Fundamentals of Islamic Economic System

The fundamentals of the Islamic economics start with the differences it has with the capitalistic, communistic, socialistic, and other mixed types of economic engines that have existed over the past centuries. Islamic economics incorporates at least seven major characteristics that in some ways mirror their capitalistic and socialistic counterparts, but are still unique and vibrant to the economic system of Islam.

The system itself consists of organizations, institutions, and social values that exemplify the production, exchange, and consumption of goods and services. Those who follow Islam are encouraged to lead a life of material gain in a way that it shows respect for others, makes their place secure in the world, and provides a source of happiness for their families.

7 Major Characteristics of Islamic Economic System

What follows are the seven (7) major fundamentals of Islamic Economic System.

1. Consumption

Basic consumption is a fundamental part of all economies, including those who follow Islam. People have needs and businesses exist to fulfill them either through goods or services.

2. Government Services

The government serves to keep down activities that are considered non-Islamic in nature such as the black market, gambling, smuggling, and similar activities. In addition, the poor have their basic needs fulfilled in terms of basic life necessities such
as food, health, and clothing. Also, there is a requirement for equal opportunity employment and security so that everyone has a chance to work and prosper.

3. No Interest

The economies of the Islamic state should run without interest, which means that the financial system does not use interest as part of the lending procedures when running their banks and financial institutions.

4. Private Property

This is encouraged, although the property itself cannot be used against the interest of the public. The payment of Zakat for the ownership of the property is mandatory.

5. Production

As with capitalistic systems, production is an essential element as it not only addresses the needs of consumers, but also provides employment and opportunity. Under the Islamic economic system, production is part of the social fabric which makes it vital to society and includes a price system.

6. Wealth

The acquisition of wealth is not discouraged, although it does include a payment of Zakat. It should be noted that the purchase of luxuries is not encouraged either, so the focus of the wealth is more along the lines of the greater good for the family and community.

7. Zakath

This is a major resource for the stability of poor in the Islamic society. It regards as a type of worship, in which a proportion of wealth collected from the rich and given to the poor on an annual basis. This also provides support to the state by reducing number of needy people.
Conclusion

The Islamic Economic System is markedly different to capitalistic, socialistic, communistic, and mixed economic systems. Basic principles of capitalism must be changed considerably to fit Islamic economics, but it must be said that some of the foundations are similar in terms of acquisition of wealth. However, it is the application of the wealth and how it ties into production that makes the economic system of Islam unique in the world. Professionals willing to join Islamic finance industry, may learn and understand Islamic financial system by studying AIMS’ Islamic banking course, which is a part of MDIF – our Diploma in Islamic finance.