Islamic Economic System: Socioeconomics (Marxism) Versus Economic System On Ownership (Capitalism)

Introduction:

Islamic economics is a term used to refer to Islamic commercial jurisprudence and also to the philosophy of economics based on the teachings of Islam that takes a middle ground between the systems of Socioeconomics (Marxism) and economic system on ownership (Capitalism).

“Islamic jurisprudence has conventionally dealt with determining what is required, prohibited, encouraged, discouraged, or just permissible, according to the revealed word of Allah in Quran and the religious practices established by Prophet Mohammed ?. This applied to issues like property, money, employment, taxes, loans, along with everything else”. (Saleem, et al 2015)

On the other hand, the social science of economics works on goods and services by describing, analysing and understanding the production, distribution and consumption and also studied how to best achieve the policy goals such as full employment, price stability, economic equity and productivity growth.

At present time recession is on pick where globalization is not been positive for the growth of economy but proving for war. Our Islamic countries are actually forgetting the teaching of Quran pertaining to property, savings, employment, taxes and loans.

To overcome recession, the Islamic economic stages should be revived and reconsidered the weakest phase to overcome recession.

The units or stages in Islamic economics are

1. Islamic Finance
2. Islamic Jurisprudence
3. Islamic Banking
4. Islamic Takaful

Islamic Finance concentrates on Prohibition on interest, risk sharing, prohibition on speculation transaction, sanctity of contacts, money as potential capital and shariah complaint activities. As we are in the recession phase, we should first focus on money as potential capital, where we should make ways of getting money by exporting the products than importing. Finance in a platform of risk where unless we don’t risk of exporting the products with quality, we cannot get the quantity of orders.

Islamic jurisprudence has conservatively dealing with the teachings of Quran, hence ownership, motivation can lead to decision making and co-ordination among the people and lead to upgrade the government economy.

Islamic banking plays an important role in economy: creating jobs and generating income, promoting economic growth, social stability and contributing to the development of a dynamic

private sector. During the recession period we have to promote and support jobs, we have to create jobs for unemployment, establish companies with the help of already established companies. This will promote and support the needy and in return the profit will be shared by the company along with Islamic values.

Islamic Takaful is a type of Islamic insurance where a person is a part of profit or a loss in a company or a business. It places a bridge between a client and a company. It is basically a mutualism process. Takaful policy covers the loses of health, life and damages created during the process of business.

Procedure of using Islamic economics during recession:

1. If a country is facing recession it has to first understand Islamic finance where the country will get an idea if their liquidity/equity of their country.
2. Secondly, we have to identify the well-established companies and businesses which have large turn overs and can support small scale industry to promote jobs.
3. Then we have to approach the banking sector to promote equity in private sectors and the loan which could be provided for a company to overcome recession.
4. Finally, we have to secure the process of overcoming the recession by promoting insurance by the foreign countries as a backup.

Case study

As we know the great recession ever known to the world was in the year 2008, where economy was completely hampered. To overcome every country had their strategies.

In the past, India had seen great recession in the year 1991, Mr Manmohan Singh planned the strategy to overcome and brought Indian economy on tract. He freed India from Licence raj and improved the growth of Indian economy slowly. He reformed by devaluation, gold holding, foreign investment, reworked on trade policy, power distribution and encouraged International Monitory Fund which gradually improved the economy of India. (citation)

Similarly reforming of railways by Lalu Prasad Yadav was another way to overcome recession in India. To promote economy through railways he first reduced the fares of the trains, introduced new trains with better equipment and comfortable seats and compartments, he improved the time management of the trains and the important step was he improved the cafeteria which was the weak point of Indian railways. During with these changes the share and economy increased and act as a step to overcome recession. (citation)

At present India again entering into recession because of unplanned economy, failing to understand the steps to avoid recession. Our Prime Minister Mr Modi is unable to view where our economy is going. If he follows the step to overcome or to avoid recession, he has to follow these steps. They are:

1. “Don’t stop Standard Investment Plan
2. opt for less volatile funds
3. Avoid investing in property
4. Diversify with gold and US funds

5. Create an emergency corpus
6. Reduce discretionary spreads
7. Take medical cover for family
8. Formulate debt strategies
9. Don’t jump jobs in a hurry” (citation)

On the other hand, Islamic county like Nigeria has followed Islamic values to overcome recession. Some of the steps are:

1. “Capitalism
2. Scientific socialism
3. Islamic concepts
4. Islamic economic system
5. Prohibition of interest
6. Prohibition of lavish spending
7. Basic needs and Zakat”. (citation)

Conclusion

As India is a democratic country and Indian economy is secular and gives right to every person, the constitution also give support to Islamic economic practise as a result Mr Manmohan Singh and Mr Lalu prasad Yadav were able to overcome recession and developed Indian economy and gave India recognition globally. Whereas Nigeria “the government has a role to play in ensuring a good economy. Allah-The Almighty refers to Himself as ‘’AL KHALIQ’’ which means ‘’The Creator’’ in the Holy Qur’an. This implies that every government must be innovative, creative and reward creativity. A lot of money should be spent on researches and proper monitoring should be affected. It is my prayers that may Allah direct the hearts of our government and the entire citizens to their responsibilities in ensuring a sustainable economy for our dear country.

Bibliography:

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