

This principle establishes that justice is absolute and impartial.

5- Equality of All Citizens

Islam upholds equality before the law, regardless of religion, race, or social status. Both Muslims and non-Muslims enjoy protection and justice under an Islamic state. The Charter of Madinah demonstrated this by granting equal rights and security to all communities living under one government. Justice is not

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limited to Muslims alone but extends to all inhabitants, as practiced by the Prophet (SAW) in Madinah.

6. Accountability

Accountability (Muhasabah is central to the Islamic political order. Every leader is answerable to Allah and the people. Abu Bakr (RA), in his first address as caliph, said:

"Obey me as long as I obey Allah and His messenger; if I disobey, you owe me no obedience."

Caliph Umar (RA) frequently held governors accountable, showing that public office is a trust (Amanah), not a privilege. This accountability ensures transparency and justice in administration.

7- Justice (Adl) and Non-Discrimination

Justice is central to the Islamic political system. It requires impartial treatment and fairness, even against oneself or close relatives.

"Stand firmly for justice, ... even if against yourselves, or your parents, or your relatives." (Al-Quran)

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None of the Rightly-Guided Caliphs nominated their sons as successors, emphasizing integrity in leadership.

8- **Meritocracy**

Islamic governance promotes merit and competence. The compilation of the Quran was entrusted to Zaid bin Thabit (RA) for his expertise, while military leadership was given to skilled commanders like Khalid bin Waleed (RA) and Amr bin al-As (RA). Leadership of Usama bin Zaid at a yung age as a military commander showed that qualification, not lineage, or age, determines responsibility.

9- **Religious Freedom**

Islam guarantees freedom of belief and worship, ensuring peaceful coexistence among diverse communities.

"There shall be no compulsion in religion."

(Al-Quran)

Non-Muslims lived peacefully in Madinah under Islamic rule, maintaining their faith and practices freely.

10- **Freedom of Speech**

Islam allows freedom of expression within ethical and moral boundaries.

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" God does not like the public uttoring of bad language, unless someone was wronged. God is Hearing and knowing."

(Al-Quran)

This promotes accountability and constructive criticism without trangressing ethical boundaries.

Conclusion

The Islamic political system stands as a comprehensive framework founded on justice, equality, accountability, and consultation. Rooted in the sovereignty of Allah (SWT), it ensures that rulers act as trustees serving the people, not masters ruling over them. Through principles like shura, rule of law, and merit-based leadership, Islam prevents tyranny and promotes welfare for all citizens, Muslim and non-Muslim alike. Unlike man-made systems driven by personal interests, the Islamic model provides moral and social balance, ensuring peace, fairness, stability in governance - a timeless solution to modern political challenges.

"The End"