



ISLAMIC Economy



INTRODUCTION

MEANING

The knowledge and application of injunctions and rules of the Shariah that 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)

DISTRIBUTION, CIRCULATION & INJUNCTIONS

EQUAL 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, maysir, 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 SOCIALISM

- **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