**ISLAMIC ECONOMY**

**INTRODUCTION**

Islam recognizes private property, market forces & profit motive for man. This right is limited by obligations (zakat, sadaqah & waqf) to others and subject to moral boundaries (riba, gharar, mayisir, ghabn, ihtikar) governed by the Sharia.

**DISTRIBUTION, CIRCULATION & INJUNCTIONS**

- **EQUITY & DISTRIBUTION OF WEALTH**
  - Islam recognizes private property, market forces & profit motive for man.
  - This right is limited by obligations (zakat, sadaqah & waqf) to others and subject to moral boundaries (riba, gharar, mayisir, ghabn, ihtikar) governed by the Sharia.

- **THE CIRCULATION**
  - Flow of wealth from poor to rich & rich to poor.
  - Increased purchasing power & boost sales.
  - Higher volume of production & Repeat U'shr - Form of Zakat, levied on land produce Rate - 5% on irrigated lands & 10% on non-irrigated lands.

- **INJUNCTIONS**
  - To prevent monopolies & curb the unjust/immoral earnings detrimental to the collective interest of society. Wealth is kept under constant circulation and chances of concentration are eliminated.
  - Islam has prohibited Usury (interest), Hoarding, Speculation, Insurance, Overtrading, Sale w/o possession & Securing profits by exploiting immoral desires of people.

**PROFIT SHARING & 2 DIMENSIONS**

**PROFIT SHARING**

Islam enjoins an economic system that promotes the concept of participation in a transaction backed by real assets, utilizing the funds at risk on a profit-and-loss-sharing basis - free from Riba: **Musharakah & Mudarabah**

- A capital provider contributes money which is bound to be converted into assets having intrinsic utility. Profits are generated from the sale of these assets. The sharing of profits is based on ratio.

- For conventional setup, income for the capital provider is based on rate of interest which is riba.

**2 DIMENSIONS**

- **Spiritual Dimension - Spiritual Socialism**
  - Legal Dimension - Controlled & internally managed capitalism

- **SPiritual Socialism**
  - Allah is the real owner
  - Whatever one has is bounty (Fazl) of Allah
  - The rightful share is the fulfillment of basic necessities
  - Whatever is in excess of one’s basic needs is the right of others but all this is voluntarily, our beloved prophet (saw), Sahaaba (raw), Aulia Allah lived on this level, these people are the model & pacemakers for the society.

**CAPITALISM V SOCIALIZM**

- **CAPITALISM:** An absolute & unconditional right to private property 'FREEDOM'
  - **SOCIALISM:** Total denial of rights to private property with the exception of ownership of some articles of personal use 'EQUALITY'

**BALANCED VIEW**

- Freedom & Equality are 2 basic essential human values & Islam does want to promote & maintain them but:
  - Freedom not at the cost of Equality
  - Equality not at the cost of Freedom

- 'Better the circulation, Better the economy'

**THE OBJECTIVES**

- Everyone to function according to his ability, aptitude, own choice & liking
  - Market forces to be operative
  - Everyone to get what is rightfully his
  - Equal participation in profit & loss
  - Wealth to circulate in equitable manner
  - Gap between rich & poor to be narrowed