

# Islamic Perspective on Economic Development

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**Abstract**—*There is a need for introducing Islamic ideas and values in the teaching of economic development. Behavior assumption of conventional economics do not all applies to behavior required of Muslims by their religion. Assuring average level of compliance with Islamic injunction. This has important implication for Microeconomics. Public expenditure in an Islamic economy, an Islamic evaluation of contemporary taxes of zakat pre discussed in the context of teaching public finance. International economic relations and issues in development economics are discussed in the third world perspective within the framework of Islam. The issue of free trade versus protection, issues relating to economic development and political of Islamic modes of economic is examined. Islam has the put down the principles of social and economic justice, brotherhood, rules of earning and spending duties and responsibilities of individual and state for smooth running of social and economic system. Islam is a universal religious; therefore, it brings prosperity and economic growth all over the world.*

**Keywords:** *Economic development, Islam and Qur'an, Islamic economics*

## 1. INTRODUCTION

This paper deals with the concept and objectives of economic development an Islamic perspective and discusses also a few related issues the quit ion of motivation. The role of state and the population problem, the secular concept of development continues to only take note of the mundane aspect of human existence. Islam sees development as the growth of human personality. Wherein material progress serves as a means for attaining the spiritual heights. A selective increase in consumption may promote, not retard. Development ethical attitude can raise work effort levels and the sharing principle may increase overall productivity. The broad objectives of development-growth, employment stability, distributive justice, self-reliance and environmental care, as also the tradeoffs between them are discussed from an Islamic view point. Multiplicity of motives rather than self interest as regulator of human conduct in the development effort is emphasized. Islam adding to them an ethical dimension.

Economic development has been defined by modern economist as the process of societal transformation in which social and economic conditions of human societies and communities change over time. Development economics is the study of this change. In the latter part of the dominant neo-

classical paradigm of economic development has evolved through different stages, reflecting different shifts in theory and policy measures for industrializing the agrarian economies of development societies. When the initial emphasis of this paradigm was on the efficient allocation of the given resources, the problem of development was theoretically based on the demand and supply equilibrium. Later emphasis shifted to recourse creation and mobilization, capital formation etc.

In their basic approach to study all these economics theories, strategies and policies of economic development relating to this analytical paradigm, economists separate issues of religious faith from economic problems since both belong to different domains. Islamic economist however fuses religion and economics together. In Islam the concept of development centers on two broad aspect of its belief system the divine and the human as also the relationship between them. It takes life as a whole and as part of its unitary view of the universe it does not consider the maternal and moral aspect of human existence in isolation of one from the other. Not even conceptually, or for the sake of convenience. Such separation from the Islamic viewpoint would be like decomposing the health giving common salt into its deadly components-sodium and chlorine. Asceticism is suffering and stagnation amoral materialism is exploitative and anarchic. Both are unacceptable to Islam as conducive to human development. The Islamic position is that man was created to operate as the vicegerent, the trust keeper and the co worker of God on the earth (al Qur'an 2:29, 6:165, 8:27). To this end, he was made the best of all creation, and with a combination of the dust and divine spirit.

## 2. THE CONCEPT OF ECONOMIC DEVELOPMENT IN MAINSTREAM ECONOMICS

The earliest concept of development was interpreted in terms of growth of output over time and later in terms of per capita output. The terms growth and development were used interchangeably. Economic development is thus a multivariate concept; hence there is no single satisfactory definition of it. Economic development is a process where 49 low income national economies are transformed into modern industrial economies. It involves qualitative and quantitative improvements in a country's economy. Political and social

transformations are also included in the concept of economic development in addition to economic changes. Literally, economic development can be defined as “passage from lower to higher stage which implies change”.

Charles P. Kindleberger and Bruce Herrick (1958) point out: “Economic development is generally defined to include improvements in material welfare especially for persons with the lowest incomes, the eradication of mass poverty with its correlates of illiteracy, disease and early death, changes in the composition of inputs and output that generally include shifts in the underlying structure of production away from agricultural towards industrial activities, the organization of the economy in such a way that productive employment is general among working age population rather than the situation of a privileged minority, and the correspondingly greater participation of broad based groups in making decision about the direction, economic and otherwise, in which they should move their welfare”. Consequently in the words of Meier (1964), “economic development is a process whereby an economy’s real national income increases over a long period of time”. This definition fails to take into account the changes in the growth of population. If a rise in real income is accompanied by faster growth in population there will be no economic development but retardation. Thus, some economists define economic development in terms of an increase in per capita income.

Drewnowski (1966) defines development in terms of economic and social welfare, “In the standard of living of people economic development is supportive and it involves increased per capita income and creation of new opportunities in education, healthcare, employment sectors. Development is of limited significance if it does not lead to economic welfare. Economic development implies increased per capita income and reduced income inequalities and satisfaction of the people as a whole”. In 1970’s redistribution from growth became a common slogan.

Dudley Seers (1972) raised the basic question about the meaning of development succinctly when he asserted questions about a country’s development, such as “what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond this constitutes period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result development even if per capita income doubled”. Further, for understanding the meaning of development Goulet (1971) considers three core values as an important basis and guideline:

### **3. THE ISLAMIC CONCEPT OF ECONOMIC DEVELOPMENT**

Islam is an art of living, not a science. What do we do if the science of economics is to be studied so that it can be helpful

in the Islamic art of living? Obviously it requires taking salient features of that art into account. We do it at two levels. In theory and analysis these features tell us what is relevant. In policy these features tell us what is important to achieve and what means are available. Man as observed behaving and man as he ought to behave in accordance with Islamic teachings, both need be kept in focus. The science of economics helps in the first task, knowledge of Islam helps in the second. But the two are not in separate watertight compartments when it comes to Muslim behavior. In this case what is observed already has some impact of that knowledge. The impact would differ from time to time, place to place, even from person to person. But a mental exercise, that is, our imagination, can help us guess the likely impact, broadly stated so as to accommodate these differences. Economics as we know it is not built on observing the behavior of Muslim peoples. Despite its claims to universality, it is built on observation of, and imagining of, the behavior of people in the British Isles and western Europe in the 17th century onwards and, lately, in North America. Microeconomic analysis in Islamic perspective has to make up for this deficiency. Our method of doing so is to imagine a people working under the influence of Islamic teachings. We shall also supplement this by historical evidence of Muslim behavior. Also current data on Muslim behavior will be utilized. The salient features mentioned above include Islamic norms of behavior and goals of Islamic society. Economics in the classical period comprised positive as well as normative studies. It also discussed policies through which society could achieve its goals. These studies still continue, providing teaching of economics in Islamic perspective a vast space. The Islamic perspective can bring its own light into relevant areas of positive and normative economics, along with policies designed for Muslim societies of the day.

The starting point in teaching economics in Islamic perspective is to view man as a whole and his chief concern in life. Survival-with- dignity comes first, but it should mesh in with man’s goal according to Islam: seeking the pleasure of God through submission to His will and pursuit of such ends and values as would please Him. These extend beyond personal interests as they focus on ordering human life on earth in accordance with divine guidance. Since such a mission necessitates a vigorous and 4 efficient life, Islam’s concern with man’s economic life extends beyond need fulfillment to increase in resources and their utilization for the good of humanity. Starting from needs and their fulfillment, economics in the Islamic perspective has to encompass the vast expanse of economic activities born of value oriented development. Environmental balance, distributive justice and aesthetic and spiritual progress are important aspects of the desired economic well-being. All this is predicated on freedom in submission to God or what amounts to the same, freedom in pursuit of value, as it is the very essence of being human.

#### 4. ELEMENTS OF ECONOMIC GROWTH AND HUMAN DEVELOPMENT

Islam explains the principles of social and economic justice, concept of halal and haram, role of state and responsibilities of individual for the utilization and best allocation of resources to bring economic growth and prosperity in the society. The various mechanism of the natural environment serves the humanity and their best utilization brings welfare and prosperity in this world. There are some elements that are considered by shariah as a unique perspective of Islam in matters of value society and these elements are necessary for social cohesion.

ISESCO (2005) explain the need and importance of social cohesion. It describes that Islam has called for society cohesion more than one thousand four hundred years ago. Shariah emphasizes the inspiration of cohesive society as it is the process of augmenting a society of shared values, shared challenge and equal opportunities. God says “o mankind! Verily, we have created you out of a male and female, and we have made you into nations and tribes, that you may know one another; indeed, the noblest of you in the sight of God is the most conscious of Him. Verily, God is All-knowing”. Qur’an (13:517). “And among His signs is the creation of the heavens and the earth, and the differences of your languages and colors, Verily in that are signs for men of sound knowledge” Qur’an (30:22,406).

Fakir (2002) in the context of responsibility (Faradh) highlights that individual and society has responsibility to use the welfare in a responsible way. Human development and economic growth in any society will only occur if the it’s individual and state is responsible. Humans are responsible as they are God’s vice-regents (Kalifah) for the care of the earth. Allah says in the Qur’an: It is God who has created for you all things in the earth and remember when your Lord said to the angels: Verily, I am going to place a viceroy (mankind) on earth.’ They said: ‘Will you place there in those who will make mischief there in and shed blood, while we glorify you with praise and sanctify you?’ God said: “Verily, I know better what you do not know” Qur’an (2:29-30:5-6). Cone (2003) discusses that the stress on individual responsibility is seen to be realized in the function of understanding of mankind creation. In all circumstances there is a pressure on Muslims to act in accordance with their understanding. Salleh (1992) observes that in Islamic perspective the empowerment means the Heretic decision making of all levels of the Islamic society. It applies collectivity to the decision making on social matters. Such a cure of Shura is closed to its meaning in the Quran: “And who (conduct) their affairs by mutual consultation” Qur’an (42, 38:487). According to UNDP (1995) “human beings should fully participate in decision making and implementation in their life”. This statement explains the importance of Empowerment (Shura).

Equilibrium (Akl’adl wal ihsan) is desirable to achieve human development and economic prosperity in any society. Fakir (2002) says that individuals have the freedom to act, but must do so with

Manner from which the welfare of the present and future generation is achieved. God says “if you loan to Allah beautiful loan. He will double it in your credit, and He will grant your forgiveness”.

Endowment (Al-Wqaf) is also a basic element of welfare of the society. According to ISESCO (2005) Islam has endeavored to fight against poverty. This fight can either occur through a source

Of income for a person, or through government assistance and unique to Islam and that ensures that man is free from the shackles of poverty. Allah says in Qur’an: “Give your kinsman his due, and

The needy, and the way-farer, and squander not (your wealth) in wantonness. Indeed, the squanderers are brothers of the devils, and the devil is ever an ingrate to his lord” Qur’an (17: 26-27: 285).

Zakat is one of the five basic principles of Islam. Zakat provides a vital mechanism for addressing social welfare issues. In Shariah; the word zakat refers to the determined share of wealth given by Allah to be distributed among the categories of those allowed to receive it. It is used to mean the action of payment of this share. All Muslims are required to sacrifice at least two and half per cent (2.5%) of their income to the poor people. Zakat enables to fulfill the social and moral objectives of an Islamic society. It has a moral purpose with respect to the individual. Matthews et al. (2003) analyzes that the social objective of Zakat is to eliminate poverty and to desire for personal accumulation at any cost and to encourage socially orientated behavior.

The objective of the present study is to explain the concept of human development and economic growth in the light of Islamic teachings. The study also explains the impact of religion on

Economic growth and moral values in the light of related literature. The moral values provide the basic foundations to any society. The related literature to the topic is provided in the next section.

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