

# Benefits of Islamic Economic System and its fruits in real life: a comparative analysis

**Muhammad Ali**

Department of Economics, Al MADINAH International University, Kuala Lumpur, Malaysia

**Al Harath Atiek**

Department of Business Management, Al MADINAH International University, Kuala Lumpur, Malaysia

**Abdoulrahman Aljounaidi**

Department of Business Management, Al MADINAH International, University, Kuala Lumpur, Malaysia

**Fariba Azizzadeh**

Department of Management, Islamic Azad University, Piranshahr (Urmia), Iran

**Ganbar Tavassoli**

Department of Engineering, Islamic Azad University, Piranshahr (Urmia), Iran

---

**Abstract:** Almighty ALLAH is the owner creator and planner of this universe and from the beginning of the human beings on this planet ALLAH S.W.T created the best economic sources for humanity in the form of fruits crops and minerals etc. In our current research topic, we are going to cover Islamic Economic parameters and use the methodology of comparative analysis of Islamic and Conventional economic systems designed by mankind over time using the cross-country descriptive conceptual analysis. We need to conduct research on this topic because of the economic collapse in the entire world. The capitalist economic system is failed to maintain the Balance of the Economy (BOE) among the people, poor and rich in all countries. In the Holy Quran, ALLAH S.W.T says “Consider and ponder on things that we have created and there are many signs for the people who know,” therefore, we concluded Islam has given one of the best economic systems in the world. In the Islamic economic system, the balance of the economy can be maintained easily.

**Keywords:** Islamic Economics, Benefits, Fruits, Islamic Economic system, balance of economy (BOE).

**JEL Classification:** 050, P00.

---

**Digital Object Identifier (DOI):** <https://doi.org/10.5281/zenodo.7483626>



## 1. Introduction of Islamic the Economic System

The economic condition of any individual, society or nation can be said to be better when all the necessities of life are easily available to all the people of the society. The distribution of wealth (Valizadeh et al., 2019) should be reached the poor section of the society instead of a few hands that society is called a welfare nation for example Scandinavian Countries (Norway, Sweden, Denmark). Islam's economic system covers all aspects of life economically and socio-economically. The Islamic economic system is the part of Islam that covers all economic problems and challenges: property distribution, money distribution agriculture system trading system, and all other resources which are necessities of any nation or country. By considering the economic rules and teachings of Islam, it becomes clear that Islam has recognized the market forces i.e the laws of supply and demand, and is quite supportive of using them to solve economic problems.

In Holy Quran, Almighty ALLAH S.W.T says, "We have divided economy among them and have given some of them precedence over others in rank, therefore, that one of them, may benefit the other" It is obvious that the work will be taken from each other in such a way that the one who takes the work is the demand for work and the one who gives the work is the supply of work. A balanced economy comes into existence by the mutual conflict and mutual combination of this supply and demand.

Fundamental sources of Islamic Economics are taken from the holy Quran and Hadith Nabvi S.W.W in which superior moral values are added like brotherhood, equal distribution of money, the negation of rights exploitation, taking care of close relatives, neighbours, and respect of elders, kindness to the little one, distribution of family inheritance. Therefore, on base on these values a family society or nation can lead a good and happy life and that nation or society developed high and higher (Faleel, 2014).

In the ancient system, there was a different way of business and trade which in that system someone uses barter system. In the barter system, people used to exchange goods with each other. If someone had wheat and the other milk, they exchanged goods with each other. On the flip-side people used gold coins called ASHRAFI, Silver, or gold coins called Dirham. They used Ashrafi or Dirham for buying goods from the trader. Now in the conventional economics system people use paper and digital currency. In Islamic economics, money is also an instrument which can be used to exchange goods although it has no intrinsic value. Therefore, it can be said it has no function or value for traditional monetary analysis. However, according to Islamic values honesty and justice are important in the Islamic economic system (Nabhani, 1997 ; Mavdudi, 1996). It is useful for the growth of any society. If any nation or society is dishonest and unjust then the risk of destruction of that society is high. That society or nation quickly destroys those who have bad moral values like injustice, cruelty, and unfair distribution of wealth. In the real world, we have examples of like this type of nation. Here in this paper, we will discuss the example of Pakistan without criticism.

Islamic economic modeling is one of the best ways to maintain the balance of economy in the society (Nabhani, 1997; Mavdudi, 1996). Normally in the Islamic economic system, if a rich person has wealth in the form of gold "7 Tola" or 1 Lakh amount in the form of Cash, Dollar, Dirham, Dinar or whatever country's currency is and or have "52 Tola Silver" if this wealth is kept with the concerned person for more than one year, Zakat becomes obligatory on it, which s/he has to pay in any case. In case of non-payment, the concerned person will be considered guilty and deserving of punishment (For Islam Followers).

Islamic economics apart from Zakat also encourages Muslims and humanity to take care of the poor people of society and pay them "Sadqa" (Charity money) for their routine life needs. To take care of Orphans, Islamic economics always encourages protecting the Orphan's assets, wealth and property after the death of their father or parents. Except in Islam, there is no concept of such deeds in any system. In the Islamic economic system and models, wealth always reaches the poorest section of society instead of a few hands. It encourages an equal system of wealth because that society can live easily and all the diseases arising as a result of wealth are also eradicated, due to which the society suffers from procrastination (Nabhani, 1997; Mavdudi, 1996).

## 2. A Glance at Literature Review

### 2.1 Pakistan is on the brink of destruction

From the independence of Pakistan on 14 August 1947 to 1960 Pakistan was progressing in every field of life economically, socially and socio-economically. At that time leadership in Pakistan was sincere and honest. They always worked the interest of Pakistan's people. The economy of the country was growing fast. At that time, Pakistan helped out other countries which were suffering financially. The main reason for the growing economy was that time's fair, honest leadership, good governance, and adherence to Islamic values distribution of wealth was fair. All the things have selected based on high merit. The GDP growth rate in Pakistan in 1960 was \$3.75B and Per Capita \$83 the growth rate was 5.99% good growth rate at that time. After 1960 several governments came into power Civil and Military, however, Pakistan's economy was going down and down because of bad governance. Government always flaked out merit and corruption was on the mega scale in the government institutions and departments. Therefore, people of Pakistan were compelled to live a life of poverty.

Pakistan's condition was economically going to worsen. It was on the verge of destruction. At the present, there is a certain type of unrest in public, young educated people are hopeless regarding their future and upcoming situations because of bad governance and corrupt leadership. Presently, Pakistan's GDP growth rate is lowering and going down day by day, therefore, these are results when you do not follow the fair just economic system which Islamic economics provides. Currently, the GDP growth rate in Pakistan is only \$4.45 per capita is low declining from \$6.00 generally nation always progresses over time; however, Pakistan always goes down and down.

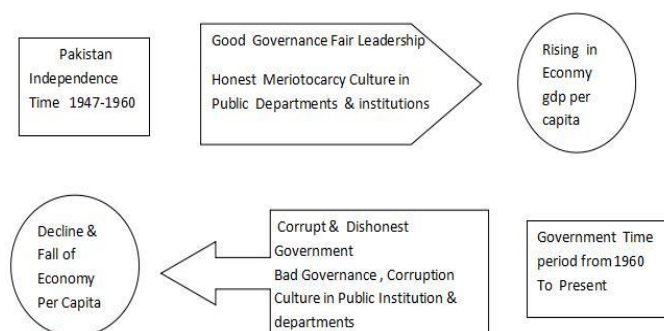


Fig 1.1.

### 2.2 Decline of Sri Lanka Economy

There are multiple reasons of Sri Lanka's Economy crashed. Sri Lanka's bankrupt is because of Political Elites and same like Pakistan's corruption culture and bad governance having these loopholes. Pandemic COVID-19 also affected the Sri Lankan economy badly. Sri Lanka also has a conventional economic system, therefore, it is clear now that in the conventional economic system, there are numerous loopholes and defects. Thus, a national economy can be destabilized at any time. If Sri Lanka uses the Islamic Economic System it will never face the challenges same as now.

### 2.3 Strength of Japan's Economy

Twenty years ago, the Japanese government reduced the interest rate by zero percent. After that Japan's economy started rising until now. Japan has one of the most powerful economy in the world. With the help of a zero percent interest rate, Japan's economy is out from inflation, unemployment, and other internal issues. This is just one instrument of Islamic economics and with the help of one instrument, Japan is included in three powerful economies in the world. The findings is indicated that Japan's economy stabilized and the inflation rate has decrease. Thus, this is all because they used the Islamic economic system and also fair and just governance. Now, a substantial number of countries have started to work on the Islamic economic systems, like China and many European countries. In Basel, they started work on the Islamic economic system.

## 2.4 Recent Conference in Pakistan about Interest Eradication,

Recently in Pakistan all ULEMA'S Religious Scholars conduct a conference for an interest-free economy in Pakistan, under the supervision of **Mufti Taqi Usmani** (DB), on November 30, 2022 (The News 01, Dec 2022). Mufti Taqi Usmai and all religious Ulema and Scholars emphasized the Current Pakistan Finance Minister to remove interest from Pakistan's economic system. They explained that because of the interest-free economy we are going down. Pakistan is completely grappled and heavily indebted by internal debt and international IMF debt. Thus, the whole country is in a financial crunch, businesses are slumped. A huge economic disaster is waiting for the country (Bloomberg, Oct 2022). Foreign investors are leaving the country and shifting their business to other countries. Overseas Pakistanis are also scared and insecure about the country's economic condition. They don't want to invest in the country. The real estate business is also in a slump. Pakistan does not have sufficient amount to payoff the loan of IMF. It is difficult to deposit this month's tranche to the IMF. These are happening because of the capitalist and conventional economic system for 75 years. Pakistan is suffering financially and economically. The main reason for Pakistan's problem is a capitalist economic system. About 5% of people are very rich and most of the country's wealth is in their hands. 65% of people are living below the poverty<sup>11</sup> (Macrotrends) line (A. H., 2009). Among 45% are those families who have food only for one time. Inflation and unemployment are increasing in the country, and most of the young people with a graduate degree are worried about employment and business. This all is happening because of the vicious circle of the economy in the country.



Image1: Conference of Interest-free economy in Karachi Pakistan, dated 30-Nov-2022



Image 2: All Pakistan Ulema Conference about Interest-Free Economy 30-Nov-2022

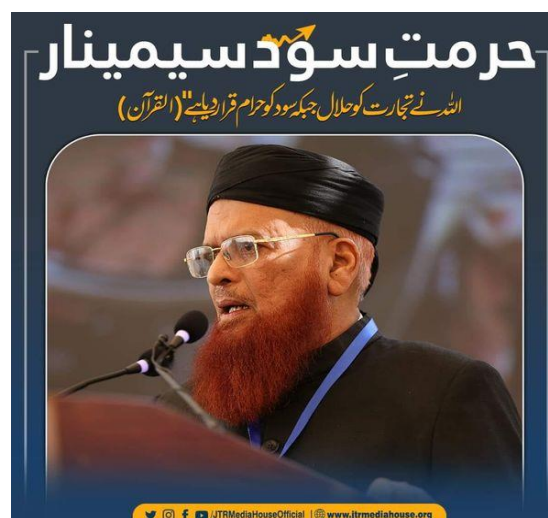


Image 3: Mufti Azam Pakistan Mufti Taqi Usmani (DB) ia addressing the Interest-Free Economy Conference, Karachi, Pakistan

### 3. Research Objective

- 1: Analysis of the Islamic economic system and its benefits for society and country
- 2: Implementation of Islamic economics and finding its results after implementing
- 3: Point out problems between capitalism and the Islamic economic systems
- 4: A short analysis of the failure of the capitalist system overall in the world
- 5: How the Islamic economic system and Modelling can provide welfare for people around the world
- 6: Cross-country conceptual analysis in the light of economic facts between the countries using Islamic economic instruments.
- 7: Application of Islamic Economic Modelling in the world cross-section country analysis (for future perspective).

### 4. Research Limitations and Challenges

In the current research, we applied the conceptual practical descriptive research method by using cross-country analysis of partial implication and non-partial implication of the Islamic economic system and their practical-based results amongst Pakistan, Sri Lanka and Japan. The purpose of the research is just to compare and be aware of the Islamic economic system results and its implications on a real time basis.

In our research, we did not cover Islamic Financial tools assets or instruments for economic modelling implications like Skuk, Islamic Equity Investment, Musharka, Mudarba or Murabaha and Takaful etc. Research studies need to highlight the Islamic economic system not criticize any other economic system like socialism and capitalism etc. The Islamic economic system can provide the paradigm as an alternative economic system in terms of methodology, banking framework, financial institution and governance system, and all other functional institutions we need to cover this topic for future research perspective (Azizzadeh et al., 2022; Alizadeh et al., 2020).

### 5. Methodology and Findings

In this research paper, as we discuss the Islamic economic system, therefore, we need to quote the references from the Holy Quran and Ahadith. Based on that we can conclude our findings.

1. Findings reveal that if we exactly follow the Islamic principles according to Quran and Sunnah, therefore, our life will be easy and relaxable.
2. If we follow the commandments of ALLAH S.W.T, therefore, there will be all economic systems will be resolved. In Holy Quran Almighty ALLAH says, “Whoever turns away from my remembrance I will make his sustenance difficult.” From the context of this verse, it reveals that we should follow the Islamic principles and teachings in every way of life and every situation of life because in another place ALLAH Almighty says, “A person should not think that my ALLAH is not giving me sustenance then s/he is angry with me, and another person should not think that my ALLAH is giving me a lot of sustenance, then ALLAH is pleased with me, however, the truth is that there is a test for both by giving sustenance to one and another.”
3. Adopting the Islamic economic system can easily remove the extravagance of daily life which is hollowing out our system.
4. Now countries are also thinking that we should back and start using the Islamic economic system. They already suffered a lot and they learnt from experience that the Islamic economic system is the best one that can uplift the country’s economy and can use for public welfare.
5. The first step of the Islamic economic system should be that the industry and academia research how to implement the model of the Islamic system in industry and academic institutions.
6. By using the Islamic economic system we can also save a lot of revenue that we are paying in the form of interest to the IMF and world bank.

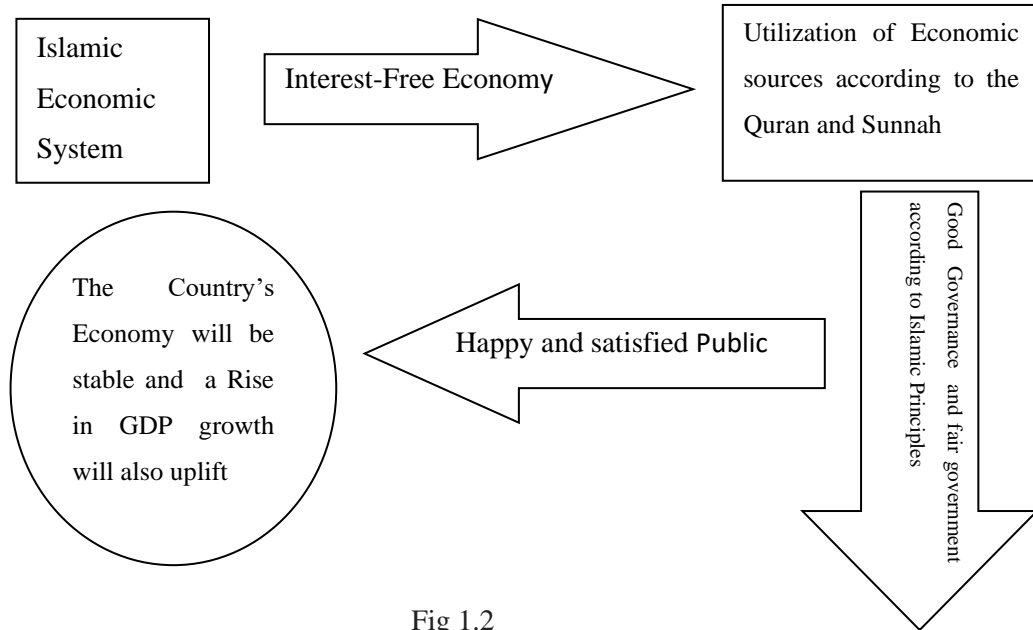


Fig 1.2  
Conceptual Model of Economic flourishing regarding Islamic economic system

## 5. Discussion

The Islamic model of the social framework is based on the following principles, which create more strength and positivism in economic activities. The concept of fair and equitable distribution of sources among the public more motivates:

1. A Muslim person always tries to sustain a balance between worship and work normally a single person offered 5-time prayers.
2. Brotherhood every one takes care of other and always try to avoid those things which hurt others,
3. Everyone is responsible in society for taking care of neighbours if the neighbour is poor everyone takes care of them.
4. Fair and just judicial system in Islam is the same for everyone. There is no distinction between rich and poor in Islam. Everyone has the same rights. No one is allowed to exploit the rights of others in terms of money property and any substance of life.
5. Satisfaction and happiness after worship of "bounties of Almighty ALLAH".
6. There is no sovereignty of individuals in terms of "self-interest" for the benefit of his family and other fellows just sovereignty belongs to Almighty ALLAH and all nations follow the rule of the Holy Quran and Sunnah.
7. Equal rights of men and women no one, black and white no racism everyone is equal.
8. No extravagance no gambling drinking no other bad work.

## 6. Conclusion

According to the above discussion and findings, it is concluded that Islamic economics is the best system in the world if it can be implemented. It is not only beneficial for the Muslim country but also for other countries. Islam's teachings reflect human nature. Applying a partially Islamic economic system produced good results, and according to our research, poverty can be eradicated as well.

In Islamic modelling, the economic system is strong and it has long-lasting impacts on human beings global. It will bring a welfare economic system for the world balance of economy. It can be maintained easily by applying some measures and Islamic tools.

Further, It can be analyzed and get more robust results when it is practically implemented in any country as a whole or partially, one thing noted here by applying partially or whole both aspects has impacts (Abbas, 2007). Applying partially can get partial results and by applying the whole system get benefits as a whole, therefore, it depends on practical implications (Faleel, 2014).

From a practical perspective, it can be seen the countries which have applied the Islamic economic system are leading a more relaxed and peaceful life compared to other countries which are not using the Islamic economic system. It is essential to the practical implications of the Islamic economic system not just only to present and explain the benefits we cannot gather proper existing evidence until to see the practical implications based on practical implications can be judged better and analyze the further aspects and deficiencies (Abbas, 2007; Nabhani, 1997).

### **Acknowledgement**

This is acknowledged that the current research topic above-mentioned title is a paper which purely obtains from our research and it is completely free from plagiarism and fabrication and has not been submitted before in any journal or outlet for publication purposes. We authorize and allow the “The International Journal of Economics and Management Studies (IJESM)” ISSN 2789-049X to publish this research under their copyrights and we will abide by the Journal rules and regulations.

Dr. MUHAMMAD ALI and Research Team

### **Author Contributions**

All authors contributed to the analysis and writing of the manuscript.

### **Funding**

There is no special funding provided for this research by our Institution in any form it is a pure effort of our mutual collaboration and funding.

### **Data Availability Statement**

All data used in this study are informed based on published literature.

### **Conflict of Interest**

It is gratefully acknowledged that there is no conflict of interest between authors from any aspect of research.

### **REFERENCES**

- [1] Abbas, M. (2007) An Introduction to Islamic Finance: Theory and practice. Practice, John Wiley and Sons Inc.
- [2] A. H. (2009). Daur-e-Hazir Kay Maali, Nizam aur Socialism ki Maali Taqseem. (books.nafseislam.com).Seoharwi, M.H.R. (Retrieved Islamic Banking. Karachi: Darul Ishaat.Zulfiqar,
- [3] Alizadeh, A., Chehrehpak, M., Nasr, A. K., and Zamanifard, S. (2020). An empirical study on effective factors on adoption of cloud computing in electronic banking: a case study of Iran banking sector. *International Journal of Business Information Systems*, 33(3), 408-428.
- [4] Azizzadeh, F., Islam M. S., Naushin N., Zupok S., Soboń D., Soboń J., Selezneva R., and Jadah H. M. (2022). Modeling employees' skills for sustainable banking services, *Frontiers in Sociology*, 7, <https://www.frontiersin.org/articles/10.3389/fsoc.2022.985158>, DOI :10.3389/fsoc.2022.985158

- [5] <http://rassegnastampa.mef.gov.it/mefnazionale/PDF/2009/2009-0304/200903...Eyub,M.International>,
- [6] Faleel, J. (2014). Economic Benefits of Following Islamic Principles, (www.dummies.com).Khan,
- [7] NJ. Mavdudi, S. A. A. (1996) Economic System of Islam, Kazi Publications., M. (1987) Theoretical Studies in Islamic Banking and Finance, Iris Books.
- [8] Nabhani, T. (1997) The Economic System of Islam. Al-Khilafah Publications, London. Zaman S. M. H.
- [9] <https://www.thenews.com.pk/print/1015587-resolution-presented-by-mufti-taqi-usmani>
- [10] <https://news.bloombergtax.com/daily-tax-report-international/pakistan-grapples-with-economic-challenges-in-2022-23-budget>
- [11] <https://www.rferl.org/a/pakistan-failing-economy/31272373.html>
- [12] <https://www.macrotrends.net/countries/PAK/pakistan/poverty-rate>
- [13] Valizadeh Gamchi, F., Gürünlü Alma, Ö., and Arabi Belaghi, R. (2019). Classical and Bayesian inference for Burr type-III distribution based on progressive type-II hybrid censored data. *Mathematical Sciences*, 13(2), 79-95.