

Basic Concepts of Islamic Economics

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Concept of freedom of enterprise :

'Free Enterprise' An economic system where few restrictions are placed on business activities and ownership. In this system, governments generally have minimal ownership of enterprises in the market place. This system aims for limited restrictions on trade and minimal government intervention.

Concept of Prohibition of gambling

Prohibition of gambling : In Islam, maisir or gambling is forbidden. They ask you about wine and gambling. Say: 'In them both lies grave sin, though some benefit, to mankind. But their sin is more grave than their benefit.'

Concept of Risk shifting

Risk shifting, which is also known as asset substitution, occurs if managers make overly risky investment decisions that maximize shareholder value at the expense of debt holders' interests.

Features of equitable distribution of wealth:

Equitable distribution of wealth The economics of distribution signifies the sharing of wealth produced by a community among the agents, or the owners of the agents, which have been active in its production. The theory of distribution is thus concerned with the evaluation of the services of the factors of production like land, labour, capital and enterprise, and distribution of the rewards among them. But here we are not concerned with economics of distribution, rather we are concerned with social distribution of wealth which means fair and even distribution of wealth amongst the members of a community.

Wqaf : Waqf, in the language of Shariah, means the dedication of the corpus of property to Almighty God. The property thus transfers from the dedicator (waqif) to the ownership of Allah but its usufruct or benefit is dedicated to the poor, sick, travellers, or any other noble cause recognised by Islam. The institution of waqf helps elimination of poverty, misery, disease, illiteracy and in this way promotes the cause of equitable distribution of wealth.

Features of Zakaat :

Zakāt or alms-giving is the practice of charitable giving by Muslims based on accumulated wealth, and is obligatory for all who are able to do so.

The state appoints agents to manage the zakah, i.e. to collect and to distribute the zakah.

Then the appointed collector will collect the zakah from all eligible Muslim.

The collected amount of zakah will be placed in The appointed distributor will prepare a list of the eight categories of people mentioned in distribute it accordingly to the poor, debtors, in the way of Allah and for the travelers.

Role of IDB

The purpose of the bank is to foster the economic development and social progress of member countries and Muslim communities individually as well as jointly.

Role of State:

The educational system , Promoting the concept of love among Muslim, The integrity of the rulers, Propagation of Justice, Establishing an awareness a sense of discrimination between good and evil by Islamic Leader, Promotion of righteousness.

Faith in one God and its implications :

The oneness of God also leads to the oneness of humanity and this understanding of the oneness of humanity is also a very profound basis in removing all the artificial barriers of racial, tribal and any other sense of superiority and all other false methods that people have devised to distinguish between one group of the creatures of God and the others.

Role of eradication of Riba from the society:

Riba means Interest. Riba is forbidden in Islamic economic jurisprudence (fiqh) and considered as a major sin. Simply, unjust gains in trade or business, generally through exploitation. There are two types of riba discussed by Islamic jurists: an increase in capital without any services provided and speculation (Maisir), which is prohibited by the Qur'an, and commodity exchanges in unequal quantities, also prohibited in the Qur'an.

Objectives of fiscal policy in Islam :

The system of governance was based on the acceptance of the Islamic *aqidah* (belief) which transcends color, race, and affiliation to national boundaries. Once the Islamic *aqidah* is established, endorsed and put into operation, boundaries between Muslim nationalities and/or countries and differences of race, creed and color should, logically, disappear. In their place, the Islamic state takes over to ensure that the protection of the individual rights of all subjects, irrespective of social and political hierarchy and/or previous background is implemented according to Islamic teaching.

Islam's view of property as a trust :

The importance of economic and property rights in Islam can be seen from a variety of aspects. Theologically, man requires property in order to fulfill his function as the khalifah, God's vicegerent on earth. The word khalifah is familiar to most people as the name adopted by the leaders of the Muslim community after the death of the Prophet Muhammad (peace be upon him), but that is not the way it is used in the Qur'an. There it refers to the mission of every man and woman to be God's stewards on the earth.

What is Islamic Economics?

Islamic Economics: It is social science that analyzes the production, distribution, and consumption of goods and services in the shade of quran and sunnah.

What is Islamic Finance ?

Islamic Finance: The range of financial transactions that conform to the sharia, or Islamic law. Islamic finance forbids investment in industries considered sinful, notably alcohol, pornography and armaments. Islamic law also forbids the payment or receipt of interest.

What is ethics?

Ethics may be **defined** as the set of moral principles that distinguish what is right from what is wrong. **Islam** demands a certain type of **behaviour** from the economic agents

What is Brotherhood ?

1. The state or relationship of being brothers, 2. Fellowship, 3. An association of men, such as a fraternity or union, united for common purposes, 4. All the members of a profession or trade.

What is Zakaat?

It means blessing, purification, increase and goodness. Zakat is the third pillar of Islam

What is Risk sharing ?

Risk sharing : It means that the premiums and losses of each member of a group of policyholders are allocated within the group based on a predetermined formula. Risk is considered to be shared if there is no policyholder-specific correlation between premiums paid into a captive, for example, and losses paid from the captive's reserve pool.

Producer behaviour ?

Islam regulates producer behavior, and one type of human behavior is economic behavior. Economic behavior is dealt by Muslims as a means of production, distribution, and consumption of goods and services. In Islam, human behavior - whether in the economic area or others - is not value free; nor is it value neutral.

What is social goods?

social goods: A good or service that benefits the largest number of people in the largest possible way. Some classic examples of social goods are clean air, clean water and literacy; in addition, many economic proponents include access to services such as healthcare in their definition of the social or "common good".

What is Public finance?

Public finance is the study of the role of the government in the economy. It is the branch of economics which assesses the government revenue and government expenditure of the public authorities and the adjustment of one or the other to achieve desirable effects and avoid undesirable ones.

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