

GOALS, OBJECTIVES AND CHARACTERISTICS OF ISLAMIC ECONOMY

Introduction

There is a misconception in some sections that establishment of Islamic economy means establishment of Arab economy as it existed 1400 years back at the time of the Prophet (sm). This is not correct. Islamic economy would be totally upto-date in its method of organization and use of technology. Only the principles and framework will be derived from the Quran, the teachings of the Prophet and the practices of the early days of Islam.

Similarly, it is wrong to say that Islam does not give an economic system. Capitalism is an economic system in which a country's trade and industry are controlled by private owners for profit, rather than by the state.

Capitalism is an economic system in which the means of production are privately owned and controlled and which is characterized by competition and the profit motive. Capitalism is an economic and social system in which individuals can maximize profits because they own the means of production. Socialism is a political and economic theory that a country's land, transport, natural resources and chief industries should be owned and controlled by the whole community or by the state, and that wealth should be equally distributed following the maxim "From each according to capacity and to each according to his needs."

We recognize capitalism as an economic system, though its basic characteristics are only the recognition of the private right of ownership and freedom of economic activities for the individual. Likewise, socialism is treated as an economic system, even though its only basic characteristic is the social ownership of means of production. Islam gives us a much more comprehensive guidance in economic matters such as prohibition of interest

compulsory levy of Zakah, freedom of work and enterprise, concern of the poor, distinction between the Halal (permissible) and Haram (prohibited) in income, consumption and production and so on. As such Islam undoubtedly gives mankind an economic system not found in other religions. An economic system does not mean only the details of organization, which are more or less the same in all economic systems.

It is also necessary to bear in mind that an Islamic solution of the same problem may be more than one. There can be alternative solutions or models for the same problems or issues. The difference can be quite acute in such sectors as land reform and role of government in economy. As long as the alternative solutions proposed by Islamic scholars through Ijtihad had remain within the explicit framework of the Quran and the Sunnah, the alternatives should be considered Islamically valid and legitimate.

The Islamic economy which established by the Prophet (sm) and developed by the Khulafa-e-Rashideen in Medina is the first model of Islamic economy. So far as basic principles and values are concerned, this should always remain as a reference point along with the Quran and the Sunnah. We should remember that the Prophet freed the pre-Islamic Madinite economy from Jahiliya, or all un-Islamic practices. As such none can say that what was allowed in Madinite economy, at that time as not permissible today, or what was not permitted in that economy as permissible now.

Definitions of Islamic Economics

1. Islamic Economics is that branch of knowledge which helps realise human well-being through an allocation and distribution of scarce resource that is in conformity with Islamic teachings without unduly curbing individual freedom or creating continued macro-economic and ecological imbalance. — **Omar Chapra.**
2. Islamic Economics aims at the study of human falah achieved by organising the resources of the earth on the basis of co-operation and participants. — **Muhammad Akram Khan.**
3. Islamic Economics is the Muslim thinker's response to the economic challenges of their times. In t his endeavour they

are aided by the Quran and the Sunnah as well as by reason and experience. — **M. Negatullah Siddiq.**

4. Islamic Economics is the science of how man uses resources and means of production to study his worldly needs according to a predetermined code given by Allah (SWT) in order to achieve the greatest equity. — **Prince Muhammad Al-Faisal Saud.**
5. Islamic Economics is a social science which studies the economic problem of the people imbued with the values of Islam. It is a composite social science which studies the problem of production, distribution and consumption through integrative system of exchange and transfer over time and their social and moral consequences in the light of Islamic rationalism. It assumes the presence of Islamic man. — **M. A. Mannan.**

Goals and Values of Islamic Economics

- a. Economic well-being within the framework of the moral norms of Islam;
- b. Universal brotherhood and justice;
- c. Equitable distribution of income; and
- d. Freedom of the individual within the context of social welfare.

The Objectives of Islamic Economy

The Objectives of an Islamic economy are as under:

- a. To establish Adl (justice), to attain Hasanah (good) and Falah (welfare) in this life and the life hereafter.
- b. To establish Ihsan (gracious conduct or kindness) in economic affairs.
- c. Establishment of Maruf (proper or good acts, institutions) in economic life.
- d. Elimination of Munker (evil, wrong or injurious practices) from economic life.
- e. Freeing humanity from un-wanted burdens and shackles and to make life easier for them.
- f. Achieve maximum economic growth.
- g. Maximize employment to ensure maximum distribution of wealth in society.

- h. Achieve universal education.
- i. Encourage co-operation in society.
- j. Favouring weaker sections to establish them in life.

The following verses of the holy Quran clearly point out the aforesaid objectives of Islamic economy.

- a. Allah enjoins on our justice and gracious conduct. (Sura Nahl: Ayat 90).
- b. When we give them power in earth, they establish prayer, give Zakah, enjoin Maroof and prohibit Munkar. (Sura Hajj: Ayat 41).
- c. He (the prophet) enjoins them to follow right things and forbids them from evil, he makes pure things lawful for them and impure things unlawful, he relieves them of their burdens and frees them from shackles that bound them (Sura Araf Ayat: Ayat 157).
- d. Our Lord, grant us good in this world and in the hereafter. (Sura Baqara: Ayat 20).
- e. We desired to show favour into those who were depressed in the earth, and to make them leaders and to make them inheritors and to establish them on earth. (Sura Qasas: Ayat 5-6).
- f. Co-operate in acts of piety and virtue and do not co-operate in acts of sin and transgression (of laws of God). (Sura Al-Maida: Ayat 2).
- g. So that wealth does not circulate only among rich people of you. (Sura Hashr: Ayat 7).

There are many other verses of similar nature in the Holy Quran which clearly establish the aforementioned goals of Islamic economy.

Principles of Islamic Economics Systems

1. Sole purpose is to obey and please Allah in economic guidelines.
2. The wealth and asset in all their forms given under trust by Allah.
3. Moral values and guiding factors for all economic activities.

4. Maximum equitable utilization of human and material resources given by Allah.
5. Human dignity and respect of labour.
6. Maximum freedom for economic activity within a just framework.
7. Equitable distribution of wealth and income and disciplined private ownership.
8. Simplicity economy and austerity in expenditure.
9. Adal and Ihsan (Justice and kindness).
10. Strict prohibition of Riba, Interest and Usury in all forms.

Sources of Islamic Economics

The guiding principles of Islamic economics are derived from the following sources:

1. The Quran;
2. The Sunnah of the Prophet (peace be upon him);
3. Islamic law and jurisprudence;
4. History of the Muslims; and
5. Data relating to economic life.

Basic Characteristics of Islamic Economy

01. Economic Growth

Economic growth as regards achieving maximum, we can point out that Islam did not allow any owner to keep his agricultural land uncultivated for a long time. Islam also encouraged cultivation of barren land by anybody who could do so. Hazrat Omar-bin Abdul Aziz directed his governors to lease all uncultivated state lands to anybody who could cultivate against even one-tenth share of the crop. This indicates Islam's concern for maximum utilization of resources for maximum economic growth. (Dr. Yusuf Al-Qaradawi: Al Halala Wal Haram).

02. Maximum Distribution of Wealth

Islam also encourages maximum distribution of wealth as has been indicated in the verse of Sura Hashr. Universal education has enjoined by the Prophet in his famous saying "Education is compulsory on all Muslims, male or female." Education helps gainful employment, which helps in better distribution of wealth.

(S.N.H. Naqvi, Ethics and Economics: An Islamic Synthesis, First Edition, Chapter-5, Published by Islamic Foundation, U.K).

03. Free of Work and Enterprise

Islam has allowed freedom of work and enterprise. This is evident from the Madinitic model of Islamic economy. A reading of the chapter of any Hadith collection in respect of agriculture, gardening, business etc. will establish this. The Quran also clearly states that

Allah has made business lawful for you." (Sura Baqara: Ayat 275).

04. Free Economy

Islam allows economy to cooperate freely according to the market forces subject to Islamic restrictions and guidelines on production, distribution, marketing, investment, trade, exchange, wages etc. The state can also further interfere in this free economy to restore equilibrium and establish justice and other Islamic objectives as explained above. In an Islamic economy, there is an "allowability constraint" in every idle (a term introduced by Dr. S.N.H Naqvi in his above mentioned book). An entrepreneur can produce only permitted things. Profit should be normal in such an economy after giving proper wages to the labourers in accordance with Islamic principles. Some forms of trade practices, exchange, investment and land tenancy in agriculture are prohibited in Islam. It also disallows monopoly and hoarding as social evils. The aforesaid restrictions make "Free Economy" in Islam qualitatively different from capitalism. Islam can not be said to be capitalistic only because it allows forces of demand and supply to operate in the economy. Forces of demand and supply are fundamental economic forces, which were operational in all ages even before capitalism.

05. Trusteeship Ownership

In Islam God is the true owner of all things. The Quran says:

"To Allah belongs whatever is in the earth" (Al-Imran).

However, Allah in his mercy allows human beings to inherit wealth, own it and use it subject to His laws as evident from the following verses:

The land belongs to Allah. He allows it, to be inherited by whom so even he pleases. (Sura Araf: Ayat 128).

Do they not see that we have created for them ... among the things fashioned by us ... cattle of which they become owners? (Sura Yasin: Ayat 9).

Islam, therefore, allows man as vice-grant, to inherit wealth from Allah (that is to own). This is indeed a trust for proper use.

i. Kinds of Ownership

In early Islam there were three kinds of ownership: private, communal and state ownership. The books of Hadith are full of accounts of individual ownership. This was the standard ownership. Some important things like water, canals, pastures and graveyards were communal properties. The state owned the mines, rivers and large tracts of land. After the conquest of Syria and Iraq, these lands were made state lands and were not allowed to go into private ownership.

(Tafhimul Quran, Sura Hashr, Syed Abul Ala Maududi)

ii. State Ownership

There is no bar on state ownership of enterprise in Islam. The basic economic institutions can be or should be brought under state control, if required to establish social justice or protect the interests of the community.

06. Protection of lawful Property

of unlawful property. There are many instances of taking over unlawful properties during the period of Hazrat Omar and Hazrat Omar bin-Abdul Aziz. Lawful property can be taken over by the state only for valid social reasons after due compensation. During the last Hajj, the Prophet (sm) announced the principle of protection of lawful property. The Quran says:

Don't eat each other's property wrongly (Sura Nisa: Ayat 29)

07. Prohibiting of Interest

Islam prohibits interest. This requires a total reorganization of the economy, banking, investment, exchange business and international trade. A big effort is under way in the Muslim world in this direction. A body of literature has already come up on this subject.

08. Zakah

Islam has made Zakah compulsory on the wealth of rich Muslims. This is spent for the weaker and distressed sections of the society. Zakah not only distributes wealth between the rich and the poor of the society, it also influences investment, savings and allocation of income and resources. A detailed study has been made in this regard by Dr. Monzer Kahf in his book "Islamic economy"- American Trust Publications, USA. A rich body of literature has come up in recent times on Zakah. The Zakah and Ushr ordinance of Pakistan can be particularly referred to in this connection.

09. Concern for Poor

This is a special feature of Islam. Zakah is one institution which testifies to this. In this connection we may refer to ayat 5-6, Sura Qausar as quoted in para 6 above, is particularly significant, where Allah, the Almighty has expressed this desire to show favour on the depressed people, Islamic economy shall establish all possible institutions to carry out this desire of the Almighty.

10. Distribution of Inheritance

Islam has not left the distribution of inheritance on the whims of a person. In Islam, a person can not favour one over the other of his relations for temporary or subjective reasons as is the rule in the West. Islam distributes inheritable property among several groups of people:

- i. Children
- ii. Husband/ Wife
- iii. Parents
- iv. Brothers and sisters in certain situations.

This distribution has taken care of different groups keeping in view their social role, requirements and proximity of kinship relationships. For those who remain outside the list of inheritors, Islam has provided for Weasiat (will) for all such relations if they are in a distressed condition. A person can will upto one 3rd of his property for distressed relations or others outside the inheritors.