

# The Role of Islamic Economic System in Tackling Poverty in a Society

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**Abstract:** - Poverty is regarded as a weapon of mass destruction in a society. It is also a major causes of social, Religious and political conflicts. It is pertinent to note that the conventional western base economic system has failed and the world is moving forward looking out for a strong and reliable system that will stand the taste of time. The west over a decade ago has suffered a lot on the issue of financial meltdown which resulted into objected poverty. This therefore is what prompted the research to examine the role of Islamic system in alleviating poverty in the society. The study use contest analysis in analysing the data and the corpuses is the Qur'an and Hadith of the prophet (S.A.W). The also find out that the existed economy system totally failed and there is need for remedy.

**Keywords:** Role, Islamic, Economic, Tackling, Poverty, Society

## I. INTRODUCTION

The term poverty is a universal word that affects significant parts of the world population in some quotas, poverty is being regarded as a weapon of mass destruction. The united nation describes the poor as those who live on less than a dollar per day. The poor people live below poverty line. Poverty in many countries of the world is the major causes of social, political and unrest.

The various modern economic systems practice in the west which is being borrowed by the Far East, the Middle East and African seems to have no solution to the problems of poverty. It is no longer a news the establishment of Islamic banking. In the west where there are few Muslims. The Islamic economic system is aimed at poverty reduction and improving the quality of life and equity in the society. There is the need to understand more of the roles of Islamic economic system in tackling the nagging poverty in the world, at the time when all other economic system failed in that direction. This is what prompted me to go for the study.

## II. OVERVIEW OF ECONOMY

The word economy is derived from Greek word (gikonomio) which refers to the management of a family or a house hold. One of the Greek scholar in this field @ AdamsS. 1923) define economics as a science of wealth which studies the process of production and accumulation of wealth. While the definition of Islamic economy; Islamic scholars have defined Islamic economy as follows:

Yusuf Qardawi, "the definition of Islamic economy is based on the divine economy. This system start from God, aims to end in God, and use the mean that cannot be separated from the sharia of God.

Manan M.A: defines Islamic economy as: "a social science that studies the economics problems of the people who were inspired by Islamic values".

In Islam ownership of wealth and resources belongs to Allah lord of the world. Allah says:

"وَلِلَّهِ مِيرَاثُ السَّمَاوَاتِ وَالْأَرْضِ" الحديد 10

"For to Allah belongs the heritage of the heavens and the earth" Qur'an ( 57 v 10)

A number of Islamic scholars and western thinkers have acknowledged that Islam has the progressive nature and recognised positive attitude towards prosperity.

Dana L.P. Asserts that religious are neutral and do nothing neither promote nor prohibit wealth acquisition. However other scholars strongly argue that Islam does not block development through private institutions and does permit entrepreneurship.

Islam has set the following ways to stamp out poverty' these includes: Zakat, Sadaqah, Waqf, Wasiyyah, Ganima, Jizya, fay`u, Mudaraba, Musharaka, etc.

## III. DIFFERENCES BETWEEN ISLAMIC ECONOMIC SYSTEM AND CONVENTIONAL ECONOMIC SYSTEM

The major differences between Islamic economic system and conventional economic system are in terms of Islamic lawful and unlawful activities. Islam has prohibited some unlawful financial activities which is regarded as haram in Islamic law, such as: Riba, gambling, fraud, sale of (Algarar), selling pork meet, usury and alcohol. In conventional economic system all these are accepted and practice in a society because the system was design to suite human mission and demand. While the Islamic economic system is a divine inspiration that purify human being in this world and here after, its standard is suitable to every nation at every giving time.

#### IV. THE DIRECTION OF ISLAMIC ECONOMIC SYSTEM AND CONVENTIONAL ECONOMIC SYSTEM

The direction and aims of the two economic system partially varies many times, the Islamic economic system led to success and lawful earning in this world and hereafter, and it also aimed at discouraging unlawful earning and spending. The system intended to serve Allah by following his guide and inspiration.

The direction of the conventional system is based on satisfaction in this world and has no focus on hereafter, and the system did not derived from any inspiration rather from the born of a human mine that can changed at any time due to absence of inspiration in the system. However, the system was unable to solve the economic crisis and challenges facing the entire world.

#### V. DEFINITION OF POOR

According to United Nation Millennium Development Goal (2005)

“The poor are defined as individuals living in households with command over no more than \$1 per day person valued at international price.”

*Definition of poverty in Islam:* in Islam poverty is “fakr” plural form “fukara” which means the inability of human being to sustain themselves.

#### VI. HOW ISLAMIC ECONOMIC SYSTEM REDUCES POVERTY IN A SOCIETY

Islam has designed some economic system that will help to reduce poverty in a society, practicing such system will have positive impact on economy apart from the reward from Allah lord of the world. The economic system set by Islam to reduce poverty are charitable and non-charitable endowment.

##### *Charitable Endowment*

Islam encourages Muslims to practice charitable endowment to strengthen their societal living and to empower their economic wellbeing. The act of charity in Islam was encouraged to help others to express mercy, brotherly love and affection to human for the sake of Allah.

*i- Zakat* (Hamza Afzat Butt 2016) “zakat is the obligation that an individual has to donate a certain portion of wealth each year to the poor”. Islam is religion of social practice that make zakat as one of its pillars so that society can impact on life of the poor. The main objective of paying zakat is to create balance in the society and prevent the poor and the needy to die on hunger, circulation of wealth of wealth in society will overcome or reduce the poverty rate.

*ii-Sadaqah:* is a voluntary offering which is considered as a sign sincere faith.

In Islam Sadaqah is different from zakat, it is not mandatory in any kind or amount of surplus wealth, furthermore no limit

or eligibility criteria for giving sadaqah to needy. Allah has granted Aljannah to those who spend their wealth in charity Allah says;

“وَالَّذِينَ صَبَرُوا ابْتِغَاءَ وَجْهِ رَبِّهِمْ وَأَقَامُوا الصَّلَاةَ وَأَنْفَقُوا مِمَّا رَزَقْنَاهُمْ سِرًّا وَعَلَانِيَةً وَيَذَرُونَ بِالْحَسَنَةِ السَّيِّئَةَ أُولَئِكَ لَهُمْ عُقْبَى الدَّارِ” (الرعد 22)

“And those who are patient, seeking countenance of their lord, and establish prayers spend from what we have provided for will have a good consequences of home “*Qur’an 13:22*”

Allah describes in the above mentioned verse the good qualities of his true believer who are always looking for his mercy, offer Sallah, spend form their wealth which we have provided then and they secretly and publically derived evil with good. Such people were granted a great reward which is Jannah.

Abu Huraira (R.A) reported Allah’s Messenger S.A.W says “charity (Sadaqa) does not decreases the wealth and servant who forgives, Allah add respect to him; and the one who shows humility, Allah elevates him in the estimation (of People).(Muslim 6264)

from the above verse and prophetic tradition we can comprehend that Islam has given us the way of impacting on the life of our fellow human being and boosting the economy of our society:

*iii. WAQAF:* waqaf literary means “detention” technically detention of speaker a property in the ownership of waqf and devoting its project in charity of poor or other good deeds.

Waqaf is also a source of revenue which is dedicated for supporting charitably welfare activities and it boost the circulation of fun in society. In the history of Islam, waqf has played a vital role in different aspect of life such as health, education e.t.c the system therefore contributes significantly to the economy of a state because of the massive reduction in government expenditure which will lower the government borrowing demand and higher burden.

##### *iv-Wasiyyah (Bequest/Wills)*

A will is a transaction which comes in to operation after the death of the testator. The prophet S.A.W has encourage Muslim to do bequest as stated in this hadith:

“It is a duty of a Muslim who has something to bequest not to let two right pass without writing s bequest about it” Bukhari.

The Wasiyyah gives the testation an opportunity to help the needy, who is not entitled to inherit from his wealth. In Islamic law the power of the testator is limited by Sharia, he cannot bequest more than 1/3 of his property neither can be make a bequest in the favor of a legal heir.The Wasiyyah

contributes significantly to the economics of receipts and it also reduces the burden on the recipient.

#### *Non Charitable Endowment*

##### *i- Trade and commerce:*

Islam encouraged Muslims to engage themselves in work general and in commerce, in particular.

Due to the vital significance of trade in human life, Islam considered trade as a legal and lawful way of earning money.

The aim of Islamic trade and finance is basically based on benefiting the humanity and boosting economy of a society.

**ii-Qard:** Alhassan (Loan) a QardAlhassan is a non interest loan extended to a borrower for a specified period of time; the borrower is only required to repay the original amount of the loan given to him”

(Muhammad Delwar Hossain Qard Al-Hassan Practical Approach)

It is an interest free loan to the needy to cater for his needs, such as hospital expenses, rent expenses, educational expenses etc. non interest loan reduces the financial burdens on the borrower.

*iii- Mudaraba:* is partnership where capital is provided, in cash or assets (debt is unaccepted) while the other partner will do the actual work, the owner of capital allows another party to invest in his institution on profit and loss sharing principle. Mudaraba contracts can also serve as source of funds for a government and individual.

*iv-Ijarah:* ownership of a right to a benefit of using an asset for a period in return for a consideration. Leasing and lease ending with ownership

*v- Musharaka:* is a joint enterprise or partnership structured in Islam, in which partners share in profits and losses of an enterprise according to the ratio of the contribution.

*vi- Salam:* is an Islamic contract in which payment is made in advance for specific goods, to be delivered at a future date. That is finance against future delivery sale.

*vii-Ganima:* it is what is gained from the wealth of the people of war.

*viii- Jizya:* refers to what is received from the people of book, mushrikun and kuffar every year in return for their being allowed to settle in Muslim lands, and in return for protecting them against those who would commit aggression against them.

*viii-fai`:* is a booty taken from a country which submits to Islam without resistance, as distinguished from ghanimah.

## VII. CONCLUSION

The role of Islamic economic system is to tackle poverty in human life, the system is based on the ability of society to meet its minimum and basic needs from a specified activity or meet national challenges and obligations. The simplest way of tackling poverty in Islam is the fear of Allah, give zakat, sadaqah and avoid any other means that jeopardize the economy of the less privileged and poor in the society. This helps alleviate poverty in a society.

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