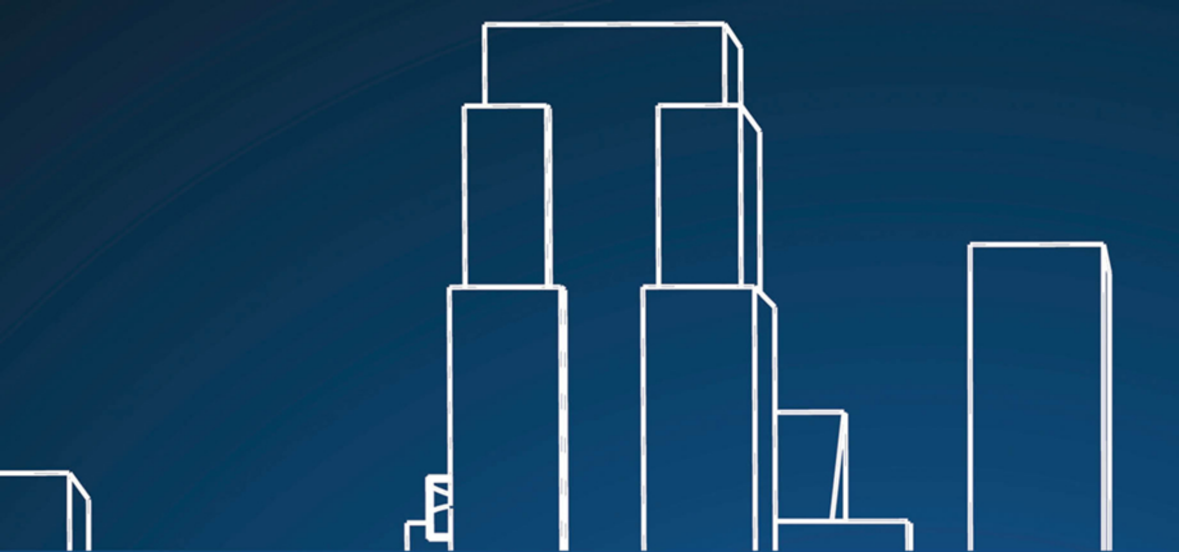

Islamic Business and Finance Series

THE ISLAMIC ECONOMIC SYSTEM

CULTURAL CONTEXT IN A GLOBAL ECONOMY

Muhammad Awais, Ali Osman Öztürk,
Omar Khalid Bhatti and Nazima Ellahi

ROUTLEDGE

The Islamic Economic System

Islamic Economics refers to financial aspects or monetary activities and processes, which adhere to Islamic standards and teachings. The Islamic Economic System relates to the hypothetical development of an economy whose individuals follow the Islamic faith. This book presents an interesting and timely narrative of the concepts of Islamic economics in the context of Islamic culture. Its purpose is to guide individuals and organizations towards a Shariah-based Islamic Economic System.

It begins by introducing the Islamic Economic System; its historical origins are explained in the framework of the verses of the Holy Quran, and in light of the Shariah scholars and the philosophical thinkers of the mid-20th century. It discusses concepts such as the evolution of Islamic Fintech and Artificial Intelligence (AI); the relationship between Islamic corporate governance and Islamic Economics; the distribution of wealth in Islam; Islamic Social Finance; Islamic Economic practices in the banking industry, behavioural norms and moral foundations; and Islamic Economics in Organisation of Islamic Cooperation (OIC) and non-OIC countries. The author emphasizes the principles that set Islamic economics apart from traditional systems, grounded in Shariah evidence and highlights the role of Islamic principles in promoting overall business success and ethical practices in the banking industry, offering comparative analysis between Islamic and conventional models, as well as economic systems. Drawing on a rich array of sources, including the Quran and interviews with renowned religious scholars, the book provides a well-rounded and thoroughly researched argument.

This book will serve as a valuable resource for academics, scholars, researchers, and organizations seeking to navigate the complexities of an interest-free economic system guided by Islamic principles.

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Introduction to the Foundation of Islamic Economics

Islamic economics refers to the information on financial aspects or monetary activities and processes in terms of Islamic standards and teaching. Islam has a bunch of extraordinary moral standards and values about individual and social financial conduct. Subsequently, it has its own economic system, which depends on its philosophical perspectives and is viable with the Islamic association of different parts of human behaviour, that is, social and political systems.

The Islamic economic system is a hypothetical development of an economy whose individuals follow the Islamic faith. The centre of Islamic financial aspects lies in religious establishments, social government assistance is esteemed above material increase and weighty accentuation is put on a compelling confidence in and loyal compliance to God.

The Importance of Studying the Economic System

1 Mankind's current government assistance in this life and the never-ending bliss of the here-after are impacted by the fundamentals of the financial framework inside which they live and work.
2 Social steadiness and evasion of contentions and questions require a significant level of union and dwelling together among its individuals inside the framework they decide to oversee their business
3 Islam has a characterized endeavour throughout everyday life that is to live considering Allah's lessons and to lecture them. The monetary framework is an essential piece of Shariah. Al-Shariah Al-Islamiah has exemplified numerous lessons which characterize the highlights of what is contemporaneously called an economic system.

Status of the Economic System

Islam is not as narrowly viewed by a few people in non-Muslim social orders, a religion that exclusively characterizes the connection between man and God. Indeed, Islam focuses on a far-reaching way to deal with life and the universe.

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The economy, as a piece of the Islamic framework, consequently settles upon the accompanying incorporated bases. These are:

a The belief base: Affects the individual's psyche and conduct.
b The moral base: Affects human conduct through spiritual and moral constraints.
c The legislative base: Leads to the control of the behaviour of the Muslim individual and the Islamic society.

Shariah has focused on the method for earning of living (which is the topic of economy) with identical regard for moral and social viewpoints. Practically speaking, people experience two outrageous models of social frameworks. On the one hand, some developments view monetary exercises on an impact course with life's honest convictions. On the other hand, some have consigned monetary means to the most noteworthy level to the detriment of any remaining parts of life.

There is an interlocking between the parts of the extensive Islamic framework. Models are the family framework, legacy framework, social fortitude, Zakat, etc.

The Objectives of the System

- Those derived from the legal philosophy of Islamic Laws and not the prevailing ones at a particular place or time.
- Identification and formulation is an area that should be opened to the independent exercise of Ijtihad.
- Among the objectives, most agreed upon by scholars and supported by Shariah are:
  - Securing a minimum standard of living for each individual.
  - Attaining economic independence and strength.
  - Generating a surplus of national income and wealth to fulfil other state obligations.
  - Reducing disparities of income and wealth among members of the Muslim community.

The Nature of Islamic Injunction

The term "Islamic injunction" has frequently been utilized from a nonexclusive perspective and applied both to Fiqh and Usul-al-fiqh. The equivalent is valid for its other option, "lslamic injunction" or "Muslim statute". Yet, none of these counterparts conveys the lucidity which is found in their Arabic reciprocals. For instance, books are accessible in English bearing either of these titles, yet their substance does not recognize the two disciplines from each other. Islamic regulations' focus on social control is not absolutely legitimate in the severe feeling of the term. Rather it embraces every one of the circles of life, moral, strict, political, and monetary. It has its starting point in the Divine Revelation which decided the standards and fundamental ideas of Islamic injunction. Essentially, it implies an ethical commitment and obligation of Muslims to urge each other for great deeds and request that others forgo terrible deeds.

Islamic Injunction consists of the principles and laws which Allah revealed and which He requires all Muslims to adhere to strictly in their actions, whether in their relations with Him or in their dealings with mankind. In this regard, Islamic law provides the regulations which create the proper relationship between men and Allah, such as performing prayers, fasting, and other religious duties. They guide in his relations with his brother in Islam or the non-Muslim community and they lead men to an understanding of his place in the universe Muslim jurists fall into two groups in dividing the subject matter/contents of Islamic law.

The Characteristics of Islamic Injunction

- **Removing Barriers and Difficulties ('adam al-ḥaraj):**
  This characteristic comes from some Quranic verses and the hadith, such as (Surah Al-Baqarah, 286):

  > Allah does not impose upon any soul a duty but to the extent of its ability; for it is (the benefit of) what it has earned and upon it (the evil of) what it has wrought: Our Lord! do not punish us if we forget or make a mistake; Our Lord! do not lay on us a burden as Thou didst lay on those before us, Our Lord do not impose upon us that which we have not the strength to bear; and pardon us and grant us protection and have mercy on us, Thou art our Patron, so help us against the unbelieving people.

- **Minimizing the Burden:**
  This attribute implies that all Islamic regulations are not out of the cutoff points and are pertinent without bringing hardships past human capacity. The facts confirm that each regulation carries two troubles to each mukallaf, yet they are still inside human cutoff points. This characteristic also regulates a twofold legitimate weight in two comparative cases which cannot be considered as something that ought to be performed on the double, for example, the required shower for custom tainted eliminates wudhū' commitment insofar as nothing is done to repeal it. Essentially, the discipline for zinā mukhshan (unlawful sex by a wedded man) is enough by stoning without joining with 100 scourgings. These are the instances of Islamic regulations wherein the quality of limiting the weight is involved.
- **Gradual Determination of the Law:**
  Social, cultural, economic, and political conditions sometimes become barriers to the application of laws. Nevertheless, Islamic law is binding because it is theological, which is believed to come from God which requires efforts for its implementation. This characteristic came up to bridge this gap.

Moral Foundation of Economic Behaviour

Moral belief can and likely does play an important role in the development and operation of a free market society. No single factor better explains the differential success of societies than the moral beliefs of the people who comprise them.

The moral foundation of economic behaviour is a norm of unconditional trustworthiness made possible by a preponderance of people possessing an ethic of duty-based moral restraint while not regarding moral advocacy as a moral duty.

	Negative moral actions	*Positive moral actions*
Non-consequentialist	✔	
Consequentialist		✔

When so many people abide by the moral foundation that it is irrational not to trust others in all but the most exceptional of circumstances, a high-trust society emerges.

In a high-trust society, we:

- Transact with little fear – even with those who do not care about us
- Enjoy the benefit of having trust-dependent institutions
- Waste few resources on safeguarding
- Have firms that are both large and entrepreneurial

Culture

- Due to certain problems, we need moral restraint. External mechanisms like Shaming and institutions are not enough. However, choosing the necessary moral taste for ourselves to deal with the prudence problem invites a "rationality catch" problem. Culture solves this problem by separating the decision to have certain kinds of moral tastes from the consequences of having them. It solves this rationality catch problem in a way that is unique to culture. So, culture does not just matter because moral beliefs are a part of culture.

Economic Philosophy of Islam

1 The idea of an all-powerful God, who is the Creator and the Sustainer of people and Who orders all that is in nature, is straightforwardly caring for their prosperity by making a wide range of arrangements for them, and by teaching them in great life through disclosure sets the legitimate viewpoint for their relationship with nature in their financial life. Man is in the midst of a nature that is well-disposed and abundant. He has to use the assets subsequently presented in a legitimate way to accomplish the most elevated moral greatness as well as the greatest material solaces.

2 Values, as reflected in the Will of God, display a specific progressive system. The otherworldly qualities connecting with man's relationship with God, and the virtues, that connect with monitors relationship with individual people and with his own self, are earlier in this ordered progression to the material qualities connecting with man's relationship with common products – the prompt object of the "conventional business of life" that is monetary action. These last options are made compliant with the previous ones and should be instrumental in the acknowledgement of the greater moral and profound qualities.
3 That all people are made by One God and drop from similar guardians, and they are represented by similar Moral Law, announces that all people are equivalent. Islam attests to the uniformity and fraternity of man in unequivocal terms. Contrasts in the shade of skin, language, race, or territory ought not to partition humanity. The main substantial division between man and man is in light of moral models. In any case, moral direct being volitional is not changeless. The terrible may turn out to be great, the unbelieving might get back to confidence. Contrasts in religion as well, hence, do not count, and the fellowship of man is genuinely widespread. Methods of conduct, social establishments, and the cycles of Law and Politics should be in every way helpful for the protection of man.

Conventional Economics and Its Paradoxes and Drawbacks

Traditional financial aspects have not been demonstrated adequately to address these difficulties. Hence, arrangements should be found in different models, like Islamic Economics. The motivation behind why ordinary financial aspects are without anything else unfit to address the difficulties is the secularist approach that provides various inborn downsides. One of these disadvantages is its unnecessary accentuation on realism, esteem nonpartisanship, and the opportunity for people to serve their personal circumstances and boost their riches and need fulfilment.

One more downside of regular financial aspects is that it focuses just on monetary factors. It ignores the job that moral, mental, social, political, and chronicled elements can play in impacting human conduct. The contention given for ignoring the job of these elements is that they are not quantifiable and require esteem decisions, which are an abomination to financial aspects. For example, despite the fact, it may include esteem decisions that are not quantifiable. They are in any case critical for the acknowledgement of financial objectives and cannot be disregarded. Human conduct is not impacted by market influences and the value component essentially. It is likewise affected by various different elements. The aftereffect of this position of traditional financial matters is that it does not perceive the job that virtues can play in the effective and fair assignment and conveyance of assets.

Another drawback of regular financial elements demonstrates that while they play an important part of the market, the role of various human foundations, such as the family, the general public, and the official authority, has frequently been disregarded. The whole accentuation of customary financial aspects is available. There is no question that the market is significant. Be that as it may, it overlooks the job of various human foundations.

Need and Scope of Islamic Economics

Islamic financial matters have been having a recovery in the course of the most recent couple of years. It may be in a primer progressive phase. While the customary financial aspect is during the time spent getting back to its pre-Enlightenment roots, Islamic financial matters never got trapped in a mainstream and realist perspective. It depends on a strict perspective which strikes at the foundations of secularism and worth impartiality. To guarantee genuine prosperity, everything being equal, independent of sex, age, race, religion, or riches, Islamic financial matters do not try to abrogate private property as finished by socialism, nor do they keep people from serving their personal circumstances. It perceives the job of the market in the productive designation of assets, yet does not view rivalry as adequate to protect social premium. It attempts to advance human fraternity, financial equity, and the prosperity of all through an incorporated job of virtues, market system, families, society, and great administration. This is a result of the incredible accentuation in Islam on human fellowship and financial equity.

The Role of Moral Values

The topic of both is the allotment and circulation of assets and both stress the satisfaction of material necessities. There is an equivalent accentuation in Islamic financial matters on the satisfaction of otherworldly requirements. While both perceive the significant job of the market component in the portion and conveyance of assets, Islamic financial aspects contend that the market may not without anyone else have the option to satisfy even the material requirements of every single individual. This is on grounds that it can advance over the top utilization of scant assets by the rich to the detriment of poor people assuming unnecessary accentuation on serving of personal circumstance. Penance is engaged with satisfying our commitments towards others and extreme accentuation on the serving of personal responsibility does not have the capability of rousing individuals to make the required penance.

Rational Economic Man

While there is not really anybody who has gone against the requirement for discernment in human conduct, there are contrasts of assessment in characterizing soundness. However, whenever sanity has been characterized as far as generally speaking person as well as friendly prosperity, then, at that point, sane conduct must be what assists us with understanding this objective. Regular financial matters do not characterize objectivity. It likens soundness with the serving of personal circumstance through the boost of riches and need fulfilment. A drive of personal responsibility is viewed as the "ethical likeness the power of gravity in nature". Within this structure, a society is conceptualized as a simple assortment of people joined through ties of personal responsibility.

Positivism

Likewise, positivism in the customary financial aspects feeling of being "completely impartial between closures" or "free of a specific moral position or regulating judgment" did not track down a spot in Muslim scholarly reasoning. Since all assets, at the removal of people are a trust from God, and individuals are responsible before Him, there could be no other choice except to involve them with regards to the terms of trust. These terms are characterized by convictions and virtues. Human fellowship, one of the focal targets of Islam, would be a trivial language in the event that it was not built up by equity in the designation and dispersion of assets.

Justice and Equality

Equity and the prosperity of all might be hard to acknowledge without penance with respect to the wealthy. The idea of penance with respect to a couple (rich) for raising the prosperity of the many (poor) was unthinkable. However, Islam makes it a strict commitment of Muslims to make penance for poor people and the destitute by paying Zakat at the pace of 2.5% of their total assets. This is notwithstanding the duties that they pay to the state-run administrations in different nations.

Islamic Economics System and Its Importance

Economic progress is desirable for humans. In Islam, the earning of a halal livelihood is a religious requirement; however, economic progress should not be the goal or objective of Muslims in Islam. Economics activity is a means to an end and not an end itself. This difference in purpose is fundamental and the basis for all other differences between **Islamic** and **Western views** on economic affairs. Shariah, in all spheres, is built with the goal of promoting a community feeling and cooperation among all members of society.

In this aspect, understanding the significance of economics with the help of some Hadith is crucial. These define the five basic queries that will be made to every being on the Day of Judgement.

Hadith of Prophet Muhammad (ﷺ):

> The son of Adam will not pass away from Allah until he is asked about five things: how he lived his life, and how he utilized his youth, with what means did he earn his wealth, how he spent his wealth, and what did he do with his knowledge

You may notice that two out of five of these queries are about wealth, that is:

- What means did he earn his wealth?
- How did he spend his wealth?

Therefore, every earning must come from halal means and must be spent on halal categories of expenditures.

- **Islamic Economic Order in Quran**

The Quran has not written out a special chapter under the heading of economic order because it is a universal philosophy and an all-comprehensive revolution. The Quran gives guidance in all spheres and subjects of life, including the spiritual, the ethical as well as the political. For example, in chapter 8, verse 62 in the Quran:

> وَاِنْ يُّرِيْدُوْٓا اَنْ يَّخْدَعُوْكَ فَاِنَّ حَسْبَكَ اللّٰهُ ۭ هُوَ الَّذِيْٓ اَيَّدَكَ بِنَصْرِهٖ وَبِالْمُؤْمِنِيْنَ ۙ ٦٢

> But if they intended to deceive you then sufficient for you is Allah. It is he who supported you with his help with the believers

According to the Holy Quran, the principle of economics covers equality and the impermissibility of hoarding and accumulation. Allah did not made humans equal in grades of economic subsistence and such differences are also described in chapter 6, verse 165 of the Holy Quran as:

> وَهُوَ الَّذِي جَعَلَكُمْ خَلَائِفَ الْأَرْضِ وَرَفَعَ بَعْضَكُمْ فَوْقَ بَعْضٍ دَرَجَاتٍ لِيَبْلُوَكُمْ فِي مَا آتَاكُمْ ۗ إِنَّ رَبَّكَ سَرِيعُ الْعِقَابِ وَإِنَّهُ لَغَفُورٌ رَحِيمٌ

> He is who made you inheritors of one another, and place some of you above others, so that he may try you in respect of what he given you

Now, the question arises of who is carrying out the great mandate of Allah Almighty and be made responsible for it. The answer could be understood from the following Hadith of the Prophet Muhammad (ﷺ):

> He who has weapons and tools more than his needs and strength, should give them to the weak, and he who has food and nourishment above his need, should give them to the pauper and the needy

- **Principles of a Good Economics System**:

In the economic system, the following four principles are necessary in order to have sustainability:

- It must be sufficed for every individual in the society.
- It must destroy all such causes and means to lead to corruption.

- It must discourage the concentration of wealth in the hands of an individual or a group.
- It must bring a proper balance between capital and labour.

An economic order is good or corrupt depending on the nature of incentives and objectives, that is, good or bad. If the incentives are corrupt, the order will be proportionally corrupt or vice versa. For example, in capitalism, only the rich get richer while the rest of humanity remains in the squalor of poverty and misery. However, the objective and incentive of a good economic order should not be profit-making but the complete satisfaction of human needs.

Islamic Banking

There are different banking frameworks in the world. However, the most popular ones are conventional banking and Islamic banking. Conventional banking can be summarized as "the bank acquired to loan, they get as deposits and give those loan to earn interest". In contrast, the Islamic banking framework depends on the rule of partnership. The shareholders, the depositors, and the borrowers all would take an interest in the benefit misfortune sharing premise.

Islamic banking is a money management framework that depends on the guidelines of Shariah. The main idea of Islamic banking is the probation of an assortment of interests and its use for business purposes. Banking in Islam is a setting aside cash structure that relies upon the norm of Islamic law. Additionally, it is known as Shariah law and is directed by Islamic financial law. Two fundamental guidelines behind Islamic banking ideas are the sharing of advantages and losses. Gathering interest or *Riba* is not allowed under Islamic law.

Apart from operating under the Fikku ul mu'amlat Shariah law, Islamic banking concepts have little reason to differ from regular record-keeping practices. Banking in Islam, as a record practice, should be thoroughly aligned with Shariah and its practical application through the enhancement of Islamic financial perspectives. These rules typically include Ijaraj, Takaful, Sukuk, Muraabah, Musharkah, and Mudarabah. In contrast, Islamic banking is dependent on being consistently recognised throughout the world.

Zakat

Zakat is an Islamic financial term that refers to donating a portion of wealth for a charitable purpose every year. It is a compulsory process for every Muslim residing in any part of the world as it is considered a way of worship believed to purify the yearly income of an individual. A portion of the yearly savings is donated to the poor to fulfil their demands of necessities. This term is sometimes confused with another term "*Sadaqah*" which is a voluntary donation of money or gifts for charity purposes. This act of kindness does not expect anything in return and there is no lower and higher limit of Sadaqah as neither does it have any requirements. In contrast, Zakat is a compulsory donation of money for charity purposes effective for people earning above a minimum threshold. It depends on the source of wealth whether it comes from farming, business, cattle, paper currency, gold, and silver. The amount of Zakat chargeable depends upon the annual income of an individual, the minimum payable is about 2.5% of the annual savings of a Muslim individual. Paying Zakat, giving in charity, and spending in Allah's path have been commanded by Allah. The wealth on which the Zakat is not given will fall in the category of accumulation and the promised punishment. Chapter 59, verse 7 of the Quran says:

> مَآ اَفَآءَ اللّٰهُ عَلٰى رَسُوۡلِهٖ مِنۡ اَهۡلِ الۡقُرٰى فَلِلّٰهِ وَلِلرَّسُوۡلِ وَلِذِى الۡقُرۡبٰى وَالۡيَتٰمٰى وَالۡمَسٰكِيۡنِ وَابۡنِ
> السَّبِيۡلِۙ كَىۡ لَا يَكُوۡنَ دُوۡلَةًۢ بَيۡنَ الۡاَغۡنِيَآءِ مِنۡكُمۡ

> Allah has commanded that you spend on the beggars, and the needy, and the orphans, and the relatives in order that, wealth may not become concentrated among the wealthy

Waqf

It is an approach to human welfare. In literal terms, the word Waqf is derived from the Arabic root verb "Waqafa" means a thing to stop and standstill, detention, holding or keeping. In technical terms, the word Waqf is used in Islam in the meaning of holding of certain property and preserving it for the continued benefit of certain philanthropy. In term of Quranic verse (Surah al-Imran: verse 92)

> لَن تَنَالُوا۟ ٱلْبِرَّ حَتَّىٰ تُنفِقُوا۟ مِمَّا تُحِبُّونَ ۚ وَمَا تُنفِقُوا۟ مِن شَىْءٍ فَإِنَّ ٱللَّهَ بِهِۦ عَلِيمٌ

> You can never attain righteousness unless you spend in the cause of Allah that which you dearly cherish; and whatever you spend, surely it is known to Allah

In Holy Quran, Allah said (Chapter 2 verse 274):

> الَّذِينَ يُنفِقُونَ أَمْوَالَهُم بِاللَّيْلِ وَالنَّهَارِ سِرًّا وَعَلاَنِيَةً فَلَهُمْ أَجْرُهُمْ عِندَ رَبِّهِمْ وَلاَ خَوْفٌ عَلَيْهِمْ وَلاَ هُمْ
> يَحْزَنُونَ ﴿٢٧٤﴾

> Those who spent their wealth (in Allah's cause) by night and day, in secret or public. They shall have their reward with their lord. On them shall be no fear nor shall they grieve.

- **In the Light of Hadith**

Abu Huraira reported that the Holy Prophet (ﷺ) said, *"when a man dies, all his acts come to an end, but three; recurring charity, saqadah Jariyyah, or knowledge (by which people benefits) or a pious offspring who prays for him"*. Thus, basically, Waqf endowment is made by Muslims to a religious, educational, or charitable cause in the form of building, property, cash, etc.

- **History of Waqf**

During the time of Prophet Hood, Waqf was aimed at supporting society. One of the first few examples of Waqf is QUBA' MOUSQUE (Madina). It was built upon the arrival of Prophet Muhammad (ﷺ) in 662. Hospitals, Madrasah, animal welfare, and scientific research institutions were part of Waqf initiated by our Prophet (ﷺ). There was a time when Ibn Umar asked an advice regarding his acquired land at Khaibar. He said:

> Allah's messenger, I have acquired land in khaibar. I have never acquired property more valuable for me than this, so what do you command me to do with it?

Thereupon Allah's Messenger ﷺ said:

> if you like, you may keep the corpus intact and give its produce as Sadaqah.

As time went by Islam expanded throughout the centuries from Madina to Türkiye where Islam flourished under the Ottoman Empire and courts approved cash Waqf at the beginning of the 15th century. By the end of the 16th century, they had reportedly become extremely popular all over Anatolia and the European provinces of the empire.

Islamic Insurance (Takaful)

Insurance is an agreement addressed by an approach, wherein an individual or entity gets financial security or repayment against misfortunes from an insurance organization. The organization pools clients' dangers to make instalments more reasonable for guaranteed. On the other hand, Takaful is the sort of Islamic insurance where individuals contribute cash into a pool framework to promise each other against misfortune or harm. The Takaful insurance depends on Shariah or Islamic law which clarifies how individuals are ordered to coordinate and safeguard each other. The Takaful strategy covers health life and general insurance needs. It was acquainted as an alternative with those in commercial insurance industry, which are accepted to conflict with the Islamic limitations on riba interest, gambling, and al Garar. Uncertainly, standards all of which are outlawed in Shariah. Islam does not prohibit the concept of insurance but promotes risk management with a few conditions.

- **Principles of Takaful**

There are two principles of Takaful:

- TABARRU (which means any kind of donation or gift)
- TA'AWUN (used to refer to the mutual assistance)

So, in Takaful the individuals make donations to raise funds and assist mutually to tackle the risks of loss due to certain events. In fact, the concept of Takaful originates from the Arab's customary practices. These practices were recognized and allowed by the Prophet Muhammad (ﷺ) and thus the practice continues now.

- **Al-Hisbah**

The word Hisbah is derived from the Arabic word which means hisaba, hisabnan, and hisabtan but further philosophers stated that the word Al-hisbah is derived from the word Al-Ihtisab, which means accounting or avoiding any misrepresentation. Al-hisbah is an authoritative sector under the supervision of the government by assigning specific individuals to cater to any kind of issues related to moral, social, and ethical aspects. There are three basic roles of the Al-Hisbah Foundation.

- **Ensuring Price Stability**

Al-Hisbah ensures that the prices in the market are stable, especially for the public's basic necessities. They further monitor price stability by market visit to ensure that no one is charging extra prices for commodities every day. There is also a concept of price in Islam with the help of Hadith.

Hadith narrated by Abu Dawud from friends of Anas bin malik:

> People say, "*O messenger of Allah prices have gone up, then set prices for us*". Then Messenger ﷺ said, "*verily, Allah has set the prices, narrowed and expended, and I hope to meet with Allah while one of you does not sue me because of tyranny with result in bloodshed and property*".

This hadith shows that the messenger (ﷺ) did not determine the price and left it to the market situation. The Prophet ﷺ said that the price will be determined by Allah or the supply and demand of the market according to the Islamic economic theory of price.

- **Providing Quality Goods**

To provide quality goods, the individuals with authority visit the market and directly check the quality of merchandise in order to control its quality. Our religion also commands us to make our customers satisfy and ensure good quality to them and make them happy. As in the Quran, Allah says (surah Al Nisa verse 29):

> يَا أَيُّهَا الَّذِينَ آمَنُواْ لاَ تَأْكُلُواْ أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلاَّ أَن تَكُونَ تِجَارَةً عَن تَرَاضٍ مِّنكُمْ وَلاَ تَقْتُلُواْ
> أَنفُسَكُمْ إِنَّ اللّهَ كَانَ بِكُمْ رَحِيمًا

> O you believe, do not unjustly eat your neighbour's property except in a way of trade that applies equal conscience between you. And do not kill yourself, surely Allah is the Most Merciful to you

- **Control to Scales and Measurement of Goods**

The government-assigned employees and supervisors make sure that no seller is involved in the mis-measurement of commodities, they check the scales or weighting devices of sellers to control any fraud. As words of Allah in the Quran (Surah Ash-Shua'ra verse 181):

أَوْفُوا الْكَيْلَ وَلاَ تَكُونُوا مِنَ الْمُخْسِرِينَ

> Complete the measure and do not include those who harm.

Islamic Guidelines for Economic Behaviour

Basic Concept

The Islamic guidelines and principles are fundamental to every human problem related to all economic activities, and analysis of all these economic guidelines is performed under the Islamic guidelines from the Quran and Hadith from the Prophet (ﷺ). In the light of Islam, an economic system is the phenomenon of the behaviour of making choices and decisions in every economic sector by entering the rules of Sharia that come from Allah including all the restrictions on certain economic activities. These guidelines are founded on individuals and groups as collective morality, and responsibility is also a part of social revolution where everyone should know how to deal ethically within different circumstances whereas the collective morality in the Quran is referred to with equality, justice, fairness, mercy, compassion, and freedom of choice.

Some of the distinguishing features of Islam in economic behaviour include compulsory giving as Zakat and Sadakah including voluntary giving to help other people and to maintain equality among the people that everyone deserves the basic necessities. Moreover, justice is also crucial in order to keep the equal distribution of income and wealth not only the absolute inequality but also the inequalities that are generated from skill or other effort differences as it destroys the universal unity of human beings and is also known as a fundamental principle of Islam, that is, Tawhid. Some restrictions (Haram) are also implemented in terms of economic activities on how to earn or spend money, such as earning interest *Riba* is a deadly sin, and Muslims are expected not to overconsume or buy banned goods such as alcohol.

Social Standards and Values

The reference from the Prophet (ﷺ) explains that Islam is not which one follows formal practices but how one deals with others. The concept of social standards and values are vital parts of the society where guidelines are provided for the conduct of behaviour to maintain a respectful and peaceful environment. Islam's fundamental values include treating everyone equally, with dignity and respect, and granting everyone equal rights. Individuals must satisfy their obligations before they can claim a share of the community's privileges, as Islam places equal emphasis on individual and collective accountability.

Social Equality

Social equality and justice are also taught in Islam which is expected to reach through giving as the ultimate owner promotes his wealth to give part of their ownership to the needful persons. The belief in brotherhood and unity emphasizes the duty to care for the members and how each person should follow social responsibilities such as charity in the form of Zakat and Sadaqah.

Social Responsibility

Individual responsibility is a foundation of Islam where every person is accountable to God and to others to whom he may be accountable to as this is predicated on the intent and motive of doing good deeds and to avoid evil and harm to others. On the other hand, social responsibility is also important in Islamic guidelines because everyone has given this responsibility for the welfare of the economy through his wealth or skills used to help other people. In Islamic microeconomics, a typical consumer allocates their income into two categories, one for their family and one to meet the needs of others through charity including a Nisab consumer who is wealthy enough to oblige to pay Zakat to the one who actually deserves this money for their needs. Other responsibilities include protecting the needy, being honest, working hard, living modestly, and respecting others' rights.

Social Security

In Islam, the fulfilment of the basic needs of individuals who were not able to survive was the responsibility of the state. The first institution of social security in Islam is Zakat. It is the responsibility of the state to collect Zakat and distribute it amongst the needy, and nonpayment of this is considered to be a war against religion and state. Social security in Islam is based on the Quran and Sunnah. The purpose of Islamic social security is to fulfil possible human needs. These needs are further divided into two categories, that is, Primary and Secondary.

PRIMARY

Basic needs of life are primary needs which include food, shelter, clothes, and medical.

SECONDARY

Secondary needs include old-age benefits like pensions, education, and matrimony.

Another important aspect of social security is the rights of parents to their children and likewise, the rights of children towards their parents. In this aspect, the Quran has taught us to take care of one's family members, poor relatives, and other people of the society, including orphans (to be dealt with special care).

Principles for Economic Behaviour

The Islamic guidelines also affect some behavioural outcomes by promoting positivity and using a good code of conduct in their daily lives. Economic behaviour includes wealth distribution, saving and how other work activities are performed in a society as Islamic financial institutes are part of this society. Therefore, Muslim customers avoid getting interest on their payments as all the Islamic banks made *Riba*-free transactions in order to avoid the element of interest from their payments. Some principles are also adopted under Islamic teachings to respect human rights to maintain a peaceful environment, establish social and economic justice, work hard, and provide equal opportunity to all so that corruption and waste can be eliminated by adopting ethical practices in businesses and daily lives. Moreover, several measures are imposed including compulsory and voluntary giving, the law of inheritance, and the prohibition of overconsumption.

Principles of Moderation

In the Islamic context, moderation is known as *Wasatiyyah*, which signifies selecting the proper, medium, or balanced path. This moderation notion contains the criteria to promote benefit while avoiding damage to others. It is more related to people living in a moderate manner where they follow Islamic guidelines in such a way that they do not overconsume or some of the things are prohibited such as alcohol consumption as it helps in achieving the optimum level of scarce resources in an effective manner and to help others so that a fair distribution of income is spread into the economy.

The Principle of Multi-faceted Ownership

Different forms of ownership simultaneously are accepted in the Islamic economic system. This principle is different from capitalist and socialist regimes. It allows private ownership of multiple forms of property and production. It also allows public ownership and state ownership for some kind of wealth and property. Moreover, some limits are placed along with the main guidelines of norms through Islamic teaching on the acquisition of property as well as its use and disposal. However, there are some defined obligations towards individual ownership rights. In the light of a few principles, the respective range of the three kinds of ownership is not strictly defined depending on the needs and circumstances.

The Principle of Economic Freedom within a Defined Limit

The second basic component is to allow individuals the freedom to an extent with restrictions based on the spiritual and moral values of Islam. Islamic principles are implemented as follows: (a) Islamic law forbids a group of social and economic activities such as usury, monopoly, interest, and so on from being implemented and followed as they hinder the realization of the ideals and values adopted by Islam. (b) It has laid down the supervision of the ruler over general activities and the intervention of the state to protect and safeguard public interest through the limitation of freedom of individuals in their actions.

INHERITANCE

To ensure the fair and just distribution of wealth, after the death of a person, Islam has taken major steps. One is the obligatory distribution of the goods of a deceased person among his close relatives. The second imposed a restriction on the freedom of endowment through wills and testaments. The legal heirs do not need any testamentary disposition, and inherit the proportion of the property of the deceased determined by the law. A testament is required solely in favour of those who have no right to inherit from a deceased person. One cannot award a son, more than to the other whether major or minor as there is equality among the relatives of the same category.

ZAKAH

Al-adl means justice and fairness. It is one of the basic values of the Islamic economic order. Moreover, distributive justice is a major concern of the system. Equitable distribution of income and wealth is therefore an objective which is accomplished through certain institutions, creating the backbone of social security in Islam. Zakat is the third Islamic pillar. It is a unique system of ensuring social security. Rather than being a handout, Zakat is the right of the poor in the wealth of the rich. It is obligatory for almost everyone because the purpose of Zakat is the redistribution of wealth and income without creating a class society.

Sovereignty of Allah

The idea of ḥākimiyya, translated to sovereignty, refers to the notion that it is God, rather than humans, who possess the power to make laws. The sovereignty of Allah refers to the fact that the Quran and the Sunnah of the holy

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