**ISLAMIC ECONOMY**

**INTRODUCTION**

- The knowledge and application of injunctions and rules of the Shariah to prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and society.

**DISTRIBUTION, CIRCULATION & INJUNCTIONS**

- **EQUITABLE 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, may sir, ghabn, ihtikar) governed by the Sharia.

- **PROFIT SHARING & 2 DIMENSIONS**
  - **CAPITALISM**
    - An absolute & unconditional right to private property
    - **SOCIALISM**
      - Total denial of rights to private property with the exception of ownership of some articles of personal use
  - **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 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

- **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

**MEANING**

- The knowledge and application of injunctions and rules of the Shariah to prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and society.

**SOURCES**

- **Primary & Secondary**

- **BASIS**
  - 1. **Tauhid**: Oneness of Allah who is the Creator of all creations, including man. Man is only the vicegerent who is responsible to all aspects of human life are subject to the will of Allah. (verses)
  - 2. **Risalah**: The Shariah which was revealed to mankind by the Messengers of Allah (PBUH). Man need to uphold the risalah / Shariah. (verses)
  - 3. **Akhirah**: The life of a man in the world is temporary for man to prepare himself the life in the Hereafter. (verses)

**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**

- 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.

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