

# **ISLAMIC ECONOMICS AND ITS WORLD VIEW**

**BY**

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## **1. INTRODUCTION:**

Just like capitalism and socialism Islamic economics system has its own world view and philosophical foundation which is based on *tauhid* and other Islamic principles. Most of the problems encountered by Muslim nations from blind adoption of capitalism, socialism and other “isms” can be remedied by adopting an alternative economic system namely Islamic economic system . In this paper our objective is to explain the Islamic economic world view lucidly and see how it can serve as an alternative framework for alleviating some of our socio-economic problems .

Apart from this introduction, section two presents clarification of terms dwelling on the subject of Islamic economics, its world view and the Islamic economic system. Section three discusses ways through which Islamic economics solves some socio-economic problems and section four provides concluding remarks.

## **2. CONCEPTUAL CLARIFICATION OF TERMS:**

### **2.1 Islamic Economics:**

Islam is a comprehensive way of life and a world view that touches all spheres of human endeavor with economics inclusive. Several verses of the Holy Qur'an and Hadith of the Holy Prophet (PBUH) and writings of Muslim scholars are replete with issues bordering on economics. The writings of

Sokoto Jihad Leaders for instance deal with economic issues and they consider man first as *homo-islamicus* (Islamic man) before being *homo-economicus* (Economic man). Thus, they see economic pursuit as secondary and complementary to religious pursuits (Aliyu, 2000). We now try to see what Islamic economics is all about. Islamic economics has been defined by several scholars but despite the difference in wordings the substances of the definitions of Islamic economics are the same. For instance Mannan (1989) defined it as “a social science that examines the economic problem of people imbued with values of Islam. Hassanuzzaman (1984b) defined it as "knowledge and application of the information's and rules of the *Shari'ah* with regards to acquisition and disposal of available resources for providing satisfaction to the individuals in order to enable them perform their obligations to Allah and the society”. According to Khan (1988) Islamic economics is a discipline that aims at the study of human *falah* (welfare) achieved by organizing the resources of earth on the basis of cooperation and participation.

As observed by Shari'ati (1980) cited in Abdullahi (2004) it is the continuing dissatisfaction with capitalist and socialist models and theories in the 1950s that led to emergence of what is now referred to as Islamic economics.

Thus, the dissatisfaction with the capitalist and socialist frameworks coupled with numerous efforts in the Muslims world to formulate a workable theory of development based on Islamic law and philosophical anthropology gave birth

to the Islamic economic order or system (Abdullahi, 2004). Therefore, Islamic economic system or order is a natural consequence of Islamic economics since the latter serves as fountain pen for the institutions, mechanisms, activities and interactions and all other edifices inherent in the Islamic economy.

## **2.2 Principles of Islamic Economics:**

There are various underlining principles or features inherent in Islamic economics. These features are found in several works of scholars including the works of Sokoto Jihad Leaders. The features are as follows:-

- i. Unity of Allah (S.W.T): this refers to monotheism (*tauhid*) which can be divided into three namely: *Tauhid Uluhiyyah*, *Tauhid Rububiyyah* and *Tauhid Asma'u Wasifaat*.
- ii. Fear of Allah (*taqwa*)
- iii. Justice (*adl*) and goodness (*ihsan*)
- iv. Unity, brotherhood and cooperation
- v. Charity and benevolence
- vi. Dual ownership structure (public and private)
- vii. Equitable distribution of income and wealth.

## **2.3 Goals / Objectives of Islamic Economics**

Various scholars discussed certain objectives which they qualify in their specific ways. Some refers to them as goals of economic development in

Islam while still others see them as goals of Islamic economic system (see for e.g. Chapra, 1981, Ahmad, 1964, Chapra, 1992) the goals are as follows:-

- (i) Development of human personality through education
- (ii) Continues sustained increase in national production with correct product-mix e.g. necessities, capital goods, defense goods, etc.
- (iii) Improvement in the quality of life through re-distributive justice
- (iv) Provision of employment
- (v) Balanced development
- (vi) Evaluation of endogenous technology, and
- (vii) Co-operation and greater integration within the Muslim world.

### **3. WAYS THROUGH WHICH ISLAMIC ECONOMIC WORLD VIEW CAN REMEDY SOME OF THE NIGERIA'S PROBLEMS.**

Nigeria economy is a typical capitalist or free-market economy that adopts western models and policies in managing its economy. The structural adjustment programme (SAP) adopted in 1986 as well as subsequent development strategies and trade policies bear witness to this. However, little successes are recorded from these measures and the problems facing the nation are worsening: Below are some measures and alternatives drawn from Islamic economics as remedy to the problems:

#### **3.1 Adoption of Islamic Financial System:**

Islam is vehemently opposed to interest dealings. *Riba* (interest) is divided into two namely *Ribaal-nasi'ah* (interest on loans) and *Ribaal-fadl* (interest in

exchange). Both are dangerous to the economy because they tend to increase inflation through their attendant consequences (Gusau and Aliyu 1995). As mentioned in the Qur'an (2:276) interest dealing is cursed and removed of all blessings while charity is blessed. Therefore the Nigerian economy will find a lot of blessings and growth of profit and loss sharing arrangements as well as cooperation devoid of interest are perused. The principle of asset backed finance interest in Islamic finance can insulate the country from shocks and financial crises caused by interest-based bonds and financial derivatives that are not based on real assets. Therefore the Nigerian economy can be satisfied with adoption of Islamic financial arrangements. Nigeria can float Islamic bonds (*sukuk*) for financial different developmental projects that impact of the well being of people and ensure more stability.

### **3.2 Implementation of Institution of *Hisbah* (Market Supervision):**

In some of his manuscripts such as *Diyaahl al- Ihtisab*, *Diyaal Imam*, *Taqrib Masalih al-Bay`* and *Diya al-Hukkam*, Sheikh Abdullahi Fodiyo maintained the Muhtasib should supervise the market to ensure justice between buyers and sellers and ensure spiritual values of Islam (Aliyu,2000). Although some few states in the north have *hisbah* institutions there is need for federal and holistic presence of this institution. *Hisbah* is used in Islam to exercise a comprehensive socio-economic control on trade and economic practices, the most important being supervision of industry, professional services, standardization of products, checks on hoarding, middleman ship and

usurious practices (Islahi, 1988). With *hisbah* the endemic corruption in the country would be reduced to minimum and resources would be freed for useful projects. Therefore, anti-graft agencies like EFCC, ICPC, Code of Conduct Bureau, etc can complement or supplement the institution of *hisbah* as the case may be.

### **3.3 Just and Equitable Distribution of Income and Wealth:**

Unlike in both capitalism and socialism, Islam has a redistributive scheme which is unique and very effective in poverty alleviation. *Zakah* as one of the pillars of Islam has the potency to redistribute wealth among the eight categories of beneficiaries as defined in the Qur'an (9:60). In addition to *zakah* there are other voluntary measures such as *sadaqa* (alms), *waqf* (endowments), *Hibah* (gift), etc which help in reducing the income gap between the poor and the rich though few states in the north have some *zakah* institutions or committees it is our belief that if *zakah* is institutionalized by the government at all levels the proceeds from it coming from the Muslims would bring relief to many poor people and destitute.

### **3.4 Just and Responsible Government:**

Islam advocates for a just and responsible leadership which will play active role in ensuring improvement in the wellbeing of the citizens. While capitalism advocates for minimal government interference in economic activities and socialism advocates for absolute presence, Islamic economic

system takes the middle course. While government does not predominate, it does not also allow the private sector total freedom so as to avoid exploitation (Aliyu, 2000). Sheikh Abdullahi Fodiyo in both *Diyaulil-Amr* and *Diya'ul-Hukkam* cited in Aliyu, 2000, maintained that there is need for the existence of a state and the leader of that state should organize his subordinates on what will bring benefit to them in both their temporal world as well as in the hereafter (cited in Aliyu, 2000).

Therefore, if our leaders in the country should imbibe the teachings of Islam on how a state should be governed based on rule of law, accountability and transparency the country will change for the better as bad governance will be checked.

### **3.5 Hardwork and Pursuit of Lawful Crafts and Economic Activities:**

It is one of the goals as well as principles of Islamic economics system to engage in Islamic economic lawful economic activities that will lead to increase in the volumes of goods and services required by people. Islam emphasizes on hard work and striving for sustenance (28:77). Among the useful crafts and occupations recommended in Islam we have agriculture as well as industry. If the teachings of Islamic economics are complied with and various useful activities are pursuit in addition to agriculture and industry, the Nigerian economy would experience a balanced development across its various sectors and economy would be more diversified and freed from the negative effect of ditch disease caused by over dependence on oil. Islam has

various measures and methods of farming as well as land policy which will suit the Nigerian economy that is bestowed with abundant landmass for cultivation and animal grazing. The revival of dead land (*Ihya'ul mawat*), grant of land (*Iqta'*), irrigation farming (*Musaqat*), share cropping (*Muzara'ah*), etc if fully utilised to their fullest could assist much in agricultural production which will guarantee not only good security but also enable exportation to obtain foreign exchange earnings.

### **3.6 Human Resource Development through Pursuit of Knowledge.**

The religion of Islam teaches people to acquire knowledge (96: 1-4) in order to develop human resource. Islam gives priority to those who are educated and knowledgeable over those who are illiterates. Through pursuit of useful knowledge in different fields of endeavour it is possible to have experts, technocrats, Lawyers, engineers, doctors midwives, nurses, artisans, teachers, etc who would build a knowledge – based – economy that would ensure sustained growth in productivity leading to economic development.

## **4. CONCLUSION:**

This paper discussed some conceptual and theoretical issues dealing with definitions of Islamic economics and its world view, Islamic economy, principles of Islamic economics and goals of Islamic economics/Islamic economy. Subsequently the paper provided some ways through which Islamic economics can remedy some of the problems confronting Muslim Nations.

It is our contention that if Muslims in Nigeriasincerely abide by the teachings of Islam embodied in Islamic economics they will surely find some moral doses that will relieve them from numerous socio-economic problems constituting obstacles to healthy growth and development of the nation. The National Union of Journalists and other stake holders should go extra miles in recommending some of the issues raised in this paper to the Presidency to form part of the policies especially now that the economy has been formally declared to be in recession and there is search for alternative solutions towards recovery.

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